SPRINGER
REFERENCE

Alejo José G. Sison   *Editor-in-Chief*
Gregory R. Beabout
Ignacio Ferrero   *Editors*

Handbook of Virtue Ethics in Business and Management

🐴 Springer

International Handbooks in Business Ethics

Volume 1

Series Editors
Luc van Liedekerke
University of Antwerp
Antwerp, Belgium

Christoph Luetge
Technische Universität München
Peter Löscher Chair of Business Ethics
München, Germany

Alejo José G. Sison
School of Economics and Business Administration
University of Navarra
Pamplona, Spain

Business ethics as a field of teaching and research has expanded and diversified tremendously over the last decade. The new research spans a large diversity of fields: corporate governance, corporate responsibility, citizenship, financial ethics, HR, international management, leadership, virtues, religion, SMEs, values based management, and marketing, to name but a few. Business ethics has also turned into an interdisciplinary field, without however losing its philosophical foundation. The **International Handbooks in Business Ethics** series identifies crucial areas in business ethics research and dedicates a handbook to it. It will draw upon the leading international scholars in each field and reflect the diversity in research methods. Each multivolume handbook contains the fundamental questions being posed, reflects the state of the art of the research at this moment as well as the most important research results over the past decade. In this we cover what has been learned as well as the major challenges we face for the future. Topics in this series are identified from discussions with leading scholars. Each handbook will be directed and compiled by a handbook editor working in close cooperation with the series editor to ensure the appropriateness of the contributions as well as the consistency over the series volumes. The handbooks will be published in both print and electronic versions.

More information about this series at http://www.springer.com/series/10788

Alejo José G. Sison
Editor-in-Chief

Gregory R. Beabout · Ignacio Ferrero
Editors

Handbook of Virtue Ethics in Business and Management

With 65 Figures and 10 Tables

Springer

Editor-in-Chief
Alejo José G. Sison
School of Economics and Business
Administration
University of Navarra
Pamplona, Spain

Editors
Gregory R. Beabout
Department of Philosophy
Saint Louis University
St. Louis, MO, USA

Ignacio Ferrero
School of Economics and Business
Administration
Business Department
University of Navarra
Pamploma, Spain

To our families, our first schools of virtue

A General Introduction to the Handbook on Virtue Ethics in Business and Management

The objectives of this Handbook are threefold. Above all, it seeks to provide a convenient reference work on the virtue ethics approach to business and management, following both historical and systematic modes of inquiry. In order to do this, however, it first has to identify the major authors and schools of thought as well as their most significant contributions to virtue ethics scholarship. This constitutes the second, subordinate goal. Thirdly, and as a consequence of the above, this work also strives to critically examine the distinctive virtue ethics responses to the global challenges that managers and business organizations face in the twenty-first century.

Among academic philosophers working in the mainstream of the English-speaking world, virtue ethics had all but disappeared until the publication of G.E.M. Anscombe's article, "Modern Moral Philosophy" (*Philosophy*, 33: 1–19) in 1958. Dominant then in the academe were deontology (Kant) and utilitarianism (Bentham and Mill). Certainly, there was hardly a monolithic position characterizing either one of these schools. Yet Anscombe, nonetheless, found Kant's core idea of "legislating for oneself" to be quite absurd, because legislation required acknowledging a power superior to one, she argued, and given Kant's agnosticism, such a recourse to a "supreme law-giver" had become in fact impossible. At the same time, she was equally critical of the utilitarian alternative. She held that ethics entailed that certain actions were forbidden in themselves regardless of consequences, such as dropping a bomb on an innocent civilian population just so that their army might capitulate. Nevertheless, Anscombe did not directly endorse the development of virtue ethics, due to what she perceived to be a lack of an "adequate philosophy of psychology."

The virtue ethics amnesia afflicting moral philosophy in general affected business and management ethics as well. Deontology, which evaluates behavior exclusively in its conformity with universal rules of justice and rights, without reference to context or outcomes may have prevailed in theory, but utilitarianism, which judges action through a cost-benefit analysis, without regard for norms or values has dominated in practice. Anscombe herself had identified many of the difficulties that beset virtue ethics. Firstly, the meaning of virtue in contemporary society was no longer clear. Neither were there satisfactory accounts of basic concepts of moral psychology such as "intention," "desire," "motive," or "action." Instead, there was

widespread disagreement in the meaning and even of the existence of virtue-related notions such as "human nature" and "flourishing."

Notwithstanding these deficiencies, we still think that virtue ethics is a valid and excellent option for ethics in general and for business ethics in particular, primarily because it integrates the advantages of both deontology and utilitarianism while providing cogent responses to the criticisms or objections arising from each one. Virtue ethics, like deontology, subscribes to universal principles, and, like utilitarianism, it considers overall results. But unlike deontology, virtue ethics pays attention to the particulars of agents (motives, intentions, habits, character, relationships) and actions (circumstances, community), and unlike utilitarianism, it maintains that exceptionless prohibitions do exist. Quite distinctively, virtue ethics establishes a two-way causal relation between what the agent does and who that agent becomes. We believe that these combined features make virtue ethics a more integrated, balanced, and nuanced framework than either deontology or utilitarianism from which to evaluate human action.

Part I begins with a historical introduction and chronology of the development of virtue ethics, providing a comprehensive assessment of its evolution and identifying the most influential authors and works. These may be divided into authors who follow (1) a philosophical or conceptual tradition in their treatment of virtue and those who belong to the research traditions of (2) social science and positive science, in particular, empirical, quantitative, and applied psychology.

Following are some of the issues discussed. It is indeed noteworthy that Aristotle, to cite an ancient author, or MacIntyre, to cite a modern one, be called upon to provide a basis for virtue ethics applied to business, given their highly critical views of a "life dedicated to money-making" and capitalism, respectively. From this perspective, it seems to make more sense to have recourse to Adam Smith who, after all, is the father of modern economics and the philosopher of modern commercial society *par excellence*. Yet how are we to reconcile a purported Smithian virtue ethics with the utilitarian currents underlying *The Wealth of Nations*? Would the recourse to a complementary *Theory of Moral Sentiments* be enough to warrant such an attribution? Virtue ethics has often been aligned and identified with Catholic Social Teaching. But Catholic Social Teaching unequivocally presents itself as part of moral theology. Does that not constitute an important limitation to virtue ethics' claims of universality? Consistent with most legal thinking is Natural Law theory's focus on setting the minimum or lower limits of what is tolerable or acceptable behavior in society. So what are we to make of New Natural Law theory's claims not only to promote virtue in business and economics but also to create wealth? Although feminist ethics and the ethics of care may not share many of the assumptions of traditional virtue ethics, they nonetheless have in common a sensitivity to particulars and a reproval of abstract principles of justice. Similarly, Confucianism, with its emphasis on the collective, such as the family or society, over the individual, and its unrelenting search for the ideal of harmonious living.

Occupying the front and center of the Austrian School of Economics' attention is the individual acting person, in its search of a universal logic of freedom. These behavioral rules manifest themselves primarily in the market. How can the market be

supportive, rather than hostile, to virtue? As philosophers team up with welfare economists, political scientists, and sociologists in developing a capabilities approach to the objective of "integral human development," what new insights can be gained regarding virtue's role? Can virtue be accounted for in accordance with the empirical, quantitative, and predictive paradigms of modern scientific psychology? Is virtue a character and personality trait or simply a beneficial outcome of the situation or environment? Beyond the treatment of pathologies, how useful are the virtues in enabling human beings not only to do well, but also to do good, in accordance with the aims of Positive Organizational Scholarship?

Part II continues with systematic approaches and major themes developed in virtue ethics. Contributions here may be conceptual, empirical, and applied or case studies. A first group deals with different topics to which virtue ethics has been applied; a second group, with how virtue ethics has influenced various operational areas or departments of the firm; and a third group, with virtue ethics responses to some of the major issues currently besetting businesses and organizations.

Thus we consider whether the attribution of virtues to both individuals and organizations is univocal, analogical, or simply metaphorical, and equivocal. We also return to the old Socratic chestnut of whether virtue can be taught, and if so, how, given today's pedagogical methods. We analyze how virtue affects simultaneously an agent's knowledge and desires, such that it alters the whole decision-making process. We look into the relationship between the intellectual virtues and moral virtues, on the one hand, and human flourishing or *eudaimonia*, on the other. We examine the possibility of "virtuous jurisprudence," in a manner that preserves personal autonomy and the good. We study how, from an unlikely Weberian framework, virtue interrelates with spirituality and management, particularly in the case of *The Protestant Ethic and the Spirit of Capitalism*. And we realize how genuine leadership is revealed not only in grandiose feats or conquests but also in ordinary gestures where virtue can be embedded.

Still within the principal-agent relationship in which corporate governance is cast, we delve into the "board-level" virtues and their repercussions for organizations. We enumerate the most significant virtues in marketing, such as honesty, fairness, respect, and so forth, as well as opposing vices, such as "greenwashing," with special reference to children and other vulnerable populations. Friendship is put forward as a practical model for collaborative supply-chain management. Virtues are incorporated into organizational ethics to enhance human resource management policies. And the different virtues needed for creating, sharing, absorbing, and using knowledge in the information and communication technology sector (ICT) are explained.

An essay on the virtue of global solidarity defined as "love for the common good" anchors one of the final sections. We learn about the most important virtues – justice, moderation, magnificence, magnanimity, liberality, and generosity – for institutions such as the State and the market. We get a glimpse of what "virtuous sustainable development" could be like.

In this way, we hope to offer a comprehensive view of the state of virtue ethics scholarship in business and management without untowardly sacrificing depth, pluralism, and nuance.

Now comes the most pleasant task of acknowledging our gratitude to all the people who have generously collaborated with us in this project: contributors; section editors; our copy editor, Mary Baker; and our editors at Springer, especially Annalea Manalili, Michael Hermann, and Neil Olivier.

This would not have been possible without you. It is as much yours as it is ours. Thank you very much.

<div align="right">

Alejo José G. Sison
Editor-in-Chief

Gregory R. Beabout
Ignacio Ferrero
Editors

</div>

Contents

Section II   Systematic Approach

Series Editors

Christoph Luetge holds the Peter Löscher Chair of Business Ethics at Technische Universität München. He has written and edited a number of books including *Order Ethics or Moral Surplus: What Holds a Society Together*? (Lexington, 2015), *Experimental Ethics* (co-editor, Palgrave, 2014), and *Handbook of the Philosophical Foundations of Business Ethics* (editor, Springer, 2013). He has published numerous articles on various aspects of business ethics, general ethics, political philosophy, and philosophy of economics. He has a particular interest both in experimental studies as well as in the role of competition for ethics. He founded the Munich Lecture in Business Ethics series and serves as a member of the Ethics Advisory Board of the European Medical Information Framework and of the Advisory Council of the Bavarian School of Public Policy.

Luc Van Liedekerke holds the BASF-Deloitte-Elia Chair on Sustainability, a joint project between Antwerp Management School and the University of Antwerp.

He holds an M.Sc. in Economics and a master's degree in Literary Studies of the University of Leuven and received his Ph.D. in Philosophy at the Institute of Philosophy, Catholic University of Leuven. Through his work as founding member and outgoing president of the European Business Ethics Network (http://www.eben-net.org/), the largest and most important academic network in business ethics, and his directorship of the Centre for Economics and Ethics, KULeuven (http://www.cee.be/), Luc Van Liedekerke is considered as one of the main experts on corporate responsibility issues in Belgium and abroad. He published extensively on business ethics, CSR, and financial ethics and teaches business ethics at the universities of Leuven and Antwerp.

Alejo José G. Sison Ph.D., is Professor at the University of Navarra where he teaches in the School of Economics and Business, and in the Institute for Enterprise and Humanism. He was president of the European Business Ethics Network (EBEN) between 2009 and 2012.

He began his teaching career at the University of Asia and the Pacific (Manila). In 1997, he was appointed Fulbright Senior Research Fellow and Visiting Scholar at

Harvard University. Since then, he has received fellowships from the 21st Century Trust Foundation (London); the Academic Council on the United Nations System (Yale University); the American Society of International Law (Washington, DC); the Salzburg Seminar, Bentley University (Waltham, MA); the Policy and Leadership Studies Department of the National Institute of Education, Nanyang Technological University (Singapore); and the Institute of Education of the University of London. He became editor of the Philosophical Foundations section of the *Journal of Business Ethics* in 2009 and joined the editorial board of *Business Ethics Quarterly* in 2011.

His research deals with the issues at the juncture of ethics with economics and politics, such as the virtues and the common good. His book, *The Moral Capital of Leaders. Why Virtue Matters* (Edward Elgar, 2003), has been translated into Spanish and Chinese. In 2008 he published *Corporate Governance and Ethics: An Aristotelian Perspective* (Edward Elgar) with a foreword by Prof. Jeffrey Pfeffer (Stanford University). His latest book *Happiness and Virtue Ethics in Business. The Ultimate Value Proposition* (Cambridge University Press, 2015) defends the critical role of the virtues in modern happiness studies.

About the Editor-in-Chief

Alejo José G. Sison, Ph.D., is Professor at the University of Navarra where he teaches in the School of Economics and Business, and in the Institute for Enterprise and Humanism. He was president of the European Business Ethics Network (EBEN) between 2009 and 2012.

He began his teaching career at the University of Asia and the Pacific (Manila). In 1997, he was appointed Fulbright Senior Research Fellow and Visiting Scholar at Harvard University. Since then, he has received fellowships from the 21st Century Trust Foundation (London); the Academic Council on the United Nations System (Yale University); the American Society of International Law (Washington, DC); the Salzburg Seminar, Bentley University (Waltham, MA); the Policy and Leadership Studies Department of the National Institute of Education, Nanyang Technological University (Singapore); and the Institute of Education of the University of London. He became editor of the Philosophical Foundations section of the *Journal of Business Ethics* in 2009 and joined the editorial board of *Business Ethics Quarterly* in 2011.

His research deals with the issues at the juncture of ethics with economics and politics, such as the virtues and the common good. His book, *The Moral Capital of Leaders. Why Virtue Matters* (Edward Elgar, 2003), has been translated into Spanish and Chinese. In 2008 he published *Corporate Governance and Ethics: An Aristotelian Perspective* (Edward Elgar) with a foreword by Prof. Jeffrey Pfeffer (Stanford University). His latest book *Happiness and Virtue Ethics in Business. The Ultimate Value Proposition* (Cambridge University Press, 2015) defends the critical role of the virtues in modern happiness studies.

About the Editors

Ignacio Ferrero is Professor of Business Ethics and the Dean of the School of Economics and Business Administration at the University of Navarra. He has been Visiting Scholar at Bentley University, Harvard University (Real Colegio Complutense) and Notre Dame University (Mendoza College of Business). He has published several books on the History of Economic Thought and articles in such academic journals as *Business Ethics Quarterly*, *Journal of Business Ethics*, *Business Ethics: A European Review*, and *Business and Society Review*. He is currently working on virtue ethics and the common good in finance, and he is cofounder of the research group on virtue ethics in business and management, with a worldwide network of collaborators. He holds a B.S. in Philosophy and in Business Administration (University of Navarra) and a Ph.D. in Economics (University of Navarra).

Gregory R. Beabout Ph.D., is Professor of Philosophy at Saint Louis University. Informed by his engagement with the history of philosophy, some of his work involves applying personalism and the tradition of the virtues to business and the professions. His books include *The Character of the Manager: From Office Executive to Wise Steward*; *Ethics: The Art of Character*; *Beyond Self-Interest: A Personalist Approach to Human Action*; and *Applied Professional Ethics*. He has received many awards for his teaching, and he has been part of the Ethical Leaders in Business Learning Community at SLU. He serves on the steering committee of the International Society for MacIntyrean Enquiry, has worked with the Humanistic Management Network, and is part of the Research Group in Virtue Ethics in Business based at the School of Economics and Business of the University of Navarra in Pamplona, Spain.

Editorial Board

Contributors

Maria Sophia Aguirre School of Business and Economics, The Catholic University of America, Washington, DC, USA

Grant C. Aguirre-Y-Luker University of Central Oklahoma, Edmond, OK, USA

Helen Alford Faculty of Social Sciences, Pontifical University of St Thomas (The Angelicum), Rome, Italy

Miguel Alzola Department of Legal and Ethical Studies, Fordham University, New York, NY, USA

Javier Aranzadi Department of Economic Theory and History, Universidad Antónoma of Madrid, Ciudad Universitaria de Cantoblanco, Madrid, Spain

Surendra Arjoon Department of Management Studies/Arthur Lok Jack Graduate School of Business, The University of the West Indies, St Augustine Campus, Trinidad

Jordan J. Ballor Acton Institute for the Study of Religion and Liberty, Grand Rapids, MI, USA

Miquel Bastons School of Economics and Social Sciences, Universitat Internacional de Catalunya, Barcelona, Spain

David C. Bauman Regis University, Denver, CO, USA

Gregory R. Beabout Department of Philosophy, Saint Louis University, St. Louis, MO, USA

Ron Beadle City Campus East, Newcastle Business School, Northumbria University, Newcastle upon Tyne, UK

Erica Beall Department of Psychology, University of Southern California, Los Angeles, CA, USA

Christian U. Becker College of Business, Colorado State University, Fort Collins, CO, USA

Raymond Angelo Belliotti The State University of New York at Fredonia, Fredonia, NY, USA

Nisigandha Bhuyan Indian Institute of Management, Calcutta, West Bengal, India

Wiebke Bleidorn Department of Psychology, University of California, Davis, Davis, CA, USA

John R. Boatright Quinlan School of Business, Loyola University Chicago, Chicago, IL, USA

Magdalena Bosch Faculty of Humanities, International University of Catalonia, Barcelona, Spain

Bradley M. Braun Department of Economics, University of Central Florida, Orlando, FL, USA

David S. Bright Wright State University, Dayton, OH, USA

Alexander Brink Institute of Philosophy, University of Bayreuth, Bayreuth, Germany

Arran Caza I.H. Asper School of Business, University of Manitoba, Winnipeg, MB, Canada

Brianna Barker Caza Asper School of Business, University of Manitoba, Winnipeg, MB, Canada

Patrick Cellie Palumbo–Donahue School of Business Administration, Duquesne University, Pittsburgh, PA, USA

Gary K. Y. Chan School of Law, Singapore Management University, Singapore, Singapore

Rafi M. M. I. Chowdhury Bond Business School, Bond University, Robina, QLD, Australia

Chris W. L. Chu The Surrey Business School, University of Surrey, Guildford, Surrey, UK

Jude Soo Meng Chua Nanyang Technological University, Policy and Leadership Studies, National Institute of Education, Singapore, Singapore

Joanne B. Ciulla Jepson School of Leadership Studies, University of Richmond, Richmond, VA, USA

Mónica Codina University of Navarra, Pamplona, Spain

Taya R. Cohen Tepper School of Business, Carnegie Mellon University, Pittsburgh, PA, USA

J. B. Coleman Philosophy and Religion Department, Central Michigan University, Mt. Pleasant, MI, USA

Debra R. Comer Zarb School of Business, Hofstra University, Hempstead, NY, USA

Cary L. Cooper Manchester Business School, University of Manchester, Manchester, UK

Christopher J. Cowton University of Huddersfield Business School, Huddersfield, UK

Ricardo F. Crespo IAE Business School, Universidad Austral, Pilar, Buenos Aires, Argentina

Carter Crockett Centre for Entrepreneurial Leadership, Gordon College, Wenham, MA, USA

Mary Crossan Ivey Business School, Western University, London, ON, Canada

Thomas Dienberg Institut für Kirche, Management und Spiritualität, Philosophisch-Theologischen Hochschule Münster, Münster, Germany

Pamala J. Dillon Isenberg School of Management, University of Massachusetts–Amherst, Amherst, MA, USA

John Dobson College of Business, California Polytechnic State University–San Luis Obispo, San Luis Obispo, CA, USA

Pierpaolo Donati Department of Sociology and Business Law, University of Bologna, Bologna, Italy

Matthew J. Drake Palumbo–Donahue School of Business Administration, Duquesne University, Pittsburgh, PA, USA

Bruno Dyck Asper School of Business, University of Manitoba, Winnipeg, MB, Canada

Nina Evans School of IT and Mathematical Science, University of South Australia, Mawson Lakes Campus, Mawson Lakes, SA, Australia

Jerry Evensky Maxwell School of Citizenship and Public Affairs, Syracuse University, Syracuse, NY, USA

Mario Fernando School of Management, Operations and Marketing, University of Wollongong, Wollongong, NSW, Australia

Ignacio Ferrero School of Economics and Business Administration, Business Department, University of Navarra, Pamplona, Spain

Clare Anne Francis Department of Management, University of North Dakota, Grand Forks, ND, USA

Pablo Garcia-Ruiz Department of Sociology, University of Zaragoza, Zaragoza, Spain

Miguel Garcia-Valdecasas Mind–brain: Biology and Subjectivity in Philosophy and Contemporary Neuroscience, Institute for Culture and Society, University of Navarra, Pamplona, Spain

Benedetta Giovanola Department of Political Sciences, Communication, and International Relations, University of Macerata, Macerata, Italy

Christine Glieden Department of Management, College of Business and Public Administration, University of North Dakota, Grand Forks, ND, USA

Lynn Godkin Department of Management and Marketing, Lamar University, Beaumont, TX, USA

Lindsey N. Godwin Stiller School of Business, Champlain College, Burlington, VT, USA

Nicolette Gorospe College of Business, California Polytechnic State University–San Luis Obispo, San Luis Obispo, CA, USA

Johan Graafland Department of Economics and Department of Philosophy, Tilburg University, Tilburg, The Netherlands

Jesse Graham Department of Psychology, University of Southern California, Los Angeles, CA, USA

Patricia Grant Faculty of Business and Law, AUT University, Auckland, New Zealand

Wolfgang Grassl Business Administration, St. Norbert College, De Pere, WI, USA

Samuel Gregg Acton Institute, Grand Rapids, MI, USA

Gregorio Guitián Department of Moral Theology, School of Theology, University of Navarra, Pamplona, Spain

Jörg Guido Hülsmann University of Angers, Angers, France

Thomas Hajduk Institute for Business Ethics, University of St. Gallen, St. Gallen, Switzerland

J. Brooke Hamilton Management Department, University of Louisiana at Lafayette, Lafayette, LA, USA

Ryan Patrick Hanley Department of Political Science, Marquette University, Milwaukee, WI, USA

Edwin Hartman Oracle, AZ, USA

Pasi Heikkurinen Sustainability Research Institute, University of Leeds, Leeds, UK

Javier Hidalgo Jepson School of Leadership Studies, University of Richmond, Richmond, VA, USA

David Hollingworth Department of Management, College of Business and Public Administration, University of North Dakota, Grand Forks, ND, USA

Hans-Hermann Hoppe Las Vegas, NV, USA

Jesus Huerta de Soto King Juan Carlos University, Madrid, Spain

Michael R. Hyman Department of Marketing, College of Business, New Mexico State University, Las Cruces, NM, USA

Kevin T. Jackson Gabelli School of Business, Fordham University, New York, NY, USA

Seung-yeon Sunny Jeong College of Business, California Polytechnic State University-San Luis Obispo, San Luis Obispo, CA, USA

Conor M. Kelly Department of Theology, Marquette University, Milwaukee, WI, USA

Tarja Ketola School of Economics, University of Turku, Turku, Finland

Richard T. Kim Department of Philosophy, Saint Louis University, St. Louis, MO, USA

Kelvin Knight Centre for Contemporary Aristotelian Studies in Ethics and Politics (CASEP), London Metropolitan University, London, UK

Daryl Koehn Department of Philosophy, DePaul University, Chicago, IL, USA

Spassena Koleva California State University, Los Angeles, CA, USA

Subodh P. Kulkarni School of Business, Howard University, Washington, DC, USA

Karyn Lai School of Humanities and Languages, University of New South Wales, Sydney, NSW, Australia

Wendy Lynne Lee Department of Philosophy, Bloomsburg University of Pennsylvania, Bloomsburg, PA, USA

Philip M. Linsley The York Management School, The University of York, York, UK

Silke Machold University of Wolverhampton Business School, Wolverhampton, UK

Theodore Roosevelt Malloch Said Business School, University of Oxford, Oxford, UK

Michele Mangini Dipartimento di Giurisprudenza, Universita degli Studi di Bari, Bari, Italy

Karen P. Manz Amherst, MA, USA

Charles C. Manz Isenberg School of Management, University of Massachusetts–Amherst, Amherst, MA, USA

Robert D. Marx Isenberg School of Management, University of Massachusetts–Amherst, Amherst, MA, USA

Daina Mazutis Telfer School of Management, University of Ottawa, Ottawa, ON, Canada

Blaine McCormick Department of Management, Baylor University, Waco, TX, USA

Peter McGhee Faculty of Business and Law, AUT University, Auckland, New Zealand

Patricia Meglich Department of Marketing and Management, University of Nebraska at Omaha, Omaha, NE, USA

Domènec Melé IESE Business School, University of Navarra, Barcelona, Spain

Marco Meyer University of Cambridge/University of Groningen, Cambridge, UK

Christian B. Miller Department of Philosophy, Wake Forest University, Winston-Salem, NC, USA

Reuben Mondejar Department of Management, City University of Hong Kong, Kowloon, Hong Kong

Rosemarie Monge Department of Ethics and Business Law, University of St. Thomas, Minneapolis, MN, USA

Geoff Moore Durham University Business School, Durham, UK

Alejandro Moreno-Salamanca INALDE Business School, Universidad de La Sabana, Chía, Cundinamarca, Colombia

Kevin Morrell Warwick Business School, University of Warwick, Coventry, UK

Lily Morse Carnegie Mellon University, Pittsburgh, PA, USA

Michael Naughton Department of Catholic Studies, University of St. Thomas, Saint Paul, MN, USA

Jeffrey Nesteruk Business, Organizations, and Society Department, Franklin and Marshall College, Lancaster, PA, USA

Mitchell J. Neubert Hankamer School of Business, Department of Management, Baylor University, Waco, TX, USA

Lisa Newton College of Arts and Sciences, Fairfield University, Fairfield, CT, USA

Daniel E. Palmer Kent State University at Trumbull, Warren, OH, USA

Álvaro E. Pezoa ESE Business School Universidad de los Andes (Chile), Santiago, Chile

Center for Business Ethics, Bentley University, Waltham, MA, USA

J. I. Pinto School of Business and Economics, University of los Andes, Las Condes, Santiago, Chile

Antonio Porras Moral Theology Department, Pontifical University of the Holy Cross, Rome, Italy

A. Cruz Prados Department of Philosophy, University of Navarra, Pamplona, Navarra, Spain

Alan A. Preti The Institute for Ethical Leadership and Social Responsibility, Rosemont College, Rosemont, PA, USA

Chris Provis School of Management, University of South Australia, North Terrace, Adelaide, SA, Australia

Peter Rea Ethics and Integrity-Enterprise Wide, Parker Hannifin, Cleveland, OH, USA

Mark Reno Ivey Business School, Western University, London, ON, Canada

Brian Robinson Department of Philosophy, Michigan State University, East Lansing, MI, USA

Esther Roca Department of Management and Technology, Bocconi University, Milano, Italy

Héctor O. Rocha Business Policy and Entrepreneurship, IAE Business School, Pilar, Buenos Aires, Argentina

Carlos Rodriguez-Lluesma IESE Business School, University of Navarra, Madrid, Spain

Edward J. Romar University of Massachusetts Boston, Boston, MA, USA

Daniel C. Russell Department of Philosophy, The University of Arizona, Tucson, AZ, USA

Eugene Sadler-Smith Surrey Business School, University of Surrey, Guildford, UK

Lloyd Sandelands Stephen M. Ross School of Business, University of Michigan, Ann Arbor, MI, USA

Christoph Schank Institute for Business Ethics, University of St. Gallen, St. Gallen, Switzerland

Martin Schlag Pontificia Università della Santa Croce, Rome, Italy

Lucas Scrive International Academy of Philosophy in Liechtenstein, Bendern, Liechtenstein

Gerard Seijts Ivey Business School, Western University, London, ON, Canada

Leslie E. Sekerka Management Department, Ethics in Action Research and Education Center, Menlo College, Atherton, CA, USA

Kevin J. Shanahan Department of Marketing, Quantitative Analysis and Business Law, Mississippi State University, Mississippi State, MS, USA

Alejo José G. Sison School of Economics and Business Administration, University of Navarra, Pamplona, Spain

Craig Smith School of Social and Political Science, University of Glasgow, Glasgow, UK

Jeffery Smith Seattle University, Seattle, WA, USA

Mary Lyn Stoll Department of Philosophy, University of Southern Indiana, Evansville, IN, USA

Álvaro Turriago-Hoyos Department of Economics and International Finance, Universidad de La Sabana, International School of Economics and Business Administration, Chía, Colombia

Sean Valentine Department of Management, University of North Dakota Grand Forks, Grand Forks, ND, USA

Christopher P. Vogt Department of Theology and Religious Studies, St. John's University, Queens, NY, USA

Markus Warode Institut für Kirche, Management und Spiritualität, Philosophisch-Theologischen Hochschule Münster, Münster, Germany

Gary R. Weaver Alfred Lerner College of Business and Economics, University of Delaware, Newark, DE, USA

Jack Russell Weinstein Department of Philosophy and Religion, University of North Dakota, Grand Forks, ND, USA

Thomas R. Wells Institute for Philosophy, Leiden University, Leiden, The Netherlands

J. Thomas Whetstone Chesapeake, VA, USA

José Luis Widow Universidad Adolfo Ibáñez, Peñalolén, Santiago, Chile

Abe Joseph Zakhem Department of Philosophy, Seton Hall University, South Orange, NJ, USA

Jens Zimmermann English and Philosophy Departments, Trinity Western University, Langley, BC, Canada

Part I

Aristotle

Aristotle's Virtue Ethics and Virtuous Business

Edwin Hartman

Contents

Abstract

According to Aristotle, ethics is about the good life – that is, a life characteristic of a rational and sociable creature; that is what a human being ought to be and typically is. *Eudaimonia* (flourishing) is a matter of having and acting on virtuous desires – those appropriate to human beings. Daryl Koehn emphasizes virtuous emotion in ethics, which she likens to aesthetics. Humans being sociable, virtue requires the support of a good community. Aristotle and, recently, MacIntyre believe that a business cannot be that sort of community because it makes money the overriding object of desire and crowds out intrinsic goods and therefore virtues. Kevin Morrell argues the contrary: a successful firm may be hospitable to the rational and associative virtues characteristic of good citizenship. Daniel Russell claims that organizations in the real world often do undermine employees' *eudaimonia* but warns against optimism about government's ability to solve that problem. In arguing that virtue is a mean between extremes, Aristotle explains that the context of an

E. Hartman (✉)
Oracle, AZ, USA
e-mail: hartmanedwin@hotmail.com

action is important and that the ability to assess the context correctly is a crucial skill not quickly acquired. A business context raises a new set of problems. So Miguel Alzola notes that organizations create roles for employees and prima facie obligations pertaining to them. But there may be ethical reasons for acting against one's role, and there are no algorithms for determining what to do in these cases.

Introduction

According to Aristotle, the central question of ethics is this: How do I live well? Aristotle undertakes to describe the good life for human beings and to suggest how we can achieve it. This view of ethics is not one that most of us today would take. We would likely say instead that ethics is essentially about how one ought to treat other people, not about what is best for oneself.

Odd as Aristotle's position may seem, it is not unreasonable. To begin with, giving an account of the good life is essential to ethics. Whatever else ethics may be, it is in some way concerned with the good life. Utilitarians in general hold that ethical actions are those that directly or indirectly promote the good life in some way. Even those who are not utilitarians will usually agree that ethical acts or rules or institutions characteristically enrich life. We might suppose, then, that utilitarians and other moral philosophers would have much to say about what the good life looks like, but many do not. Aristotle does, and what he says is profound.

Even granting that point, however, why should I believe that my being ethical is about creating a good life for myself rather than others? Because, according to Aristotle, living well entails treating other people well, broadly speaking. As we shall note in some detail, a good life includes as a central factor appropriate relationships with others. So, for example, a good life is a matter not only of having good friends but also of being a good friend, and the first would be impossible without the second.

So Aristotle says that your ethics is first of all about you. In particular, it is about your character rather than your actions, though character causes actions and can often be inferred from actions. A good action is not just a matter of doing the right thing; you can do the right thing for bad reasons or accidentally. A truly good action is one that is performed by a good person. It is part of, and contributes to, a good life. Ethics is not primarily about following certain principles, though principles do play a part in Aristotle's ethics.

Aristotle's View of the World

Aristotle takes individual material substances, rather than events or states, to be the building blocks of reality. Contrary to what we might infer from Heraclitus, who famously says that one cannot step into the same river twice, substances typically maintain their identity through time and change, though most of them do not last forever. Contrary to what we might infer from Plato, material substances are real despite their imperfections and their ephemeral nature. We have knowledge about them, though not the sort of knowledge that mathematicians have about their subject matter.

Heraclitus and Plato would be right in claiming that time and change and blurry boundaries prevent us from stating precise and eternal truths about the material world. This does not worry Aristotle. He denies that getting along in the world requires precision about everything, or even that it is always possible. Knowing our epistemological limitations is a sign of wisdom, says Aristotle.

Every proper substance has an essence and some accidents. The essential characteristics of, say, a tree are what make it a tree; when it ceases to have these characteristics, it no longer exists. It also has some accidental or inessential characteristics; these, such as the color of its leaves and the amount of wood it contains, may change without the tree ceasing to exist. In that sense accidental characteristics may include the matter of which the thing is composed. (The Greek word *hyle* means both wood and matter.) Substances strictly speaking are natural substances, though Aristotle sometimes uses artifacts as examples. A natural substance typically develops to its full realization as a substance.

Aristotle's world view is strongly teleological. He believes that science tells us not only what a thing is made of and how it regularly behaves but also what its natural end is. This is not an approach that a botanist would reject. But not all substances achieve their natural end. It is characteristic of trees to grow and bloom, but some do not. Some wither and die as saplings or are cut down before their prime. Still, being potentially a blooming and thriving tree is essential to a sapling, whether that potential will be actualized or not.

Human beings are substances, with essential and inessential characteristics. The essence of the human being, according to Aristotle, is the soul. A human body with a human soul has the capacity to be nourished, as do plants; it has the capacity to move about in a purposeful way, as do animals. But what is characteristic only of humans is their capacity to reason. They are social creatures, as are other animals; but human beings, being rational, have the capacity to create political communities within which they can achieve their potential, especially as citizens participating in government. As with trees, human beings do not always achieve their potential. Some die early; some are stunted; some are pathologically antisocial; many never learn to reason very well. Most do not fully actualize their potential. Humans are naturally sociable and rational but not always fully so.

Living Well

Living well requires one to have achieved one's characteristically human actuality. The good life is a life of reason and sociability. Since we are inclined to think of ethics as being about treating other people in ways that serve their interests, perhaps even at some cost to our own, Aristotle's ethics may look like a form of egoism. It is not, because an essential feature of the good life is to be sociable. As Aristotle elaborates in his ethical works, human sociability includes being a good friend and a good citizen.

Daryl Koehn explicates Aristotle's notion of virtue by analogy with aesthetics. She emphasizes the importance of motives and even of emotions in virtuous thought and action. Traditionally we tend to think of emotion as being opposed to rationality, but according to Aristotle that is not the case. It is not necessarily irrational to be angry. It is irrational to be angry about something that does not merit one's anger; that is characteristic of a hothead. But it is also irrational not to be angry when one ought to be angry; that is characteristic of the phlegmatic person, one who just doesn't care and therefore can't be counted on to do the right thing. Koehn argues that these motives and emotions can be encouraged in organizations, and in so arguing she echoes Aristotle's claim that your community is the primary influence with respect to your virtue and vice. An organization's culture has a powerful effect on your emotions and motives.

Achieving maturity is a matter of cultivating certain desires. If you are a child learning to play the piano, you hit the right notes so as to be rewarded rather than punished by your parent or your teacher. After a time you get into the habit of playing accurately. Eventually two things happen. First, you learn to play not only accurately but with your own sensitivity to the subtleties in the score. Second, you begin to enjoy it: playing well is its own reward. You grow ethically in the same way. At first you do the right thing by imitating others, and you develop good habits. Eventually you become rational enough to see the point of acting in the right way and to act on the correct descriptions of complex situations not adequately covered by the standard rules. No less important, you derive satisfaction from doing so.

A substance is not just a pile of stuff: it has a structure and a purpose. The same is true of a human being. Your life is not just a succession of experiences: you develop directions and values that guide your decisions, which add up to a life. As Koehn notes, Aristotle thinks of a life well lived as a thing of beauty. This view was common among the ancient Greeks, whose term *kalos kagathos* (beautiful and good) suggested a close kinship between the two. To the extent that your desires, purposes, and decisions form a coherent whole – as do the parts of any substance – you can be said to have integrity. To the extent that you do not, possibly because your life in business interferes with the defining components of your life, you have ethical problems.

Eudaimonia and Desires

Utilitarians say that the good life is a matter of happiness, but what does happiness amount to? If we had been able to give Beethoven a prefrontal lobotomy that left him a happy idiot, would we have made him better off? According to Aristotle, *eudaimonia*, which is now standardly translated "flourishing," is a matter of being in a state of well-being worthy of a well-developed human – not of a child or a savage. In particular, *eudaimonia* is not a matter of desire fulfillment. There are unworthy desires; there are desires that are inconsistent with other desires, such as short-term desires whose fulfillment undermines that of long-term desires. Though Aristotle allows that the good life requires a certain level of financial resources, he believes that the desire for wealth as an end in itself is an unworthy desire.

Sometimes the right desires are not enough. Aristotle is at pains to explain how one can act intentionally, but contrary to what one knows is the best thing to do. I know that smoking is bad for me, and I value my health, but still I smoke. The details of the interpretation of his account are controversial, but I take him to be making roughly this claim: I smoke rather than refrain from smoking because I take "enjoying a smoke" to be the salient description of my action rather than "harming my health," which I would acknowledge to be the actual salient description. This fairly common form of irrationality Aristotle calls *akrasia.*

Aristotle's analysis of *akrasia,* or weakness of the will, offers support to two contemporary theories that Aristotle himself would largely but not entirely reject. The first, advocated by John Doris and others, is that there is no such thing as character and that what we do is determined by environmental factors. Aristotle would no doubt concede that there are people of weak character, and he clearly believes that our community and our workplace influence what we want, not always for the better. The second and similar theory, sponsored by Jonathan Haidt, is that our actions are usually driven not by rational deliberation but by environmental or emotional factors. Aristotle would concede that, though rationality is natural to human beings, it is absent much of the time for many people. In fact he thinks that people of good character are fairly rare.

The process of maturation involves the development of appropriate desires and emotions. You do not want to go through life desiring what a child or a savage desires, says Aristotle. You want to get into the habit of desiring things that are part of a life worthy of a human being. In claiming that people normally want to have certain desires and not others, Aristotle is using what is now recognized as the distinction between first-order and second-order desires: we want to have certain desires and not others. I wish I had an appetite for healthier food; I wish I did not yearn for a cigarette or another drink. More broadly, if I am a person of good character, I want to desire and find satisfaction in what is enduring and ennobling, worthy of a good human life.

Some cases of *akrasia* involve acting on a desire that one would have preferred not to have. I drink the fatal glass of beer because I want to, but I wish I did not want to. In the best possible case, one develops character so good and strong that one never has any desires that one does not want to have. That is, in Aristotelian terms, one wants to have *sophrosyne* (temperance). But most of us are not perfectly virtuous; so we have some desires that we would prefer not to have, and some of us manage to keep from acting on them. That is, they have *enkrateia* (continence).

Aristotle's Skeptical View of Business

There is something odd about enlisting Aristotle in the effort to show the value of virtue ethics for business ethics. Aristotle believes that business is too often an unethical institution. Getting past Aristotle's objection requires us to show that Aristotle's negative view of business does not mean that his ethical views do not apply to it: there is business virtue and business vice, and Aristotle gives us ways to identify them and even encourage virtue and discourage vice.

Aristotle's objection to business is, put simply, that it can easily make money an end in itself. It can divert people in business from what ethical people desire – things that contribute to or constitute a good life. Insofar as *homo economicus* is a good model for human motivation, and insofar as the single moral responsibility of managers is to maximize profits, Aristotle has good reason for his skepticism about business. One learns ethics in a good community, and many firms are not good communities: they do not reward or encourage the kind of motivation that ethics requires.

For Aristotle this is a major issue. He believes that ethics is a matter of having the right interests, the right motivations, and the right desires and acting accordingly. What is best for us is in part determined by our need of good communities to educate us and support us and give us the opportunity to be free and rational citizens. Aristotle fears that a life in business may fail to support the ethical life and the *eudaimonia* that it confers.

Economists and Utility

I noted earlier that Aristotle does not believe that any old pleasure contributes to a good life. Insofar as economists and others claim or imply that utility is a matter of preference satisfaction, they are at odds with Aristotle, who believes that one can desire the wrong sort of thing. So, the economists might reply, what is the right sort of thing? Aristotle is comfortable with an imprecise answer: you ought to desire what contributes to the life of a fully rational and sociable and therefore virtuous creature.

The economist's notion of utility fits well with the notion of rationality that has been popular at least since Hume: rationality is a matter of skill in getting what one wants. The object of one's desire is neither rational nor irrational. That is far from

Aristotle's notion of rationality, for Aristotle thinks that one has good reason to create a life that is worthy of a human being.

If, as Aristotle clearly believes, humans are not all motivated as *homines economici*, and if the sorts of motivation characteristic of virtue are compatible with – even supportive of – good business, then Aristotle may be unduly pessimistic about the possibility of business ethics. In particular, if a successful firm can be a good community, in which people acquire virtuous motivations, then virtue may survive and even prevail in business.

Virtue in Business

MacIntyre finds in Aristotle the crucial distinction between an act that is good and satisfying in itself (a *praxis*, the word is usually translated practice) and an act that is good by virtue of its results (a *poiesis*, the word can be translated making). If a number of people come together to enjoy a cooperative activity, such as fishing, they are engaged in a *praxis*. They are cultivating virtues like friendship and cooperativeness. If they come together to make money and fishing is a means to that, then fishing becomes a *poiesis*, with utilitarian value at best. Whether MacIntyre makes his case is a matter of controversy, as that section of this handbook shows. Aristotle clearly believes that most business activities are only *poieseis*, not only because they are done just to make money but also because one does them on command, not freely.

MacIntyre holds that the profit motive spoils everything. Aristotle worries about money crowding out more important considerations. In fact things may be even worse than they think. That motivating employees and managers by exploiting their desire for money is the most effective way to manage an organization, even assuming that effectiveness is largely a matter of long-term profit, is a dubious proposition. Recent contributions to the management literature have offered good reason to believe that financial incentives often work poorly, as one would expect if people's motivations are as complex as Aristotle and his followers believe.

We should not ignore the extraordinary benefits of free-market capitalism, an engine of widespread prosperity that has benefited many of the poorest of the earth. But Aristotle and MacIntyre believe that there is nevertheless something corrupting about business: it robs the participants of the satisfactions of the cooperative and friendly virtues. What shall it profit a society if it creates great wealth and loses its soul?

Kevin Morrell does not accept this view of business. In particular, he argues against an unduly narrow notion of organization. From a less cramped perspective, an organization may be the kind of community that includes many sorts of relationship other than purely economic and hierarchical ones and may even encourage ethical motivation in the best interests of the participants – interests that may differ from one participant to another – as well as the organization. MacIntyre's Marxist views might have led him to challenge the hierarchical claims implicit in the narrow view of organizations. Instead he accepts the implications, as Morrell does not, and damns organizations.

A good organization does not simply serve the economic interests of the participants. Like Aristotle's notion of a good *polis,* it caters to the development of the virtues. This is not to say that a firm is an ancient Greek *polis*. When Aristotle says that a human being is a *politikon* creature, he does not mean only that humans characteristically live in communities. They do, but so do other animals. Aristotle believes that the good life requires a certain sort of political community; in fact it requires that one be a citizen, a participant in lawmaking. Even when a firm is, happily, a sort of community, it is the *polis* that is the sort of community that Aristotle thinks all ethical people – and there are not many of them – require. But Morrell asks us to consider how politics in Aristotle's sense can apply to organizations. Why should we assume that there is some sort of moral right for a firm to be hierarchical? Why should we believe that the welfare of the stockholders is the purpose of the firm and that of the employees a constraint?

An organization can be successful for all its members from the point of view of both profit and virtue when its participants work to achieve corporate objectives even when, as in the case of the commons, any individual would be better off being selfish. This requires a corporate culture of trust and trustworthiness. We might even say that managers and employees should be friends in Aristotle's pragmatic sense of the term. But a better organization is one that contributes to our well-being by catering to our natural tendency to associate, over and above the financial advantages of association.

Daniel Russell discusses an Aristotelian issue about life in actual, as opposed to possible, business organizations. One of Aristotle's objections to that life is, as we have noted, that it is typically consumed by the pursuit of money at the expense of leisure. He seems to have two problems in mind. The first is that work is usually the sort of thing that you do because you must: it has only utilitarian value. It is not the sort of *praxis* that is good in itself and fosters the associative virtues. The second is that money may become an end rather than a means: the all-consuming pursuit of money may crowd out leisure time. It is a great mistake, Russell claims, to pursue income to the exclusion of other goods that may be more valuable without being mindful of the trade-off you are making, without considering what sort of work-life balance contributes to your *eudaimonia*. Morrell makes a strong case that organizations need not encourage that faulty prioritizing, but Russell makes an equally strong case that they often do. So Russell supports Aristotle's warning, but he does not accept Aristotle's suggestion that public officials should have a decisive voice in determining the correct balance. Here as elsewhere, Aristotle's views on the role of government need to show greater respect for the autonomy of individuals.

Virtue Ethics as Action Guiding

How then are virtuous employees and managers motivated to act? What should managers do? A popular criticism of virtue ethics is that it cannot answer that sort of question and that it is not action guiding. Be courageous, it mandates; be wise, be honest, and be generous. That may be good advice in a few cases, but Aristotle does

have more to say on this point. He claims that virtue is typically a mean between extremes; so, for example, courage is a mean between cowardice and foolhardiness. That too may seem fairly unhelpful: we can agree on it while strongly disagreeing on what to do in a particular case. Some moral philosophers believe that it is more helpful to give advice like this: maximize happiness insofar as you can, or act on a principle that can be universalized, or respect people's rights.

In explaining what is involved in hitting the mean, Aristotle claims that one must act in view of the context: the time, the place, and other features of this particular situation. A contemplated action might have better consequences than any other, but it might also involve violating someone's rights or being unfair to someone. As Koehn says, there is no algorithm for determining how to weigh all these factors. We rely on what Aristotle calls perception (*aisthesis*). An ethical person is much like a manager with a track record of success. There are managers who can look at a complex situation and accurately frame it as an opportunity or a black hole. And, as Koehn would say, there are artists who can just see what color needs to be used. Similarly, a virtuous person can correctly see an actual or possible action as foolhardy rather than brave or vindictive rather than just. We may talk of management science and profit from the use of operations research and pertinent statistics, but management is not a natural science, as ethics is not. And Aristotle warns us not to expect precision in ethics.

Sometimes you can infer principles from wise intuitions and then test these principles against further intuitions. So Aristotle suggests in offering dialectic as a way to argue about ethical issues. But there will always be some judgment involved in perceiving that this rather than that principle is applicable here – for example, that one ought to bring to bear principles of mercy rather than those of justice. If asked to justify what you have done, you might say something like "To act otherwise would be cowardly," or "She deserves our support." Such responses do not prove that the act was right, but they give some reason for a good person to have done it.

A business ethics course can help us develop appropriate skills in developing and applying intuitions to complex situations, for example, by way of analyzing case studies. Then the instructor and students can undertake dialectical argument to arrive at some principles that can help in analysis of subsequent cases.

An organization can affect your attitudes, if not your character, by way of corporate culture. For example, in a hard-driving organization, the notion of courage may skew the mean so that the local notion of courage comes to resemble the extreme of foolhardiness, and probability of detection may be a salient contextual factor. The "virtues" in such an organization may be far from what a person of good character would consider virtues.

But we should remember Aristotle's claim that context matters. What is obligatory for Smith to do for her son is not obligatory for her to do for her neighbor. You are not permitted to do everything that a police officer may do. What implications does this have for your rights and obligations in a job? Your job description and your boss's instructions create prima facie obligations for you. You are supposed to play a certain role, as Aristotle says soldiers do. But as Miguel Alzola argues, that is

not the end of the matter. An employee may have ethical obligations as an employee, but "I was only following orders" does not always justify or excuse. Milgram and Zimbardo show us how easily we may fall into roles that are downright evil. What sort of justification does a role confer? When does it fail to justify? These are core questions for business ethics, and there are no algorithms for answering them.

Conclusion

A good organization requires employees of good character who know how to put their virtues into action. But the influence goes both ways: an organization can encourage good character or undermine it. Aristotle seems too pessimistic in believing that firms undermine character by establishing profit as the overriding objective, but creating an organization that supports good character and the creative and associative virtues is a challenging task, not least because there are no rules that offer precise guidance on how to do it.

Aesthetic Dimensions of Virtue Ethics: Implications for Business Ethics

Daryl Koehn

Contents

Abstract

Virtue ethics, especially of the sort laid out by Aristotle, differs from Kantian and utilitarian ethics in a number of respects. But one key respect overlooked thus far is the aesthetic or sensual dimension of virtuous actions. There are at least four senses in which the ethical is intrinsically aesthetic. Each of the four has implications for business ethics.

D. Koehn (✉)
Department of Philosophy, DePaul University, Chicago, IL, USA
e-mail: dkoehn@depaul.edu

Introduction

In 1994, the art historian Arthur Danto wrote that "...beauty may be in for rather a long exile" (quoted in Danto 1994). History appears to be proving Danto wrong. Beauty is back in a big way, especially in the disciplines of theoretical and applied ethics. Many recent articles and books focus on the relations between ethics and aesthetics (Guyer 2005; Koehn and Elm 2013; Dobson 1999). The new focus has contributed to making ethics of virtue timely and relevant. This essay focuses primarily on the ways and senses in which the virtue ethic of the ancient Greeks, especially Aristotle's ethic, is aesthetic. For, although Aristotle distinguishes ethics with its practical focus from poetics with its emphasis on making products that exist apart from the activity of making, Aristotle nevertheless thinks that the ethical is intrinsically aesthetic. There are at least four respects or senses in which this is true. Each of the four has implications for business ethics.

The Beauty of the Good

Aristotle repeatedly refers to the end or goal of action as either *to agathon* (the good) or *to kalon* (the noble/beautiful) (Aristotle 1956 *NE* 1095b5, 1098a15, 1099a8. 1120a22-25). He often uses the terms together, describing virtuous action as *kalos k' agathos* (beautiful and good) (e.g., *NE* 1099a5-8). As Petrochilos (2002, 604) has noted, in classical Greek, the adjective *kalos* refers to a physical grace in which past hard work done well becomes manifest:

> ...[T]he meaning of the word *kalos* is linked with the human physique...[K]alos has to do with the beauty, the harmony, of the body, attained through physical exercise.

By referring to the virtuous agent as *kalos k' agathos*, Aristotle suggests that the excellence of this person is not merely grasped intellectually. Instead, the actions and emotions of the virtuous are perceptibly beautiful, lovely, harmonious, or graceful in the eyes of those who are themselves seeking to behave courageously, temperately, justly, etc.

For the ancient Greeks, harmony did not always apply only to colors or shapes. In Plato's *Symposium*, for example, Socrates contends that a law can be beautiful or *kalos*, and none of his fellow interlocutors seem to think that assertion and usage are either strange or problematic (Plato 1993, 210c1-5). The idea seems to be that laws that are especially coherent and consistent and that promote the well-being of a community would strike a discerning agent as being arrestingly inspiring and beautiful. For Aristotle, too, if the law has been well crafted, the thoughtfulness that produced the law would be apparent to others of good character who are able to perceive matters correctly (*NE*1114a32-b3; 1147a18-35).

The beautiful is an object of desire, so it is no exaggeration to think of the good as something that has the power to draw us to it. Aristotle's good or goal thus differs from that which deontologists take to be morally worthy. Immanuel Kant insists

that the morality of an action lies entirely in the conformity of the maxim of the action with a universalizable moral law. The action need not attract us. On the contrary, an action we do not desire to perform but nevertheless do perform out of a sense of duty is particularly morally exemplary in Kant's eyes (Kant 1988, 251–252). The loveliness or grace of the agent is entirely irrelevant to the deed's morality in Kant's ethical estimation. Virtue ethics, on the other hand, focuses primarily upon the agent, not upon the act's conformity with a principle. For Aristotle, unlike for Kant, fully realized virtue requires acting in accordance with one's inclinations. Virtuous persons find the temperate and courageous life attractive for the same reason that people with good taste are drawn toward fine art – there is something perceptibly harmonious about it. These agents develop inclinations, passions, and judgments that accord with and inform one another and that enable these individuals to develop their humanity fully. The vicious person, by contrast, must often act against her inclinations. She may desire to steal a necklace but be prevented from doing so because she knows that other people are watching her.

For Aristotle, virtue is the aesthetic actualization of our distinctively human ability to think, speak, and act well. It is no accident that the central virtues Aristotle takes up are magnificence and magnanimity (literally, "great-souledness"). The magnificent individual makes and funds grand and beautiful gestures (*NE* 1122b15-1123a19) that the public can see and hear. Magnanimous individuals, for their part, deserve and demand honor for beautiful deeds (*NE* 1123b15-25). They have a certain perceptible physical "presence," dignity, bearing, or gravitas stemming from the way in which their desires and powers of perceiving, reasoning, and feeling are aligned and functioning in mutually supportive ways. For example, one would never see a great-souled man running when the army is ordered to retreat (*NE* 1123b30-32). Magnanimity is the crowning ornament (*kosmos*) of all the virtues insofar as this virtue is acting well, and it is magnanimity that makes human excellence shine for all to see (*NE* 1124a1-5). The vicious, by contrast, are so far from being shiningly present that they may desire a kind of absence. They do not want to be perceived by members of the community.

The aesthetic quality of ethically good actions and character within virtue ethics cannot be overstressed, for it has profound practical implications. Take the case of leadership. Kant would think of a morally good leader as someone who does his or her duty. Such a person would be extremely conscientious and would adhere rigorously to rules insofar as these rules were moral – i.e., universalizable. Aristotle, by contrast, would see a good leader as someone who inspires us through his or her perceptible nobility and magnanimity. After his family's production facility Malden Mills burned to the ground, CEO Aaron Feuerstein did not claim the insurance money and then walk away from the mill. Instead, he continued to pay workers their wages while he worked tirelessly with his workers, bankers, and contractors to rebuild the mill. Feuerstein was widely praised for his leadership, which inspired worker loyalty and admiration from other stakeholders who perceived in Feuerstein's actions a *manifest* commitment to the welfare of the entire community (Goozner 1996). Feuerstein was admired as a "real mensch" – i.e., as someone who realized and beautifully expressed what it means to be fully human.

Or consider corporate strategy. From a virtue ethics perspective, business strategy goes beyond matters of profit or revenue maximization, growth, and market share. An ethically good strategy promises to benefit the whole community in the long run. The strategy incorporates a vision that both engages and develops employees and vendors as well as customers. The strategy is realistic because the ethically good leader correctly discerns constraints, challenges, opportunities, and threats. It lays out a series of well-defined achievable steps is adhered to by the firm's leaders. At the same time, a virtuous strategy will appear noble and beautiful. The press often commented upon Apple's CEO Steve Jobs' aesthetic sensitivity, a sensitivity that permeated many aspects of the firm's strategy. Jobs sought to cultivate consumer loyalty by creating products that are easy and pleasant to use because they are relatively transparent in their operation and integrate seamlessly with other Apple products. For Jobs, good design meant enabling customers to do their business readily and helping application developers bring helpful apps to market quickly. This strategy of ease and transparency was reflected even in the design of Apple stores with their large glass frontage and clear staircases, a design Jobs personally pushed for and approved. In the case of a virtuous firm, making and doing both reinforce and serve to justify one another in perceptible ways.

Ethical Decisions Rest with Perception (*Aesthesis*)

For Aristotle, practical judgment "rests with perception (aesthesis) [of the particular]" (Aristotle *NE* 1109b20-24). It does so in at least two senses. First, situations present themselves to us in ways that are already formed by our values, interests, past experiences (which have been more or less reflected upon), and by habitual responses. Put even more simply: Every situation presents itself in a very particular way to a perceiving individual. The situation is not a concept; it is a perceived thing. What is more, we are attracted or repelled by the beauty or shamefulness of our fellow agents operating within this perceived situation.

Second, we choose to respond to the situation in an equally particular shaped way. Our chosen response involves detailed perceptions of how we should act if we want to respond justly, generously, etc. For Aristotle, there is and can be no practical algorithm allowing us to reason from an incontrovertible moral principle through to a certain moral conclusion. As Aristotle puts it, the human act of choice is itself the *archē* or principle (Aristotle *NE* 1139b1-6). Choice both begins and ends with a given agent's perceptions.

Choosing well entails finding a mean within a specific context often riddled with highly contingent elements. We must avoid extremes, opting instead for a mean relative to us and to the situation at hand. The person with practical wisdom will identify relevant values at play; reflect on how similar situations have been handled in the past by others to what effect; consider how various available options, if pursued, might play themselves out; ponder who will be affected by a choice and in what way; reflect upon what might constitute an under- or an over-reaction; take

counsel with good friends; etc. The agent's gut feelings (if these have been appropriately educated) (Hartman 1996) will also provide some measure of guidance (see below). In addition, virtuous agents strive to do the right thing in the right way in the right time at the right place using the right means. Feuerstein's leadership when the fire struck was noble. However, a single act does not make a person virtuous. It could be argued that Feuerstein's leadership in the long run fell short of excellence. Malden Mills eventually went bankrupt, in part, because Feuerstein had failed to get a patent on the firm's wildly successful Polartec fabric. He did the right thing (he spearheaded the invention of the fabric) and rolled it out at the right time. But he did not do the production in the right way (he neglected to patent the invention).

For Aristotle, choosing well requires evaluating that which to some extent is imponderable. Even if a person's choice seems to him or her to produce consequences that are benevolent, just, and conducive to social harmony, those choices can nevertheless legitimately be challenged and critiqued by others in the community. To believe otherwise would be to convert practice into a technique or science. For virtue ethicists, practice is neither. Hence, we find Aristotle refusing to give many specific historical examples of noble or especially prudent actions. Aristotle is not being coy. Rather for him to give context-free examples would be misleading at best and pernicious at worse if readers were to conclude that being virtuous is simply a matter of mechanically imitating the example of another person, no matter how inspiring that individual might be. We can and should be moved by noble individuals who have cultivated themselves. Yet we must always form our own judgment in the moment when it comes to deciding what the right thing to do is. That judgment in the here and now is always going to rest with perception. Agents must feel their way toward the right mode of acting in a way somewhat similar to artists who decide as they are working whether the pot's rim needs a bit more pressure or whether the painting's lower right corner requires a bit more blue.

To the extent that Aristotle is correct about the aesthetic nature of practical judgment, companies should focus less on compliance and adherence to rules and more on character formation and the cultivation of judgment and perception. How stakeholders judge matters will never be value-neutral – e.g., what one executive sees as a biased response to some situation may be deemed by another employee to be a perfectly justified response. Which person is right will depend upon how virtuous the character of each party is and how honed his or her powers of choice and deliberation are. From the virtue ethics perspective, the more virtuous person's assessment is more correct than the evaluation offered by a less virtuous, or even vicious, individual. To put the point differently: Acting in accordance with a rule always requires judgment – What does this rule mean? How does the rule apply in this case? Still more fundamentally, what is the right way to characterize this particular case? Firms need to realize that they cannot get around this problem of judgment and should attempt to do what they can to help various stakeholders appropriately refine their judgment.

Sculpted Character as a Living Work of Art

As was noted above, Aristotle distinguishes acting from making on the ground that the latter produces products whose merits can be evaluated by considering only the product. There is no need to look at the character of the piano maker, or even the activity of piano making, in order to ascertain whether a particular piano is good. The evaluator can make a determination of a piano's goodness by playing it, evaluating its timbre, resonance, key and pedal action, etc. When we evaluate actions, by contrast, we do need to consider the character of the agent, the way in which he or she deliberated, his or her motives, and other related dimensions.

That said, there is a sense in which the character of a virtuous agent can be seen as a living work of art shaped through actions, feelings, and judgments. Through mindfully moderate actions, an individual acquires what Aristotle thinks of as a second nature (Aristotle *NE* 1103a14-30) – a set of habits of action and emotion constitutive of an individual's character. When virtuous, these habits realize our distinctively human capabilities of judgment, choice, perception, and fellow feeling. Virtuous character is harmoniously beautiful not only insofar as these capabilities work together in mutually supportive ways. It is equally harmonious insofar as courage, temperance, generosity, and justice realize our humanity in a way that is not by nature but works with our natural endowments. The resulting excellence can be seen and heard by others. Soldiers see the courageous deeds of their fellow fighters as beautifully virtuous (Plato 1993, 179a1-b5). Employees, too, will sometimes speak admiringly of the courage of a fellow employee who speaks up against corruption or racism in the workplace.

Shaping ourselves to perfection requires education. A "piece of jade cannot become a work of art without chiseling, and a man cannot come to know the moral law without education" (Confucius 1938, 241). Aristotle, too, believes that upbringing is crucial. We learn how to cultivate ourselves in part by being inspired by others. Confucius stresses the role the arts play in our self-sculpting: "Inspired by poetry, established by ritual, and perfected by music" (Confucius 2012, 8.8), individuals learn what it means to be fully human. The arts can reveal possibilities for self-realization we had not previously grasped and can introduce us to emotions that we have never before felt. Drawing and building upon what we learn by being exposed to cultural artifacts, we can ever more intentionally direct our own development, "making a life for ourselves." Precisely because culture affects us so deeply, Aristotle insists that ethics is properly conceived of as a part of politics (Aristotle *NE* 1091a19-1091b12). Rulers should, he contends, pay close attention not only to laws but also to music and other cultural elements that shape us. For virtue ethicists such as Aristotle, the larger political community and public institutions like corporations, as well as the family, are the school of virtue and thus the shaper of judgment and perception. Human beings are by nature political animals, so much so that a man or woman living outside of the community is either a beast or a god.

Of course, the educated sculpting or carving of a beautiful, noble character for ourselves requires that we care about having such a character. Having a sense of

shame, although not itself a virtue, is a precondition for acquiring virtue. Those who don't care about the sort of person they become will not be motivated to devote the thought and discipline needed to become generous, fair, gracious, courageous, and so forth. It is no accident that Aristotle begins his discussion of particular virtues with courage (Aristotle 1956, 3.6). He begins there because courage is one of the easier habits to acquire. It does not involve the intellectual complexities of wit and fairness, virtues he considers later. However, one could argue that there is a second, maybe even more cogent, reason for beginning with courage. Courage lies at the heart of ethical development insofar as the truly brave person is one who fears disgrace and has a strong sense of honor (Aristotle *NE* 1115aff.). To put the same point slightly differently: Courage both presupposes and builds upon a feeling of shame defined as a "kind of fear of disgrace." Shame is eminently physical in the same way as courage is: "The effects [of shame] are similar to those of the fear of danger, for they who feel shame grow red and they who fear death turn pale" (Aristotle 1956, 3.9). Shame is especially crucial to self-cultivation because when we are young, we are prone to being swayed by our passions. Appropriate shame or the fear of dishonor is what checks our passion.

Moreover, when the young act badly, they blush and become shamefaced. Bad behavior, like good deeds, can be seen and heard by those who are paying attention. These perceptible physical manifestations alert their parents and teachers that the child is involved in wrongdoing. At that point, they can intervene to help guide the child's development and the sculpting of his or her character. By the time we are old, our habits are set. Vicious agents lack discernment; they do not perceive their own evil so they feel no shame. The virtuous never voluntarily perform base or ignoble actions, so they have no cause to feel shame.

If we take aesthetics in a very narrow sense as being the discipline concerned with the cultivation of our sensibilities through the various fine arts, then the process of self-cultivation clearly has an aesthetic dimension insofar as it relies upon education we get through the arts in our culture. And insofar as the man or woman of virtue embodies a manifestly refined sensibility, the virtuous individual functions as an inspirational living work of art in the community. Conversely, the community promotes that refinement by holding us accountable for our behavior – seeing to it that we blush if and when we need to do so – and by providing examples of shameful deeds (e.g., the dark deeds performed by MacBeth and his wife or by Gordon Gekko). In these ways, the community makes present and visible the vice that wants to absent itself.

This insight has several implications for business ethics. First, businesses desiring to operate ethically need to focus on hiring young people who have a sense of shame and on maturer individuals who fear dishonor and have spent their lives trying to avoid it. Second, businesses are communities (Hartman 1996). As such, they should consider using the fine arts to reinforce legitimate ethical values espoused by the firm and to educate employees and vendors regarding the nature of ethically sound deliberation and decision-making. Some firms now use professional actors (e.g., from the Second City comedy troupe in Chicago) to dramatize challenging business situations and stimulate ethical reflection. These scenarios are

far more engaging and thus more likely effective than the boring multiple choice tests or canned instructional materials so commonly used. Third, virtue ethics would invite business leaders to spend less time thinking about compliance and more time contemplating corporate culture and figuring out what it means to manage a firm (Hartman 1996, especially Chaps. 6 and 7). It is culture that ultimately provides examples of beautiful, well-conducted lives and gives us insight into how and why things have gone well or badly.

Good Decision-Making Has an Emotional Component

Ethics is aesthetic in a fourth sense. Aesthetics historically has emphasized the important role emotions play in our response to art objects and in our judgments of which things are beautiful. Indeed, an aesthetic response is often thought to be identical with a felt one. To the extent that ethical actions are equally aesthetic ones, the commonplace split between reason and emotions is misleading. For a virtue ethicist, reason and emotions are allies, not enemies.

Of course, emotions alone are not sufficient to render good judgment when it comes to art or to practical matters. If we are racist, we may find a painting of a black person revolting, but that revulsion does not necessarily mean our judgment is correct. So, too, in matters of action, we cannot act virtuously simply by following an emotional or gut response to a situation. Therefore, Aristotle is right to insist that not only virtuous actions but also virtuous emotions lie in a mean. We must attend to our emotions, seeking to find a mean in each particular situation. Anybody can become angry; the difficult (and beautiful) thing is to become angry in the right way, on the right grounds, with the right person at the right time, etc. (Aristotle *NE* 1109b10-25). It is equally unreasonable to be a hothead or utterly passive. The virtuous person feels anger only when doing so is merited, and he or she expresses that anger in a considered way. Emotions play a role here. When individuals are of good character, their emotional responses to particular situations serve to indicate fairly reliably what they should do.

If we reflect carefully upon particulars and through reflection refine our emotions appropriately (under the helpfully watchful eye of the larger community or business corporate community), then our emotions will and should play an important role in enabling us to do the right thing. The person who feels compassion for the poor is more likely to be just and fair than someone who is utterly lacking in empathy and sympathy for other people and who consequently may not fully grasp what it means to be impoverished. In a similar vein, a manager who feels concern for her customers will do whatever she can to insure that her firm does not produce dangerous products, while a manager who is indifferent toward the welfare of others might not even bother to focus on product safety.

In general, appropriately refined emotions foster and support virtuous action by directing our attention toward factors that should matter, by giving us an impetus to commit to the right course of action, and by sensitizing us to how others may

perceive our deeds and speech. Although business managers certainly need to use their reason to do a variety of things – e.g., to develop strategies, to work out tactics for implementing strategy, and to persuade coworkers to buy into a project – a good manager will acknowledge and respect the crucial role emotions play in enabling individuals to judge situations well and to respond in courageous, just, caring, and generous ways. Aristotle does not favor emotional bosses who rant and rave or employees who frequently burst into tears. However, he and other virtue ethicists certainly would favor an appropriately passionately engaged workforce over a group of employees who do not care about their jobs, the firm's products, or customer satisfaction. Those who teach business and professional ethics would do well not to neglect the topic of emotional intelligence and to look for ways to get the students to commit themselves passionately, as well as intellectually, to matters being discussed in class.

Conclusion

Given that Aristotle's ethic of virtue and other forms of virtue ethics (e.g., Platonic) possess an intrinsically aesthetic dimension, scholars and pedagogues should pay more attention than they have to date to the place of inspirationally beautiful actions and harmonious character and to the crucial roles played by perception and emotion. The aesthetic dimension of ethics has significant practical implications for how we conduct our business and professional lives, how we think about ethics in a corporate setting, and how we teach applied ethics. A good course in business ethics will make ethics attractive to students, and an ethically sound corporate culture will make noble leaders and virtuous behavior and emotions attractive to the firm's stakeholders.

References

Aristotle (1956) Nicomachean ethics (trans: Rackham H). Harvard University Press, Cambridge, MA, Loeb edition

Confucius (1938) Book of rites (trans: Yutang L). In: The wisdom of Confucius. Modern Library, New York

Confucius (2012) Analects (trans: Legge J). CreateSpace Independent Publishing Platform

Danto A (1994) Beauty and morality. In: Embodied meanings: critical essays and aesthetic meditations. Farrar Straus Giroux, New York, pp 363–375

Dobson J (1999) The art of management and the aesthetic manager: the coming way of business. Quorum Books, Westport

Goozner M (1996) The mensch of Malden Mills inspires in an era of Wall Street-mandated downsizing, Aaron Feuerstein's actions after his plant burned inspired a rarity: worker loyalty. Chicago Tribune, 26 Dec

Guyer P (2005) Values of beauty: historical essays in aesthetics. Cambridge University Press, Cambridge

Hartman E (1996) Organizational ethics and the good life. Oxford University Press, Oxford

Kant I (1988) Foundations of the metaphysics of morals. In: Beck LW (ed) Kantian selections. Macmillan, New York

Koehn D, Elm D (2013) Aesthetics and business ethics. Springer, Amsterdam

Petrochilos G (2002) Kalok'agathia: the ethical basis of Hellenic political economy and its influence from Plato to Ruskin and Sen. Hist Polit Econ 34(3):599–631

Plato (1993) The symposium (trans: Allen RE). Yale University Press, New Haven

Wood A (forthcoming) Kant on conscience. In: Kalinnikov L (ed) Kanotvski Sbornik

Organization as *Koinōnia*

Kevin Morrell

Contents

Abstract

Drawing on Morrell (*Organization, Society and Politics: An Aristotelian Perspective*. Palgrave, London, 2012a), this chapter develops a theoretical argument that involves recasting "organization" in wider terms than its typical use in relevant literatures such as organization studies, business ethics, and economics. This applies Aristotle's notion of *koinōnia* to offer a reappraisal of "organization" that drives a wedge between capitalist constructions of organization as the firm and the basic human imperative to associate. A radical redefinition of "organization" follows, where it is understood as both noun and verb. This connects organization, society, and politics (Morrell, *Organization, Society and Politics: An Aristotelian Perspective*. Palgrave, London, 2012a).

Keywords

Aristotle • Business ethics • Capitalism • Critical management studies • Ethics • Governance • Koinonia • Managerialism • Organization • Polis • Virtue

K. Morrell (✉)
Warwick Business School, University of Warwick, Coventry, UK
e-mail: kevin.morrell@wbs.ac.uk

Introduction

The comparatively new discipline of critical management studies (CMS) challenges various hegemonies in relation to business and management (Alvesson and Sveningsson 2003; Cooke 2008; Crane et al. 2008; Grey 2005; Knights and McCabe 1999; Morrell 2012b; Parker 2003, 2010). "Hegemony" can be defined as a kind of dominance or rule. In this chapter, I want to focus on one such hegemony, which has been a narrow definition of "organization" that is predominantly restricted to private corporations. Moreover, implicit in studies of "organization" (private corporations) is a managerialist perspective, what one might call a view from above. This is shown, for instance, in this parenthetic definition or organization which opens the first section of a popular text in organizational behavior (this extract is from its twelfth edition):

> Let's begin by briefly defining the terms manager and organization – the place where managers work. (Robbins and Judge 2007: 4)

What this chapter tries to do is to move away from organization as a place in which managers work and, to an extent, to reinvent the term "organization" by connecting it to the Aristotelian notion of *koinōnia* (Stalley 2009). *Koinōnia* is something Aristotle sees as fundamental to human interaction, politics, and society, and so making this connection has profound implications for disciplines like business ethics. In doing so, the chapter draws on one strand of argument in a recent monograph *Organization, Society and Politics: An Aristotelian Perspective* (Morrell 2012a).

Organization and *Koinōnia*

Initially it is important to make the case for why defining "organization" is important for business ethics. Agonizing over definitions is something for which academics are often mocked. The clichéd answer of an academic asked for their opinion about "x" is to begin, "it depends on what you mean by 'x'." But definitions in the social sciences are important because they are not simply neutral science; they express relations of power (Ferraro et al. 2005, 2009; Ghoshal 2005; Hassard and Kelemen 2002; Lucas et al. 2013; Morrell and Lucas 2012). For example, the book just referred to (Morrell 2012a) translates Aristotle's *anēr* as "human," rather than "man," on the grounds that "man" potentially excludes or silences "woman." Perhaps the alternative, more typical choice to use "man" turns something that is, or that should be, remarkably abhorrent (privileging one gender over the other) into something normal (Letiche 2010). The simple choice "*anēr* = man" could mean inequity, differences in power chances, and arbitrary privileging that become sanitized and factual – reproducing one kind of hegemony (patriarchy).

Robbins and Judge's construction of "organization" as "the place where managers work" invites a logical fallacy: all managers work in organizations; therefore,

all organizations are places where managers work (and all organizations need to be "managed"). But it is not just a fallacy. To define organizations as places where managers work is, consciously or not, an act of positioning wedded to the interests of capital. (Another example could be the ugly term "human resource management," which equates "human" and "resource.") It is expressive of hegemony and the view from above, excluding and silencing the worker, and also blind to other forms of association. It would be misleading and unfair to single out Robbins and Judge since this is a common feature of many texts on "organizational behavior." They often open with extraordinarily broad definitions of organization, only to abandon these as they focus on the firm under capitalism.

Having a more generous understanding of "organization" – as a wide variety of social forms – makes it more likely that we identify and resist capitalist ideology in terms such as: organization, work, team, leader, and so on. A refusal to sign up to an apparently commonsensical definition of organization challenges a discursive hegemony: an ordering of concepts, actors, and relations expressed in statements that purportedly describe a state of affairs but in actuality constitute them. It is important to challenge such hegemonies because they reproduce inequality and bolster class dominance (Davies 2011a, b; Gramsci 1971).

Wrestling with the definition of "organization" is worthwhile then if it helps us think through the effects of these various power relations, but how can Aristotle help us think this through? After all, part of Aristotle's legacy has been to furnish the architects of any number of societies with definitions and categories that express positions of advantage and dominance, for instance, the binaries: master/slave, man/woman, king/subject, and citizen/barbarian. Even where the application of such categories rests on mistaken or insufficiently nuanced accounts of Aristotle or willful misinterpretation, they still prompt the following question: why continue with something potentially contaminated, rather than seek something new?

One answer to these questions is that Aristotle's approach to understanding the social world remains relevant because of his definition of human beings as a particular kind of animal, one that naturally organizes (through the exercise of reason and language) into groups. This is encapsulated in his most famous, usually misapplied phrase that a human being is "a political animal" (*zōon politikon*). The reason this phrase is usually misapplied is it is typically taken to be a statement about politics and human beings' inherent desire to be involved in schemes or politicking. It is not just a statement about politics. Indeed, it is not even mainly a statement about politics. It is a biological statement reflecting Aristotle's way of differentiating humans from other animals. Notwithstanding that this definition itself could be taken as expressing hegemony, it remains so basic and powerful that it can help to reappraise radically the concept of organization and related terms like society and politics. So much so, Aristotle's definition of human beings as political animals can be called a social FACT (Morrell 2012a).

Any claim to the status of fact in the social sciences is provocative, and so this intentional raising of a red flag (made clearer by deliberately capitalizing fact) needs to be unpacked a little. Without becoming too technical, it may help to explain this by borrowing Deleuze's three-part framework: denotation,

manifestation, and signification ([2004]: 20–26). For Aristotle, his definition – humans are *zōon politikon* – is "denotation"; it is a fact because it points to something true in the world (and based on his observations and biology). Calling this definition a social fact is "manifestation"; it is a belief or perspective or a position to take as a starting point to challenge hegemonic accounts of organization. To go on to develop other ideas, namely, that Aristotle's definition leads us to a different way of understanding "organization," is "signification"; because a series of implications and related concepts follow, I have simplified Deleuze's framework, but it is helpful to explain that capitalizing "fact" differentiates denotation from manifestation.

From this social fact – a human being is *zōon politikon* – comes the possibility to destabilize dominant accounts of "organization" because we can then bring in to our discussions all kinds of phenomena that we naturally recognize as social but that are traditionally silenced by accounts of organizations as private corporations. "Organization" becomes not just a place where managers work but a diffuse category of social forms and, crucially, activities encompassing politics, persuasion, ethics, and aesthetics. Aristotle's work in practical philosophy speaks to all these activities because he gives us this most basic definition of a human being.

Organization, Society, and Politics

"Organization" is used widely here, consistent with its use in the leading journal in critical management studies (CMS), itself titled *Organization*. A recent editorial in this journal embraces a generous usage conceptualizing "organization," "as noun and verb, accomplishment and process" (Parker [2010]: 5; see also Cooper [1990]). Since "organization" is so often used to refer to a place of work or business, redescribing it in these broader terms is an act of politics. This is because the narrow and broader definitions of organization are expressions of inclusion and exclusion and of privilege and deprivation. Before elaborating on this and on the senses of organization as noun and as verb, it is helpful to propose a definition of organization that is an extension of the fact that a human being is *zōon politikon*:

> Organization as verb describes the activities of humans as political animals. As noun, 'organization' describes the groups and places within which such activities take place, but these groups and places result from acts of organization. As groups and places, these organizations in turn structure acts of organizing. (Morrell [2012a]: 5)

To reframe "organization" is important in order to challenge the occasional unspoken assumption that relations in society in general (the more generous sense of organization), and relations in certain kinds of firms (an impoverished sense of organization), are necessarily comparable or even equivalent. If we understand "organization" as the firm, as business, or as enterprise, we are never more than one move away from capitalism as a way of seeing. This can contaminate understanding of other social forms and relations.

Organization as Noun

In the wider sense, as a noun and descriptive category, "organization" can refer to a vast variety of social forms, not restricted to: corporations, public sector organizations, charities, societies, trade union and work associations, political parties, hospitals and schools, religions, sects and churches, sports teams and community groups, prisons, gangs, cults, terror cells, armies, and even – perhaps more contentiously – families. Continuing with this sense of organization as noun and being more generous still, we can challenge the implicit idea that organizations need to be in some senses permanent or enduring. Then, for instance, we might begin to question whether audiences, mobs, groups of fans, or crowds can also be understood as organizations.

One explicit and intended consequence of these more generous uses of organization as noun is that this term does not just refer to a place of work. Calling attention to "work" in the titles of texts (e.g., Noon et al. 2013; Watson 2006; Wilson 2010) sometimes differentiates critical writers on organizational behavior – who explicitly consider the experiences of those being managed, rather than the managers: the view from below. One consequence of leaving "work" behind in the wake of a more generous definition of "organization" is that it opens up these critical, non-managerialist perspectives. It becomes easier to see that the term organization need not be restricted to groups that have definite boundaries or that have explicit and formal criteria determining membership. This helps us see that in work organizations, organizational members do not have to share the same goals nor do they have to accept the same basis for authority. This is contrary to popular, and also potentially problematic, definitions of "organization," which are not only often restricted to the world of work but also tend to assume that by virtue of being in an organization, organizational members have a common objective. For leading writers in organizational behavior, an "organization" is:

> . . .a structured social system consisting of groups and individuals working together to meet some agreed-upon objectives. (Greenberg 2011: 33)
>
> . . . a consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals. (Robbins and Judge 2007: 5)
>
> . . .a social arrangement for achieving controlled performance in pursuit of collective goals. (Huczynski and Buchanan 2007: 8)

Yet members of all kinds of organization can remain at the heart of an organization whose espoused or actual goals they despise while desperately wishing for an alternative. They may choose to stay in an organization purely for some of the benefits that it affords them and not out of any notionally shared, normative purpose (Fleming and Spicer 2003). Or, they may remain part of an organization not because of the goals that others within the organization have but out of an impulse to belong and to associate. Members of a sweatshop need not share common goals or be members voluntarily, but this can apply in ordinary workplaces too.

The more generous uses of organization as noun do not commit us to pessimistic or cynical accounts of organization however. Broader uses can be emancipatory, in the sense that they call into question implied power relations. In doing so, they can challenge hegemonies that are expressed in formal relationships such as that of employee-employer, supervisor-supervisee, and manager-worker or conceptual categories such as leader-follower. Instead of a set of relationships under capitalism, which the firm and sweatshop have in common, the wider sense of organization as noun speaks more generally to other forms of association.

Taking account of these broader senses of "organization" can help us to consider the ways in which contemporary *society* is a – albeit far removed – successor to the *polis* of Aristotle. Joining *organization* and *society* allows the same kind of connection that Aristotle drew between a variety of social forms (he began with the family) and the *polis*. *Polis* is a word which has no ideal translation partly because our social world is structured so differently, but it is one that could defensibly be rendered as "society." For Aristotle, what different social forms (such as the family and the *polis*) shared was that they required, and were an expression of, *koinōnia*. This is to say, they entailed something social – a process that was held in common (Hartman 1994; Saxonhouse 1982) or that involved a sense of community (Booth 1994). In more general terms, Aristotle claims that humans as a species work together for *koinon sumpheron*, the common good (Morrell 2009; Morrell and Harrington-Buhay 2012). Stalley (2009: xxxvi–vii) identifies *koinōnia* as one of the key terms in *Politics* that is, "liable to be lost in translation." He describes this, in a way that is comparable to Parker's analysis of organization (above) as a "word family," comprising:

> the verb *koinōnein*, which means 'to share' or 'to participate' [the] noun *koinōnia*…
> literally a 'sharing' or 'participation', and is generally rendered in English as 'association',
> 'partnership', or 'community'… the adjective *koinos* which describes something which is
> shared or held in common. (xxxvii–viii)

To make this initial connection between "organization" and "*koinōnia*" perhaps leaves us with something that is not just broad but also overly loose (as the definitions of organization above by Greenberg, Robbins and Judge, and Huczynski and Buchanan are). It also seems at first glance that taking Aristotle's idea of *koinōnia* as a basis for understanding organization leaves us vulnerable to the same criticisms of naivety that can be leveled at definitions of work organizations (i.e., that they assume members have common goals). Yet there are subtle and important differences between Aristotle's notion of common purpose and the idea of common goals. Aristotle does not see *koinōnia* in terms of market relations; instead it is about wider relations in a polity and *koinon sumpheron*. Indeed the considerations he brings to bear on *koinōnia* run in opposition to the logic of capitalism because they are about society and justice rather than the market:

> A just political community can be judged to be one that serves the common advantage of all
> its members as contrasted with an unjust political community that serves only the private
> advantage of its ruling group. (Arnhart 1994: 466)

As Arnhart shows, revisiting Aristotle's sense of what is "common" does not just involve a broadening out from relations under capitalism, it is broader in the sense that Aristotle has a basic biological impulse in mind. This is more fundamental and unifying than the narrow sense of specific common goals that a work organization might have in the definitions above:

> Human beings desire to live together even when they do not need mutual aid. They are brought together for the common advantage insofar as communal life satisfies their natural needs for moral and intellectual development. They also come together merely to preserve their lives because most human beings find a natural sweetness in simply being alive. (ibid.: 466; see also Arnhart 1995)

A closer look at *koinōnia* reveals it to be not just subtly different but also quite radically different from the connotations of an organization having common goals. Private sector firms have a common goal of maximizing returns for shareholders, but this is a world away from the "natural sweetness in simply being alive." *Koinōnia* suggests we can hold on to a broad, generous sense of organization and at the same time drive an important wedge between the logic of capitalism and the human imperative to associate. At the same time, this biological bedrock leaves us with an almost impossibly broad definition of "organization." Aristotle could perhaps be taken on this point to suggest that we can trace along an unbroken continuum of social forms beginning with an impulse to huddle together for warmth and ending with abstract notions such as society or state (see Hartman 2001).

Even if we allow this as an obvious oversimplification, the variety of social forms gathered under the banner "organization" suggests we are in danger of losing any analytical purchase. Notwithstanding some initial promising connections between "organization" and "*koinōnia*" and the crucial advantage that this moves us away from narrow constructions of the firm, it is worth considering the basic question of whether we can define organization as noun more precisely. Since, on this generous usage at least, it is difficult to provide specific criteria for inclusion or exclusion in the general category of "organization," one alternative and comparatively contemporary approach would be to advocate a definition that is based on Wittgenstein's concept of family resemblance (Astley and Zammuto 1992; Mauws and Phillips 1995; Wittgenstein 1953). In other words, we could agree that there are identifiable commonalities across a set of social forms that can be called organizations but concede that there is no set of necessary and sufficient conditions that would determine the application of the label "organization." A second strategy is to complement our account of organization as noun with a definition of organization as verb.

Organization as Verb

Though this definitional section is much shorter, the broader project of connecting to Aristotle's practical philosophy is about organization as verb. This is because in

Aristotle's work, ethics, politics, rhetoric, and aesthetics are activities. As a verb and activity, "organization" is an expression and manifestation of power, with the tensions between freedom and organization lying at the heart of politics (Russell 2010). The value of a generous definition of organization, which admittedly comes at the cost of precision, is that it allows greater examination of politics as an activity rather than as a discipline (though the two are interconnected). Joining "organization" and "society" is useful to turn our gaze away from assumptions of the market; joining "organization" and "politics" advocates an approach to analyzing organization that is characterized by an attempt to recognize and challenge forces of exclusion and privileging. In doing so, such a perspective needs to consider both structures and processes. This involves scrutinizing how different aspects of organization as noun (including definitional frameworks for organization) support exclusion and privilege: how they reify boundaries and membership status, how they mark out and prefer elites, how they connote belonging or exile, and how they silence and disenfranchise outsiders.

It also involves scrutinizing the activities of organization as verb: of how processes such as work, resistance, deliberation, collective action, and sensemaking/sensegiving can entrench, reproduce, or destabilize inequalities. The collocation of organization and politics expresses "an acknowledgement of individual and collective agency, in the active politics of constructing/organizing/deconstructing/regenerating/replacing" (Cooke 2008: 913). This task is far harder if we rely on simple, unitary definitions of organization that assume common goals or values or a unitary "authorizing environment" (Moore 1995).

Conclusion

To bring together the terms *organization*, *society*, and *politics* (Morrell 2012a) is something with which we might expect Aristotle to sympathize (Hartman 2008). For instance, he saw any attempt to distinguish between politics and ethics as problematic, and indeed the transition from *Nicomachean Ethics* to *Politics* is difficult to pinpoint. A contemporary organizational theorist has also advocated blurring this distinction. The artificial and wrongheaded separation of these terms means that in effect we have a missing discipline when it comes to studying organizations. While we have business ethics, there is no business politics:

> …there is a rather tidy affinity between a narrow use of the word 'ethics' and a market managerial ideology that considers questions about persons to be legitimate but questions about political economy to be largely settled. So, in not asking questions of business politics, business ethics both justifies itself as properly concerned with 'ethics' and also avoids troubling the promanagerial hegemony of the wider discipline. (Parker 2003: 189; see also Betz 1998)

This identification of a missing discipline suggests the value of bringing organization and politics together and reveals a fuller project for "business ethics" – as

an activity that does not just seek to shore up the ethical basis for corporate behavior but that considers the role of organizations in contributing to, or detracting from, societal well-being (Morrell and Clark 2010). Reimagining business ethics is easier once we see the terms organization, society, and politics as interconnected, as Aristotle's account of *koinōnia* helps us to do.

References

Alvesson M, Sveningsson S (2003) Good visions, bad micro-management and ugly ambiguity: contradictions of non-leadership in a knowledge-intensive organization. Organ Stud 24:961–988

Aristotle (1995) In: Barnes J (ed) The complete works of Aristotle. The revised Oxford translation, 6th printing with corrections. Princeton University Press, Princeton

Arnhart L (1994) The Darwinian biology of Aristotle's political animals. Am J Polit Sci 38(2): 464–485

Arnhart L (1995) The new Darwinian naturalism in political theory. Am Polit Sci Rev 89(2): 389–400

Astley WG, Zammuto R (1992) Organization science, managers, and language games. Organ Sci 3(4):443–460

Betz J (1998) Business ethics and politics. Bus Ethics Q 8(4):693–702

Booth WJ (1994) On the idea of the moral economy. Am Polit Sci Rev 88(3):653–667

Cooke B (2008) If critical management studies is your problem. . .. Organization 15(6):912–914

Cooper R (1990) Organization/disorganization. In: Hassard J, Pym D (eds) The theory and philosophy of organizations. Routledge, London, pp 167–197

Crane A, Knights D, Starkey K (2008) The conditions of our freedom. Bus Ethics Q 18(3): 299–320

Davies JS (2011a) Challenging governance theory: from networks to hegemony. The Policy Press, Bristol

Davies JS (2011b) The limits of post-traditional public administration: towards a Gramscian perspective. Crit Policy Stud 5(1):47–62

Deleuze G (2004) The logic of sense (trans: Lester M, Stivale C). Continuum, London

Ferraro F, Pfeffer J, Sutton RI (2005) Economics language and assumptions: how theories can become self-fulfilling. Acad Manage Rev 30:8–24

Ferraro F, Pfeffer J, Sutton RI (2009) How and why theories matter: a comment on Felin and Foss (2009). Organ Sci 20(3):669–675

Fleming P, Spicer A (2003) Working at a cynical distance: implications for power, subjectivity and resistance. Organization 10(1):157–179

Ghoshal S (2005) Bad management theories are destroying good management practices. Acad Manag Learn Educ 4(1):75–91

Gramsci A (1971) Selections from the prison notebooks. International Publishers, New York

Greenberg J (2011) Behavior in organizations. Pearson, London

Grey C (2005) A very short, fairly interesting and reasonably cheap book about studying organizations. Sage, London

Hartman EM (1994) The commons and the moral organization. Bus Ethics Q 4(1):253–269

Hartman EM (2001) Moral philosophy, political philosophy, and organizational ethics: a response to Phillips and Margolis. Bus Ethics Q 11(4):673–685

Hartman EM (2008) Reconciliation in business ethics: some advice from Aristotle. Bus Ethics Q 18(2):253–265

Hassard J, Kelemen M (2002) Production and consumption in organizational knowledge. Organization 9(2):331–355

Huczynski A, Buchanan DA (2007) Organizational behaviour: an introductory text. Prentice Hall, London

Knights D, McCabe D (1999) "Are there no limits to authority": TQM and organizational power. Organ Stud 20:197–224

Letiche H (2010) Polyphony and its other. Organ Stud 31(3):261–277

Lucas JW, Morrell K, Posard M (2013) Considerations on the 'replication problem' in sociology. Am Sociol 44(2):217–232

Mauws MK, Phillips N (1995) Understanding language games. Organ Sci 6(3):322–333

Moore M (1995) Creating public value: strategic management in government. Harvard Business School Press, Harvard

Morrell K (2009) Governance and the public good. Public Adm 87(3):538–556

Morrell K (2012a) Organization, society and politics: an Aristotelian perspective. Palgrave, London. The full published version of this publication is available from: http://www.palgrave.com/products/title.aspx?pid=521880

Morrell K (2012b) Evidence-based dialectics. Organization 19(4):461–479

Morrell K, Clark I (2010) Private equity and the public good. J Bus Ethics 96(2):249–263

Morrell K, Harrington-Buhay N (2012) What is governance in the 'public interest'? The case of the 1995 property forum in post conflict Nicaragua. Public Adm 90(2):412–428

Morrell K, Lucas JR (2012) The replication problem and its implications for policy studies. Crit Policy Stud 6(2):182–200

Noon M, Blyton P, Morrell K (2013) The realities of work: experiencing work and employment in contemporary society, 4th edn. Palgrave, New York

Parker M (2003) Ethics, politics and organizing. Organization 10(2):187–203

Parker M (2010) Inter, neo, trans: editorial. Organization 17(1):5–8

Robbins SP, Judge TA (2007) Organizational behaviour, 12th edn. Prentice Hall, Englewood Cliffs

Russell B (2010) Freedom and organisation. Routledge, London

Saxonhouse AW (1982) Family, polity and unity: Aristotle on Socrates' community of wives. Polity 15(2):202–219

Stalley RF (2009) 'Introduction' in Aristotle (2009). Politics (trans: Barker E, Stalley RF (eds)). Oxford University Press, Oxford, pp vii–xlvii

Watson T (2006) Organising and managing work, 2nd edn. Prentice Hall, London

Wilson F (2010) Organizational behaviour and work: a critical introduction, 3rd edn. Oxford University Press, Oxford

Wittgenstein L (1953) Philosophical investigations (trans: Anscombe G). Blackwell, Oxford

When Does Income Cost Too Much? A View from Aristotle

Daniel C. Russell

Contents

Abstract

As one's time becomes worth more to others, it is an easy trap to keep trading time for income without pausing to ask whether one's time, energy, and attention might have a better alternative use. This chapter explores two questions about that trap, both inspired by Aristotle: first, "How would it be wise to divide one's time, energy, and attention between income and other worthwhile things?" and second, "How would it be wise to involve public policy in one's choice?" Aristotle was right about the first: the impulse to keep making more money is an impulse that needs the corrective of wisdom. But he was wrong about the second: his impulse to trust in the wisdom of public functionaries is an impulse that needs the corrective of wisdom too.

Keywords

Aristotle • Wisdom • Eudaimonia • Happiness • Well-being • Wealth • Work/life balance • Positive psychology • Public policy

D.C. Russell (✉)
Department of Philosophy, The University of Arizona, Tucson, AZ, USA
e-mail: danrussell@email.arizona.edu

Introduction

Business students train in hopes of making disproportionate contributions in the world of goods and services. Disproportionate contributions create consumer surplus – the difference between *how much we value* what we consume and *how much we pay* to consume it – so it's a boon for consumers that firms find disproportionate contributors worth paying extra for. However, businesspeople who face incentives to create consumer surplus can face less benign incentives as well, hence "business ethics" and its usual focus on ethical dilemmas.

But businesspeople also need an expanded notion of "ethics" encompassing what Aristotle meant by *ta ethika*: things concerning *character* (*ethos*), that is, concerning *what sort of person* one is and *what sort of life* one is living. In that spirit, I want to focus on how businesspeople might respond wisely to monetary incentives not just in what they do *at* work but in what they do *about* work. As one's time becomes worth more to others, it is an easy trap to keep trading time for income without pausing to ask whether one's time, energy, and attention – that is, whether one's heart and soul – might have a better alternative use. Ultimately everyone wants to have a good life, and income is important for a good life not only for survival but also because pursuing life's goals takes resources. But earning those resources *also* takes resources – time, energy, and attention – and beyond some line the next increase in pay costs more than it is worth in the other opportunities we forgo in capturing that increase. The trap is not that it's hard to know where that line is. That *is* hard, but that's just life. The trap is that it's easy to cross that line without even realizing there was a line to watch out for.

That trap, in a word, is a kind of *mindlessness*. Mindlessness is not stupidity, and its cure is not cleverness. Mindlessness is just the natural consequence of being so busy you forget to ask what you pay to be so busy. Its cure is to be mindful enough to ask that question and wise enough in answering it.

I want to explore a pair of questions for wiser, more mindful people to ask themselves, in both cases taking a cue from Aristotle. The first is, "How would it be wise for me *to divide my time, energy, and attention* between income and other worthwhile things?" Ultimately what you want is to live well, but living well is a challenge, and a good life is an achievement. Aristotle was aware of the trap of ignoring the costs of extra income, and his advice was that while income opens up opportunities to pursue our dreams, it can also rob us of those very opportunities once income becomes a dream of its own. The job for wisdom, then, is to find a good *balance* between income and what income is for.

The second question is, "How would it be wise for me *to involve other people* in my choices about income?" Here I find Aristotle's advice mixed, for while he had the sound idea that people live best within mutually supportive relationships, he also interpreted that idea to mean that lawmakers should involve themselves in people's choices to ensure they live well. That interpretation, I argue, is one that businesspeople would be wise to reject, not despite their wish to live well but precisely because of it.

A Miracle and an Opportunity

Before turning to Aristotle, I want to take a closer look at the trap we are considering. That trap is essentially the failure to make good use of a miraculous opportunity. To a degree unprecedented in history, *most* people today have the opportunity of shifting their focus from mere living to living well. What accounts for that miracle, and how well are we using that opportunity?

The miracle is what Frédéric Bastiat described as "the measureless disproportion" between what each of us contributes to society and what each of us receives in return (*Harmonies of Political Economy* I.1). For example, a carpenter spends the day making a few tables or chairs, and yet every day he has access to food, clothes, vehicles, highways, machines, books, and accumulated knowledge – wealth more immense than he could produce in ten centuries let alone one day. This would be no miracle in a carpenter who was also a thief. What is miraculous is that our carpenter's swap is an *honest* swap – and the same swap that *everyone else* is making too. Each person's daily contribution must therefore be greater than his or her daily receipts, even though each person receives in any given day more than anyone could make in a millennium.

What's more, this "measureless disproportion" must grow over time, because in many ways our great-grandparents had more in common with the ancient Romans than with us. Like the ancient Romans, they relied on animals for travel; they knew nothing of flush toilets; they measured long-distance communication in weeks or months; they were routinely rendered unemployable by things like nearsightedness; women and infants routinely died in childbirth; they were exceptional if they lived into their 60s; they died from diseases for which they had no name but which people today might forget ever existed; and they lived in a world with far more global poverty despite a far smaller global population. The disproportion that Bastiat described in 1850 is miraculous, and the *explosion* of that disproportion has been almost unfathomable.

One of the greatest results is that far fewer working hours are required to sustain even very comfortable levels of consumption than ever before (Horwitz 2015), and this miracle creates new opportunities for balancing our time, energy, and attention. One side of the balance is *reinvesting* our surplus hours in earning more income so as to capture the gains on the ever-growing "output" side. This is to see in the "measureless disproportion" the *vastness of possible consumption*. And the other side is the option of *reclaiming* our surplus hours and putting them into other pursuits besides earning income, seeing instead the *slightness of necessary effort*.

This is not an either/or choice, but a choice *at the margin*: after spending a large enough block of time, energy, and attention to afford a comfortable level of consumption, the question is how to spend the *next* block. The choice is not one-size-fits-all either, since our circumstances, our opportunities, and our goals are not all the same, even when we have some say in what they are to be. The challenge at the margin is therefore to choose with wisdom so that taken all together, your time on this earth will add up to a good life. It is a test of how you

wisely will use the miraculous opportunity even to *have* such choices at the margin. The danger is not getting less than a perfect score on that test. The danger is not realizing the test has already begun. (I owe the analogy to David Schmidtz.)

A Life Well Lived

It is no secret that in our culture by and large people have gone more in the direction of reinvesting rather than reclaiming (Skidelsky and Skidelsky 2012, 19–21), certainly more than one might have predicted based on our wealth (Keynes 1930). But as amazing as the vastness of the "output" side is, we should not miss the utter glory that is the slightness of what is required on the "input" side, because the ultimate input is our *time*. The question facing us, then, is *how much of our lives* to give up in return for the things we consume. It is the question of when more income just costs too much.

To see how income might cost *too much*, ask why anything has a *cost* at all.

Ask yourself why you got out of bed this morning. If you are a student, you might answer that you had to go to class. So why take a class? You answer: "It's part of my education." So why get an education? You answer: "I want to learn and to prepare for my career." If the "why" questions continued, they would eventually come to the larger things you are doing in life, until finally: so why do you care what you do with your life? But if you now find "why" a bizarre thing to ask, you get the point: "I have an opportunity to be alive, *and you ask why I care what I make of that opportunity?*"

Here we can see what costs are. As safe and pleasant as lying in bed is, it costs the opportunity to do things you value even more. The point generalizes: there are many things you *might* do with your life given the opportunity but only so many opportunities. So the real cost of doing one thing is the forgone opportunity to do something else. More simply, *costs are forgone opportunities*.

All costs are not equal, because all opportunities are not equal. Living well is not just *an* opportunity. It is the *ultimate* opportunity. Ultimately, every choice you make comes back to this one choice: What use will you make of the time you have to live? To waste that choice is to waste everything. The time of your life is all you have, and one way or another, you *will* give the time of your life to *something*. You should treat that like the awesome opportunity it is.

That opportunity is what Aristotle meant by a "final end" or "ultimate goal" (what he called a *telos*). Aristotle observed both that our reasons for the choices we make – our answers to the "why" questions – eventually have to reach an end and that where they end is with the opportunity of giving ourselves a good life, what he called *eudaimonia* (Aristotle, *Nicomachean Ethics* [*NE*] I.1-2, 4, Russell 2012a, Chaps. 1–3; Russell 2013). That opportunity is ultimate because we want everything else in our lives to add up to a good life, and we want the good life entirely for its own sake and not for the sake of anything further (I.7, 1097a24-b6).

Now, *eudaimonia* is often translated "happiness," which makes sense insofar as feelings of happiness, like pleasure and a sense of satisfaction, are important parts

of the good life (*NE* VII.13, X.4). But *eudaimonia* is not the *same thing* as those feelings: *eudaimonia* is not the way a good life *feels* but the good life *itself*, taken as a whole. For example, when we wish a newborn child "every happiness," we do not wish that, however rotten life might turn out, at least the child would not mind. Rather, we wish newborns, newlyweds, loved ones, and ourselves a life worth celebrating, full of meaning, closeness, and fulfillment. Our wish is not only for a feeling but especially for a future.

Part of a happy life, then, is *having things to live for*. This is more than keeping busy or even having something to get out of bed for. It is not just living but living with purpose. Another part of the happy life is *living wisely* (*NE* I.7, 13, VI.1, 5, 10–13). It takes wisdom both to know how to fit all the pieces of your life together and to know what sorts of pieces will enrich your life – things like loving relationships, closeness with family, meaningful work, generosity and fairness toward others, perhaps spirituality, and so on. None of these things has to be selfish – actually, if human wisdom has figured out anything, it is that living selfishly is a reliable way of wasting your opportunity to live a great life. Choosing to enrich your life is obviously a choice that makes you think about yourself, but that does not make it a selfish choice, just a more mindful one (Hampton 1993; Russell 2012a, 25–7). And all of these things we value for their own sake. It is not as if loving relationships, meaningful work, and the rest are just *means* to a good life. Rather, put them all together, and they *are* your good life.

An Opportunity Wasted

To sum up, the cost of doing one thing with your life is the forgone opportunity to do something else, and the ultimate opportunity is to live a good life. A good life does not "just happen," though. It is a challenge that it takes wisdom to meet, and as one's time becomes worth more to others, it takes wisdom to avoid the trap of trading time for income mindless of forgone opportunities. But this trap seems distinctly modern. What could Aristotle have known about it?

Quite a lot, actually. By Aristotle's time (384–322 BC), Greece was at the peak of several centuries of dramatic growth in wealth, was highly urbanized, and had median wages to rival any premodern civilization (Ober 2011). As Plato, Aristotle's mentor, understood things, wealth comes chiefly from commercial exchange: people overcome poverty through specialization, which increases their productivity; the division of labor makes this specialization possible; and it is peaceful, voluntary exchange that makes it possible to divide labor, limited only by the number and diversity of people exchanging both domestically and overseas (Plato, *Republic* II, 369b–373b). Aristotle too understood that exchange makes possible a natural social progression from nuclear families to extended clans and ultimately to societies of sufficient scale and organization to support not just survival but flourishing (Aristotle, *Politics* [*Pol.*] I.2, 9, *NE* V.6).

But while Aristotle saw that wealth improved opportunities to live well, he also saw that many people squandered those opportunities by falling into the very trap

we are talking about. "Most people," Aristotle observed, "think *eudaimonia* is something obvious and easy to see, like pleasure, wealth, or fame" (*NE* I.4, 1095a22-23; all translations are my own). Sometimes people talk this way about wealth merely when they happen to be broke (1095a23-25). But then there are others for whom money-making really does define their lives, people who "turn everything into money-making, as if this were the whole point (*telos*) and everything should address itself to that" (*Pol*. I.9, 1258a12-14).

This mistake goes beyond recognizing that money-making is something necessary, as Aristotle himself did (*Pol*. I.9, 1257a21-41). In fact, Aristotle puts more emphasis than any other Greek philosopher on the importance of wealth for living an interesting life and achieving wonderful things (*NE* I.8-10), and he recognized the joys of ownership and generosity with one's belongings (*Pol*. II.5, 1263a40-b8). The focus on money-making also goes beyond devoting a lot of time to making money; we convert money into the good things our households consume – what Aristotle called "natural wealth" (I.9, 1257b19-20) – and not all households have the same demands or face the same challenges. And it also goes beyond devotion to one's work, which can be rewarding in its own right – as I suspect it was for Aristotle himself. Rather, Aristotle was critical of letting the desire to earn take on a life of its own, so that we forget that money is supposed to have a point. Money-making for its own sake turns the healthy goal of having *enough* into the boundless goal of having *more*, so that wealth is no longer counted in good things we enjoy but in money we accumulate (1257b23-1258a2, 1257a41-b10).

Earning for earning's sake sounds bad, but what exactly is bad about it? For Aristotle, it is a mistake to treat making more money as the ultimate goal in life because it is not the kind of thing that *can* be an ultimate goal. Recall that a goal is *ultimate* when it brings all of the "why" questions to a halt: it is the kind of thing we can want in life for its own sake *and not* for the sake of anything further. But money-making is not like that. "The money-making life," Aristotle said, "is a 'have-to' kind of thing; wealth is clearly not the good we're looking for, since it is merely useful and is for the sake of something else" (*NE* I.5, 1096a5-7). Money-making has a point, but it is a point *that other things give it*. It is not *its own* point. Money-making cannot be the ultimate goal because it is not ultimate.

Furthermore, treating money-making as its own point makes it *boundless*. Making money for the good of a household has a goal, and that goal makes it possible to know where to stop. Making money for the sake of making money has no such goal: "in the former case something else is the goal, but in this case the goal is accumulation" (*Pol*. I.9, 1257b37-38). But that goal suggests no natural place to stop, and money-making can go on crowding out more and more things worth doing for their own sake. Its costs in forgone opportunities know no bounds.

Lastly, treating accumulation as the point in life is actually to have no point in life. It is to "invest one's energy in living, not in living well" (*Pol*. I.9, 1257b41-1258a1). Gathering today to continue gathering tomorrow is all there is to life for cattle (*NE* I.5, 1095b19-22), but then cattle have no "why" questions and so they have no ultimate goal. To live as if accumulation were all there is to our life is not so

much to have an ultimate goal as to squander the distinctly human opportunity of having one.

Aristotle's criticism is directly relevant to the trap of *mindlessness* about money-making. Someone *might* intend to live a money-driven life, but I doubt that is the usual explanation. You do not have to have any special intentions in order to fall into a money-driven life – or for that matter, a life driven by indulgent consuming (*NE* I.5, 1095b19-22) or being a "major player" (1095b22-30). Often it is enough just to go with the flow. But Aristotle's criticism reveals how mindlessness about income can cost too much, because it can come to cost everything. It concentrates time, attention, and energy on something that is *not* its own point and diverts those same resources *away* from things that *are* their own point. That is why it costs too much. That is what makes it unwise.

"The Mean Relative to Us"

Aristotle distinguished moneymaking for the sake of *having enough* from money-making for the sake of *having more*. "Having more" is a senseless goal. But what does "having enough" means? What sort of balance makes sense?

There is no single answer to that question. In fact, one of Aristotle's central observations about wisdom is that a wise balance has to account for the various things about you and your circumstances that make your life different.

Imagine two people, Fred and Freda. Fred's job pays less than Freda's, but Fred's job is also less stressful and leaves him with more free time. By contrast, Freda works long, exhausting hours and often has to jump a plane at a moment's notice to close a deal in any given part of the planet. Now, the "measureless disproportion" between effort and consumption allows each of them to live comfortably, so the difference is how they allocate their time, energy, and attention beyond that point. Fred has struck a balance that *reclaims* those resources at the margin, whereas Freda's balance *reinvests* them. Which one is right?

So far we cannot tell, because what counts as a wise balance – or what Aristotle called a "mean" (*NE* II.6-9) – depends on a number of particular facts about Fred and Freda. In Aristotle's analogy, the right diet is not halfway between too little to eat and too much, because the halfway diet may still be too much for one person and too little for another (II.6, 1106a33-b5). Rather, the mean is "relative to us": "it is neither too much nor too little, but this isn't just one thing, and it's not the same thing for everyone" (1106a31-32). Rather, the mean relative to us depends on the numerous particular circumstances of time and place.

To see how, suppose that at the margin Fred needs time to spend with family more than he needs extra income. Given his options and priorities, his choice could be wise. But Freda's choice could be wise too: perhaps she is unattached now but has big plans for the future and has less use for free time at the margin than for extra income (Epstein 2008). That is, the right balance "is not the same for everyone." And it "is not just one thing" either, because even for the same person the right

balance can change over time. A much younger Fred might be wise to invest more in his future, putting more wealth tomorrow ahead of more free time today; when Freda is older, she might be wise to put more free time today ahead of more wealth tomorrow. What is wise, then, depends on what the available options are and what the different options cost in forgone opportunities to do the things that matter most. Options and costs will differ from person to person and from time to time. That is, "the mean is relative to us."

The one constant in every wise balance, of course, is wisdom itself, that is, "to deliberate well about what is good and beneficial for one not in some particular respect (e.g., with regards to health or strength) but with regards to a good life taken as a whole" (*NE* VI.5, 1140a26-28). So every wise balance will balance the many parts of the good life without any mindless indifference to any of them. When Fred and Freda are wise in allocating their time, energy, and attention, it is because their choices are for the sake of a good life considered in all its many dimensions. In their particular cases, it is because they are mindful of trade-offs between the feelings of happiness (how pleasant or draining a job is) on the one hand and other parts of the good life (e.g., the relationships and aspirations that give life meaning) on the other.

This point is easy to miss. It is tempting to think they are balancing the good life against *another sort of thing*, in which case Fred would seem wiser than Freda. But in fact they are balancing *one* part of the good life – the feelings of happiness – against *another part of the good life*. Nor does wisdom always put those feelings before the other parts. We can be wise in drawing close to others not in *spite* of realizing that losing them would hurt but *because* a life in which there is something to lose is a far richer life (Russell 2012a, 28–31). We are wise to raise our children and look after our aging parents, not because these things always feel happy but because these people are part of our good life too. And these examples remind us that it is not just our own futures that we work for – we work to improve other people's futures too. If a balance like Freda's is unwise, it will not be because she puts other parts of the good life before the feelings of happiness – that can be very wise indeed. If Freda is unwise, it will be because she is not mindful of the good life taken as a whole.

Of course, it is one thing to say that different choices can make sense for different people at different times, and quite another to say that people's actual choices have much to do with what makes sense. Finding the mean relative to us is difficult. As Aristotle puts it, the foolish possibilities vastly outnumber the wise ones (*NE* II.6, 1106b27-33, II.9, 1109a20-30). And for different people, some ways of going wrong are more tempting than others (II.9, 1109b1-7). For people in business, the easy way to go wrong is in reinvesting too much in earning extra income – or extra consumption, or extra prestige – which is usually the direction of simple inertia. That is why businesspeople need wisdom about work. I cannot hope to have made it more than just a *little* clearer what that wisdom might look like: every person's situation is unique, and we cannot expect more exactness in our answers than the nature of our questions allows (I.3, 1094b11-27). But hopefully it *is* a little clearer.

Public Policy and the Feelings of Happiness

The difficulty of striking a good balance brings us to the *social* side of wisdom. Part of being wise is being wise enough to seek the help of others – people who know our circumstances and count our best interests among their own. Aristotle realized that humans group together not just for commerce but for becoming better people through mutual support and encouragement within friendships (*NE* IX.4, 9–12) and larger social groups (*Pol*. III.9). In fact, this is why Aristotle said famously that a human is a "political animal" – that is, a *polis*-based (*politikon*) animal – because the *polis* or "city-state" is the sufficient level of population and organization for each member to have the opportunity not just to live but to live well (*Pol*. I.2, 1252b28-1253a7, III.9, 1280a31-32, 1280b31-1281a2, *NE* V.6, 1134a23-30).

This is a sensible idea, but it does raise questions about possible roles for *public policy* in the good life, and at this point Aristotle's idea could be interpreted in many ways. One interpretation would be that public policy is for maintaining a safe and peaceful environment in which the Freds, the Fredas, and the people who care about them can pursue their own visions of the good life. But another interpretation is that policy is for planners to use in actively promoting the good life. Aristotle himself interpreted his idea in this second way; actually, he went as far as to say that public policy is for making people good and wise and thus fit to live well (*Pol*. III.9, 1280b5-12, 1281a2-8, VIII.1, Russell 2012b). But even if we do not go as far as Aristotle, there is still an obvious question: if Fred and Freda will struggle to find a wise balance, how would public functionaries do any better?

One answer is that policy makers might draw on a *science of happiness*. This is an answer that Aristotle could not have foreseen, but there is increasing interest today in how the social sciences might inform public policy. For example, Ed Diener and Martin Seligman – two of the world's leading positive psychologists – argue that since happiness has always been the goal of public policy, and since scientists can now measure people's happiness with considerable precision, happiness should now be a primary policy focus (Diener and Seligman 2004). Their aspiration is for a unified, comprehensive science of happiness. Scientists could then hand off to politicians who could create policies to increase public happiness.

Now, by "happiness" Diener and Seligman mean what I have called the feelings of happiness, and social scientists refer to these feelings collectively as "subjective well-being" or "SWB" for short (Diener et al. 2009b). Of course, SWB is only one part of the good life, but scientists confine themselves to SWB for two good reasons. One, *the boundaries of science* confine scientists to those parts of the good life they can quantify and measure. Measurement is difficult enough when it comes to SWB (Schwarz and Strack 1999), but it is downright impossible for the other parts of the good life, like meaningfulness, which are highly dependent on values (Diener 2000). However, two, *the boundaries of democracy* restrict scientists from injecting their own values into the study of quality of life, especially when that study is to yield recommendations for public policy. As Ed Diener puts it, focusing on SWB is "democratic in that it grants to each individual the right to decide whether his or her life is worthwhile" (Diener 2000, 34).

Could pro-happiness policies really be *both* scientific *and* democratic? Think of Freda again, who takes a draining job in return for extra income. Now, in order to be scientific, happiness scientists focus only on SWB, and from that perspective Freda is simply a case of very low levels of SWB, in spite of her extra income. In other words, because happiness science sees only Freda's level of SWB and not the other parts of the good life that might explain the balance she has chosen, happiness science cannot see Freda's balance as potentially wise, for the simple reason that happiness science cannot even see it as a *balance* in the first place. For happiness science, the mean when it comes to SWB is not "relative to us" but always more rather than less. Consequently, happiness scientists can see no reason to avoid increasing the costs of choices like Freda's. And so happiness scientists conclude, as Diener and his colleagues do, that pro-happiness policies could, for instance, safely raise marginal tax rates on people like Freda, because "taking away a greater percentage of income from the rich will affect their happiness little" (Diener et al. 2009a, 173).

But whatever Freda's tax bill should be, it is hard to see anything democratic *about that rationale* for increasing it. There is nothing "democratic" about constraining each other's options for balancing the various dimensions of the good life by ignoring most of what goes into that balance – and that for no better reason than that those other things are not what scientists are in a position to measure. Ironically, the very decision to organize policy around those elements of happiness that happen to be scientifically measurable turns out to be a *momentous* decision about values. Focusing on SWB is meant to be democratic, granting to each individual the right to decide whether his or her life is worthwhile. Is it not also democratic to grant to each individual the right to decide whether his or her *balance* in life is worthwhile?

Public Policy and the Good Life

Striking a wise balance between the many dimensions of the good life is hard for people to do, and public functionaries only make it harder for them by overlooking the things that people try to balance. So perhaps policy makers should promote *all* the things that make life good. Aristotle himself thought so, arguing that public policy could foster human flourishing by directing citizens toward the path of wisdom. Such policies would look not (only) to the sciences but (also) to the arts – to history, philosophy, classics, literature, drama – for enduring discoveries in humanity's exploration of what makes life worthwhile. Of course, such an approach could not pretend to "democratic" neutrality, but perhaps such neutrality is misguided anyway.

So argue Robert Skidelsky and Edward Skidelsky in their recent book, *How Much is Enough?* They argue that public policy should promote a life rich in a list of goods including health, security, respect, personality, harmony with nature, friendship, and leisure (Skidelsky and Skidelsky 2012, Chaps. 6–7). And in affluent societies like ours, any economic collateral damage such policies might do should

be regarded as only "an indifferent side effect of measures desirable in and of themselves" (p. 143).

The Skidelskys offer an attractive list of things that make life good, though they point out there is still disagreement about it. For example, legal philosopher John Finnis (2011) includes religious and aesthetic experiences among the human goods, whereas the Skidelskys (2012, 153) do not. Moral philosopher Martha Nussbaum (1990) advocates promoting the *capacity* for a good life, leaving the rest to citizens, whereas the Skidelskys (2012, 148) want to use "all the powers at our disposal" to ensure that citizens actually *will* lead a good life.

Does disagreement matter? Surely "it does not follow from the mere fact that moral opinions differ that they are all of equal worth" (Skidelsky and Skidelsky 2012, 146). Besides, some people are unreasonable. But I think disagreement does still matter, insofar as disagreement highlights the demands of *justifying ourselves to each other*.

To see what I mean, imagine a desert island shared by Finnis, Nussbaum, and the Skidelskys, and imagine them all governed according to *any one* of their three views of the good life. (The thought experiment is adapted from LeBar 2013.) *Whichever* view holds sway – Finnis' *or* Nussbaum's *or* the Skidelskys' – its proponent will offer an intelligent justification for why that view should be implemented, *and yet* those others, in each case, will not see that justification as acceptable (LeBar 2013, 277). What those others would experience under even the most reasonable view of the good life would still be just the life of being governed *at the pleasure of another*. Justifying ourselves to each other is not a question of which decision is best but of *who gets to decide*. And it matters who gets to decide *even* among reasonable and intelligent people who have devoted their professional lives to understanding what makes life worthwhile.

In fact, it matters who gets to decide even *without* disagreement over the good life. For example, while the Skidelskys (2012, 195–7) advocate policies limiting people's work hours, Robert Skidelsky (2012, 42:09) has said he would make an exception for "creative" jobs like those of professors. Now imagine that Edward Skidelsky interprets their view to include professors' hours too and that on Skidelsky Island it is Edward who gets to decide. If Robert turns up to work only to find that Edward has cut his hours, he would be right to resent the cut even though it was prompted by a reasonable and benevolent alternative interpretation of his own view. But even if Edward fortuitously interpreted that view *exactly as Robert does*, Robert would still be right to resent working only the hours Edward *lets* him work. As it happens, those are also the hours Robert himself prefers, but that is beside the point. What Robert would rightly resent is living his life at the pleasure of Edward (cf. LeBar 2013, 277–280). (I leave it as an exercise for the reader whether there are precisely analogous problems [a] between Diener and Seligman, say, and [b] between citizens of even a culturally homogeneous democracy.)

Greater happiness through public policy sounds splendid, but it turns out to be as impossible as it is indispensable to justify such policies to each other. The mean is relative to us, but public policy is not. If anyone *should* have appreciated this point it was Aristotle. It is puzzling that he did not. It is a point that *we* should not miss,

though. The thought that happiness comes from making more money is a thought that needs the corrective of wisdom. But the thought that happiness comes from taking choices out of people's own hands and turning them over to public functionaries is a thought that needs the corrective of wisdom too.

Conclusion

Let me summarize three main recommendations from this chapter.

Understand what wealth is for. There will be a temptation to look at your income and say "That is my wealth." But that would be to ignore what income costs in foregone opportunities to do other things with your time, energy, and attention. At some point it costs too much. Be mindful of your trade-offs. Be wise, and be wise enough to seek wise counsel.

Understand what wisdom is for. There will be a temptation to go with the flow without asking where the flow is taking you. In the business world that flow is usually in the direction of making more money. The choice to reinvest surplus time in earning a larger income can make sense, but choices resulting from mere inertia have nothing to do with what makes sense. Whatever trade-off you end up making, be mindful that the option you choose is your best option for living a good life taken as a whole.

Understand what public policy is for. There is a growing temptation to view shortfalls in happiness as a problem for policy to fix. But the tools of public policy are far too blunt to tell trade-offs that make sense from trade-offs that do not, and someone else's chosen trade-off is not the business of the rest of us anyway. It takes wisdom to know when adopting pro-happiness policy is *itself* a pro-happiness policy. Be mindful of the difference between the question of whose choice it is to make and the question of who would make the best choice if it were theirs to make.

References

Diener E (2000) Subjective well-being: the science of happiness and a proposal for a national index. Am Psychol 55:34–43

Diener E, Seligman M (2004) Beyond money: toward an economy of well-being. Psychol Sci Public Interest 5:1–31

Diener E, Lucas R, Schimmack U, Helliwell J (2009a) Well-being for public policy. Oxford University Press, New York

Diener E, Oishi S, Lucas R (2009b) Subjective well-being. In: Lopez SJ, Snyder CR (eds) The Oxford handbook of positive psychology, 2nd edn. Oxford University Press, New York

Epstein R (2008) Richard Epstein on happiness, inequality, and envy. http://www.econtalk.org/archives/2008/11/richard_epstein.html

Finnis J (2011) Natural law and natural rights. Oxford University Press, Oxford

Hampton J (1993) Selflessness and loss of self. Soc Philos Policy 10:135–165

Horwitz S (2015) Inequality, mobility, and being poor in America. Soc Philos Policy 31:70–91

Keynes JM (1930) Economic possibilities for our grandchildren. In: Keynes JM (ed) Essays in persuasion, vol 9. Cambridge University Press, Cambridge

LeBar M (2013) Virtue and politics. In: Russell DC (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge

Nussbaum M (1990) Aristotelian social democracy. In: Douglass RB, Mara GM, Richardson HS (eds) Liberalism and the good. Routledge, New York

Ober J (2011) Wealthy Hellas. J Econ Asymmetr 8:1–38

Russell DC (2012a) Happiness for humans. Oxford University Press, Oxford

Russell DC (2012b) Virtue ethics and political philosophy. In: D'Agostino F, Gaus G (eds) The Routledge companion to social and political philosophy. Routledge, New York

Russell DC (2013) Virtue ethics, happiness, and the good life. In: Russell DC (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge

Schwarz N, Strack F (1999) Reports of subjective well-being: judgmental processes and their methodological implications. In: Kahneman D, Diener E, Schwarz N (eds) Well-being: the foundations of hedonic psychology. Russell Sage, New York

Skidelsky R (2012) Robert Skidelsky on money, the good life, and how much is enough. http://www.econtalk.org/archives/2012/10/robert_skidelsk.html

Skidelsky R, Skidelsky E (2012) How much is enough? Money and the good life. Other Press, New York

Corporate Roles and Virtues

Miguel Alzola

"...That was perfectly compatible with the militarist mentality of Mr. Pugliese, in virtue of that psychological mechanism that makes the antimilitarists admire marines: they are not so stupid, they have traveled, they are very much like civilians. As if this defect could be cause for praise (...) praising a soldier because he does not look like a soldier or because he is not so, is like finding merit in a submarine that has difficulty submerging."

Ernesto Sabato – Sobre Heroes y Tumbas (p. 281)

Contents

Abstract

An important dimension of the moral life is lived through social institutions. We play a number of personal and occupational roles, which are socially, psychologically, and morally important. Such roles are said to create special moral demands and require the development of distinctive character traits. This chapter

M. Alzola (✉)
Department of Legal and Ethical Studies, Fordham University, New York, NY, USA
e-mail: alzola@fordham.edu

is concerned with the excellences of character that should be fostered in human beings playing business roles. Specifically, it is about the traits that make a good businessperson and whether or not such role virtues are the same as the virtues of a person (qua human being).

Introduction

To a large extent, business ethics is role ethics. Much business activity is conducted through firms involving roles and special relationships, which are allegedly governed by special principles, constituting a morality on their own. Corporate roles and business relationships are said to create special moral permissions, prohibitions, and obligations. Paraphrasing Aristotle, the purpose of this chapter is to examine the question of whether the virtue of the good person and the good corporate citizen (i.e., the good corporate officer, business executive, or business employee) is to be regarded as the same or as not the same (Politics 1276b15). I shall use the expression "organizational citizenship" in an entirely different sense than the psychological literature on "organizational citizenship behavior" or the strategic management literature on "corporate citizenship."

The chapter is organized as follows. In the first section, I shall justify the moral significance of roles. In the second part, I shall explain why our moral evaluations depend on role performance. And in the third part, I shall examine the question of whether corporate roles corrode moral character. Section four concludes.

Roles and Moral Standing

Social and political institutions make up a significant part of the fabric of our lives. As social and political animals, humans cooperate with others to achieve something they care about, something they may not be able to achieve without working together. Hence, business decision-making does not occur in a social vacuum. It is conducted through some specific roles and special relationships. Once a person assumes such roles and builds such relationships, one acquires a different moral standing. Some of these role positions are natural and not voluntarily acquired, yet for this paper I am primarily concerned with nonnatural, i.e., occupational roles, though some conclusions can be extended to the realm of natural roles. One is especially accountable to some other persons. One is bound by certain special moral standards. One might have an obligation to obey certain orders because one is a soldier or orders of a different sort because one is an employee. It is characteristic of role obligations that they are standardized and fairly predictable, that we

contemplate them as we consider whether to assume the role or to remain in the role, and that they sometimes conflict with the obligations one has if one is not playing that role.

Roles and institutional positions enable us to identify an act. In a sense, they make things what they are (Metaphysics 1042b25-31). I sign my name and, depending on my position, I consign someone to death, I expend corporate funds, or I hire someone. Playing a role changes the role-player's moral space, because roles and the institutions in which they are embedded are important.

Roles are socially important because significant social goods can be solely achieved through the common projects they help achieve. Roles are also psychologically important, because to some extent we are our roles. We identify with such roles. And roles provide significant opportunities for psychological integration and moral development. Finally, and this claim is more contentious, roles are morally important for at least two reasons.

First, virtue consists in excellent activity (*EN* 1098b13-15). Many of these activities and practices take place in institutional contexts; they are all mediated through social and professional roles. One learns how to be good, one learns how to live, and one finds role models in the communities one inhabits, interacting with others, through the opportunities offered by the political and social institutions where one happens to live.

Second, social and political institutions are necessary for the development and exercise of the virtues that allow human society to function. It is not only the success of the community that is at stake but also the flourishing of its members (*Politics* 1281a1). Caring about such institutions and common endeavors for their own sake is morally virtuous, as they have a fundamental place in the constitution of well-being. Surely the fact that we care about such institutions and common endeavors is not enough to make the institution morally worthy. As explained in the next section, a commitment to evil institutions cannot be morally virtuous. Our well-being consists to some extent in enjoying the flourishing of our collective endeavors that are appropriately valued for their own sake.

Indeed, such institutions exist only because we care about them, because their point and value depends on the participation of other human beings in such endeavors. We cannot reduce the intrinsic value of joint performance as a whole to a sum of the values for the individual members. And we cannot seriously care about human flourishing without caring about the collective endeavors that make flourishing possible and, at the same time, constitute human flourishing. Hence, there is strong link between institutional roles and *eudaimonia*.

Third, insofar as business ethics is role ethics, it follows that virtue ethics in business should be fundamentally concerned with the special virtues that may possibly arise in the context of institutional roles, particularly business roles. Hence, virtue ethicists owe us, first, an account of how general and role virtues interplay and, second, some list of the virtues and their corresponding vices that pertain to institutional roles. As for the first project, elsewhere I have outlined an account of positional virtues, while in this chapter, I am concerned with the second question (Alzola forthcoming; Moberg 1997; Hartman 2013).

In his seminal work on Aristotle in business ethics, Solomon defines the virtues of business as "the traits of character that make mutual knowledge or understanding possible" (1992, p. 208). He postulates four basic business virtues, namely, honesty, fairness, trust, and toughness. (Solomon also adds friendliness, honor, loyalty, sincerity, courage, reliability, benevolence, sensitivity, helpfulness, cooperativeness, civility, decency, modesty, openness, cheerfulness, amiability, tolerance, reasonableness, tactfulness, witness, gracefulness, liveliness, magnanimity, persistence, prudence, resourcefulness, cool headedness, warmth, and hospitality. In a 1999 piece, Solomon adds pride, confidence, dependability, effectiveness, ambition, articulateness, competitiveness, contentment, creativeness, determination, entrepreneurship, generosity, graciousness, gratitude, heroism, humility, humor, independence, passion, saintliness, shame, tolerance, and zeal.) Murphy (1999) adds integrity, respect, and empathy (besides fairness and trust). And Chun (2005) – technically, not a virtue ethics scholar – identifies 24 associated business virtues organized along six virtue dimensions, namely, integrity, empathy, warmth, conscientiousness, courage, and zeal.

The problem with these and other catalogues which comprise a potpourri of dispositions, traits, inclinations, motivational states, and actions that are supposed to be business virtues is that they are largely unsubstantiated and even circular (as these scholars suggest that the characteristic functions of humans are whatever yield what they antecedently assumed to be virtues). What makes a character trait into a virtue – I have explained elsewhere – is the fundamental connection of that trait with *eudaimonia*. In other words, we need to establish how the character trait under analysis contributes to human flourishing and to the flourishing of the community. Virtues are means, ends, and "constitutive elements of well-being" (Alzola 2012, p. 379).

Roles and Moral Evaluation

Aretaic concepts are context sensitive (*NE* 1115b17-19). Whether a certain trait does count as a virtue or not depends largely on the context (*NE* 1106b16-22, 1125b26-1126a8). Aristotle says that the excellence of the citizen is relative to the constitution of his community (*Politics* 1276b30-31). The context, the circumstances that are relevant to our inquiry, is the business firm. They set the standards for character evaluation, which of course includes role performance. Such standards let us praise and blame role occupants for the right reasons (see initial quote). We praise and blame them both as role-players and as persons.

The question is, again, about the qualities of character that are necessary to succeed in corporate roles vis-à-vis the character traits of the good person. It will be helpful to divide the question into two parts, namely, (1) whether being a good role-player is a necessary condition for being a good person and (2) whether being a good role-player may inhibit the development of good character traits – and/or stimulate the acquisition and retention of bad character traits – in the context of business roles.

Solomon begins his chapter on "Business Virtues and Vices" with a strong "yes" to the first question. He wrote: "to be good in business is to be a good human being" (1992, p. 187). But the claim that one cannot be a good person if one is a bad role-player is more controversial, and it is hard to swallow for those who hold that playing a role properly is merely being good at some technical skills, which are morally neutral. After all, it is Aristotle himself who establishes a clear distinction between virtue (*arête*) and craft knowledge (*techne*), where ethics refers only to *arête* and not to *techne*. (See also Plato's Laches (185a) on whether armor fighting could be a good way for teaching *arête* and the dialogue between Socrates and Callias about the difference in the excellence of colts and the excellence of humans (Apology 20b4-5).)

At VII 4 1148b8ff, Aristotle states what he considers obvious and widely believed: it is possible to be a bad doctor or a bad actor without being simply bad, since incompetence in doctoring or acting is not a vice. Doctoring and acting are *technai*, hence ethically neutral (see Roochnik 2007).

But virtue entails the ability to effectively do what a virtuous person would do in the circumstances in question (Hursthouse 1999). Thus, while incompetence in *techne* need not entail a vice, it is hard to see how it can be a virtue, that is, how an incompetent doctor, such as Parfit's bad doctor (2011, p. 151), can flourish as a human being while his patients die from his negligence. This intuition seems to be the inspiration of some memorable fictional characters who were not particularly good role-players, from Cervantes' Quixote, to Goncharov's Oblomov, to Joyce's Leopold Bloom, to Kafka's K, to Borges's Carlos Argentino Daneri.

Second, some roles are more morally significant than others. Even if it were possible to be a bad actor and a good person, one cannot be a bad friend (or a bad parent or a bad citizen) and a good person. Perhaps one can be a bad soldier and a good person in the sense that one can be a poor shot with a rifle or hopeless at piloting a helicopter. But a bad soldier cannot be a good person in the sense that one can be cowardly in the face of the enemy's charge, for in that case one is not only a cowardly soldier but a cowardly person. In sum, soldiering is not a *techne* like lathe operation. The same apply to management and business roles.

Third, it is possible that *arête* and *techne* are less dichotomous than we might think. The first chapter of Aristotle's *Ethics* suggests a way in which the products of certain *technai* are related to – that is, subordinate to – the good life. To call a bridle a good bridle is to imply that it contributes to an activity that contributes to the good life. Hence, the good bridle maker is good in a way different from but derivative of the way in which a good person is good, where the word "good" implies a role supportive of the good life in some way.

Finally, one may think that there is virtue in the excellent performance of certain cooperative tasks even if they do look like *technai*. A professional soccer player, say Cristiano Ronaldo – who is technically one of the best of our time – but only cares about himself, who does not seem to be concerned about his team' performance, seems to be open to moral criticism, as a player and as a person. Similarly, the cellist who excels at playing his part without caring about the musical quality of the orchestra's performance may deserve a negative character evaluation. The same

argument can be made about an employee or any member of a team who is expected to cooperate with others to achieve a common project.

Roles and Moral Vices

The fundamental question, however, is not whether incompetence is a vice but rather whether competence in adversarial roles amounts to the development of bad character traits, that is, whether it is possible for a good professional to be a good person and whether a good person can succeed in adversarial roles, such as criminal defense lawyers, soldiers, political leaders, professional sport players, and, yes, corporate officers and employees.

The contention is that adversarial roles create a special morality with its own set of permissions, requirements, and prohibitions (whether such obligations are indeed moral obligations is a controversial matter that I will not tackle here). When a good person, a rational and sociable creature, assumes any of these adversarial roles, he takes on additional obligations as a result of the role. And these obligations might conflict with the obligations normally associated with being a good, courageous, generous, honest person. Thus, one cannot be successful qua role-player without the development and exercise of bad character traits.

Most of the business virtues postulated by Solomon – except, perhaps, for toughness – are wholly consistent with the virtues of the good person. But Solomon's account is normative – rather than a description of the character traits that businessmen need to succeed in the corporate world – and to some extent it is non-adversarial, because it strongly emphasizes cooperation as opposed to competition (even among firms in the same markets).

John Moulton, the maverick of the private equity industry according to the Financial Times, does not share Solomon's optimism. He lists the character traits that made him successful: "Determination, curiosity and insensitivity – it lets you sleep when others can't" (Available at: http://www.ft.com/intl/cms/s/0/32c642f2-11c1-11df-9d45-00144feab49a.html#axzz2oi57lYeH).

Psychologists are also skeptical about the overlap of professional virtues with the traits that make one a good person. Board and Fritzon (2005) compared personality disorder traits across hospitalized criminals, psychiatric patients, and senior business manager samples and found that a number of psychopathic attributes – from superficial charm to egocentricity to persuasiveness to lack of empathy to restricted focus – were more common in business leaders than in disturbed criminals. The key difference is that corporate officers are encouraged to exhibit these qualities in social rather than antisocial contexts (Board and Fritzon 2005). Furnham et al. (2012) found that "dark side" traits might be advantageous in business occupations. Dutton (2012) reports that CEOs ranked highest on the Levenson Self-Report Psychopathy Scale, followed by lawyers, TV and radio workers, salespeople, surgeons, and journalists. And Owen and Davidson (2009)

describes the existence of a Hubris syndrome, an acquired personality disorder which arises in political and business leaders because of the effects of power on their brains. In sum, what the evidence apparently suggests is that the qualities that characterize the psychopathic criminal mind are very close to the set of traits that are often best rewarded in the corporate world.

This conclusion is hardly new for normative ethicists. Plato famously argued that commerce is psychologically corrupting and that money corrodes our sense of what is right and wrong. Marx thought that business virtues arise from an inherently immoral system, which cannot exist without exploitation and alienation of human beings. MacIntyre (1999) holds that business and capitalistic firms also corrupt practices by privileging external goods over internal goods.

Even Aristotle, who was a bit more supportive of business than Plato – because he was sympathetic to the institution of private property – held that craftsmanship does not amount to the sort of practice that may engender good character traits. As a matter of fact, neither women nor slaves are capable of living a life of virtue according to Aristotle. The "vulgar person" and "laborers" are necessary for the community to subsist, but they would play no part in political life because their roles prevent them from developing the character traits that are necessary for ruling the polis (*Politics* VII.9, VIII.2). Traders, merchants, or anyone who is engaged in making things or creating wealth does not have a chance to flourish (*Politics* 1278a20). (The two leading figures of the virtue tradition in business ethics have persuasively argued that the best interpretation of the Stagirite is less hostile to business and capitalism than we often think. See Solomon (1992) and Hartman (2013). I do not have the space to discuss here what virtue ethics has to say about the purpose of business firms and the understanding of business organizations as communities.)

In any event, regardless of whether is it true or not that one needs vices to succeed in the corporate world, virtue ethics does provide the resources to diagnose the moral health of a social institution by examining (1) the moral justification of the institution and the fulfillment of its *ergon* and (2) the character traits a role-player is required to developed in order to be successful in that role (Alzola forthcoming). (Elsewhere I have explained how a social institution may require special virtues that are pointless elsewhere and that some institutional practices and common projects may not require a number of general virtues (Alzola forthcoming).) As for the first question, social institutions are (or should be) connected to some specific human good, so the point and function of the institution is what determines the goodness of a role. As for the second question, if a social institution characteristically leads to the development of vices – say, if the adversarial system encourages lawyers to be "competitive rather than cooperative; aggressive rather than accommodating; ruthless rather than compassionate; and pragmatic rather than principled. . ." (Wasserstrom 1975, p. 13) – that might be a good reason to reform the institution and the practices that promote bad traits of character, that is, it would put the adversarial system on trial and/or perhaps offers a justification for the inquisitorial system in criminal law.

Conclusion

Being a good citizen is not identical, at least in Aristotle, with being a good person. If a political regime is going to endure, it should educate the citizens in a way that they support such form of government and the principles that make it legitimate. As there are several forms of government and constitutions (six, indeed), it follows that there are several different ways of being a good citizen. Good citizens have the sort of character traits that help preserving the partnership and the political regime. Good citizenship, in short, is relative to the constitution. Thus, "it is not possible for the virtue of the excellent citizen to be single, or complete virtue" (*Politics* 1276b32). The best state, the best regime, is the one in which being a good citizen and being a good person largely overlap. Only under the ideal constitution the character traits of the good citizen and the good person would be the same, as Aristotle writes: "In the case of the best regime, [the citizen] is one who is able of and intentionally chooses to be governed and to govern with a view to the life of excellence" (*Politics* 1284a1).

Now, if we extend the Aristotelian approach to the institutions of capitalism, commerce, and business firms, we can use virtue as a blueprint for the moral evaluation of such institutions and practices. While good citizens of good states are good people, good citizens of bad states are not (and cannot be) good people, just substitute "states" with "organizations." (But there is a tension here. I have said that there is something good about caring in a proper way about the development, preservation, and flourishing of common endeavors for their own sake. I have examined this tension elsewhere (see Alzola forthcoming).)

If business provides the most attractive jobs for psychopaths and if it is true that being successful in the corporate world operates as an inhibitor for the development and exercise of good character traits, the need for reforming business institutions and reconsider the purpose of business firms is pretty obvious.

The ideal (organizational) citizen is one who follows the laws, preserves the partnership, and supports the principles of such a regime (organization). But under a nonideal regime, a role-player might well be required to act in a quite different way than the good person would act, to frame decision-making in ways that the good person knows to be inappropriate, to hold beliefs that the good person knows to be false, and to act out of motivations that the good person knows to be misaligned with sound moral judgments.

If business corrodes moral character, reforming business institutions becomes a moral and political imperative. But, we should remember, humans also acquire good character traits in business occupations. In many successful firms the associative virtues support a corporate mission that generates profit – perhaps even more profit than would be generated if everyone focused just on profit. That argument suggests a link between playing one's corporate role effectively and being virtuous. One's job entails cooperating with others in the organization. That puts a premium on the cooperative virtues and in particular on enjoying cooperative activity for its own sake. An organization that is hospitable to the cooperative virtues will likely be successful, other things being equal (Putnam 1981, p. 148). (So, we are back to the

link between character traits and *eudaimonia*. Virtue ethics does have a problem, which can be presented as a dilemma. If the account of *eudaimonia* is sufficiently specific to be useful in establishing which character traits are virtues and which are vices, it will be too narrow and elitist and so too restrictive in the kinds of lives and occupations that can flourish (i.e., everyone should be a philosopher). But if the account of *eudaimonia* is sufficiently wide to allow for different ways of human flourishing, it will be too vague and so not very helpful is specifying certain character traits as virtues and others as vices. I do not have the space to elaborate on this, but Putnam offers a way to accommodate this: "If today we differ with Aristotle it is in being much more pluralistic than Aristotle was. Aristotle recognized that different ideas of *Eudaemonia*, different conceptions of human flourishing, might be appropriate for different individuals on account of the difference in their constitution. But he seemed to think that ideally there was some sort of constitution that every one ought to have; that in an ideal world (overlooking the mundane question of who would grow the crops and who would bake the bread) everyone would be a philosopher. We agree with Aristotle that different ideas of human flourishing are appropriate for individuals with different constitutions, but we go further and believe that even in the ideal world there would be different constitutions, that diversity is part of the ideal. And we see some degree of tragic tension between ideals, that the fulfillment of some ideals always excludes the fulfillment of some others. But to emphasize the point again, belief in a pluralistic ideal is not the same thing as belief that every ideal of human flourishing is as good as every other. We reject ideals of human flourishing as wrong, as infantile, as sick, as one-sided" (Putnam 1981, p. 148).)

Economic competition brings about common projects which provide opportunities for the development of empathy, mutual concern and respect, solidarity, friendship, and public deliberation. And, of course, some firms – say, the Mondragón Corporation – provide better opportunities than other firms, say, Walmart, Siemens, or Goldman Sachs, for the acquisition, retention, and exercise of excellent traits of character.

It will still be possible to be a nice guy but an incompetent employee. But being a virtuous person requires not only being nice but also leading a life in which one fulfills one's potential as a sociable and rational creature. This is not possible in a job for which one is not suited, in which one cannot perform well. One can be a good person but a bad tax accountant; but if a lousy accountant wants to achieve *eudaimonia*, he or she had better find something else to do.

References

Alzola M (forthcoming) Character-based business ethics. In: Snow N (ed) The Oxford handbook of virtue. Oxford University Press, New York

Aristotle (1984) Politics. The complete works of Aristotle, vol 2. (trans: Jowett B). Princeton University Press, Princeton

Aristotle (1999) Nicomachean ethics, 2nd edn (trans: Irwin TH). Hackett Publishing Co, Indianapolis

Board BJ, Fritzon K (2005) Disordered personalities at work. Psychol Crime Law 11(1):17–32

Chun R (2005) Ethical character and virtue of organizations: an empirical assessment and strategic implications. J Bus Ethics 57(3):269–284

Dutton K (2012) The wisdom of psychopaths: what saints, spies, and serial killers can teach us about success. Macmillan Publishers, New York

Furnham A, Trickey G, Hyde G (2012) Bright aspects to dark side traits: dark side traits associated with work success. Personal Individ Differ 52(8):908–913

Hartman E (2013) Virtue in business: conversations with Aristotle. Cambridge University Press, Cambridge

Hursthouse R (1999) On virtue ethics. Oxford University Press, Oxford

MacIntyre A (1999) Social structures and their threats to moral agency. Philosophy 74:311–329

Moberg D (1997) Virtuous peers in work organizations. Bus Ethics Q 7(1):67–85

Murphy PE (1999) Character and virtue ethics in international marketing: an Agenda for managers, researchers and educators. J Bus Ethics 18(1):107–124

Owen D, Davidson J (2009) Hubris syndrome: an acquired personality disorder? A study of US Presidents and UK Prime Ministers over the last 100 years. Brain 132(5):1396–1406

Parfit D (2011) On what matters, vol 1. Oxford University Press, Oxford

Putnam H (1981) Reason, truth and history, vol 3. Cambridge University Press, Cambridge

Robertson IH (2012) The winner effect: the neuroscience of success and failure. Macmillan Publishers, New York

Roochnik D (2007) Of art and wisdom: Plato's understanding of techne. Penn State Press, University Park

Solomon RC (1992) Corporate roles, personal virtues: an Aristotelian approach to business ethics. Bus Ethics Q 2(03):317–339

Solomon RC (1999) A better way to think about business: how personal integrity leads to corporate success. Oxford University Press, New York

Wasserstrom R (1975) Lawyers as professionals: some moral issues. Hum Rights 1–24

Part II

MacIntyre

MacIntyre's Influence on Business Ethics

Ron Beadle

Contents

Abstract

Business ethics scholars have made much use of Alasdair MacIntyre's distinctive account of the virtues. This chapter discusses MacIntyre's influence and considers four distinctive types of enquiry inspired by his seminal 1981 text *After Virtue*. These comprise:

  (i) The moral status of the manager
 (ii) The application of MacIntyre's notion of practice in business
(iii) The relationship between practices and institutions
(iv) Empirical enquiry using MacIntyre's "goods-virtues-practices-institutions" framework

The remaining chapters in this section exemplify these enquiries.

R. Beadle (✉)
City Campus East, Newcastle Business School, Northumbria University, Newcastle upon Tyne, UK
e-mail: ron.beadle@northumbria.ac.uk

Introduction

According to Ferrero and Sison's recent literature review (2014), Alasdair MacIntyre has been cited more regularly in the virtue literature in business ethics than anyone other than Aristotle. Such evidence speaks not only of his influence in the field but also of the extent to which his work has become an obligatory point of reference. It has been often noted that MacIntyre's popularity among business ethicists may be seen as paradoxical (Knight 1994, p. 283) in light of his ongoing hostility to capitalism (Beadle and Moore 2006). One explanation may be that many of those referencing MacIntyre have done so perfunctorily and hence avoided this problem. To estimate this a survey undertaken at Northumbria University found that of his 34 citations in the *Journal of Business Ethics* between 2008 and 2013, only 11 cited more than one of MacIntyre's publications while 20 cited only *After Virtue*. Alongside this routine referencing, however, there has been a small but persistent secondary literature which has attempted to use MacIntyre's ideas systematically; it is with this literature that this chapter is principally concerned.

Four relatively discrete types of enquiry have attempted to challenge or develop MacIntyre's work. The first focuses on his radical critique of management; the second seeks to find application in business for the type of social practices that MacIntyre claims to develop virtues; the third examines the relationship between such practices and the institutions which, on MacIntyre's account, both house and threaten them and finally a number of empirical studies have applied MacIntyre's distinctive organizational sociology of goods, virtues, practices, and institutions.

This chapter summarizes this secondary literature and highlights both significant contributions and ongoing conflicts about the interpretation of MacIntyre's work. After some 30 years these debates show no signs of abating, but progress has been made in clarifying and illustrating his distinctive approach to the virtues in organizations and these have been aided by MacIntyre's own interventions (e.g., MacIntyre 2015). These debates are testament both to the originality of MacIntyre's contribution to moral philosophy and to the richness of the theoretical and conceptual resources that are to be found in his work.

What Is the Moral Status of the Manager?

MacIntyre's early papers on managerial decision-making (MacIntyre 1964, 1977, 1979) did not attract the attention of management scholars. The publication of *After Virtue* in 1981 (this chapter uses the 2007 third edition) changed that. It had not only been lauded as a significant achievement in moral philosophy, now credited for the revival of interest in virtue ethics (Evans 2011), but had also gained a wide

readership across the social sciences. Its critique of the ideological purposes served by social science included criticism of the claims made for bureaucratic effectiveness. The problem with these claims is that complexity, indeterminacy, and unpredictability of social life render such claims fictional; we can have no science of management. Neither can we understand management as an art or a craft because the type of quality distinctions that are inherent to work requiring the virtues – the excellences of practices such as portraiture, surgery, or engineering – has no counterparts in management.

In place of such excellence managers pursue effectiveness in deploying resources in the service of contingent ends; dissolving the distinction between manipulative and nonmanipulative social relationships practicing managers become actors (MacIntyre 2007[1981], p. 107). In later work, MacIntyre (1999) reinforced his position in characterizing management in both the Third Reich and the contemporary corporation as requiring the deliberate compartmentalization of moral concern from the managerial role. MacIntyre's characterization has found support in Jackall's ethnography of bureaucratic managers (Jackall 2009), Mangham's discussion of the manager-actor (Mangham 1995), Dawson's stories of conflict between managerialism and professionalism in UK healthcare (2009), and Hine's (2007) account of the compartmentalization of the moral reasoning of managers. This critical position resonates with MacIntyrean work in specialist literatures including Overeem and Tholen's account of the failures of new public management (2011) and Halliday and Johnsson's account of organizational learning (2009).

By contrast, critics maintain that MacIntyre's Weberian characterization (McCann and Brownsberger 1990; Breen 2012a) has blinded him to the moral deliberation in which contemporary managers engage (Anthony 1986; Du Gay 1998). Extending this critique are those who claim that good management coheres with MacIntyre's own notion of the types of practice-based work which require virtuous agency (Brewer 1997; Collier 1998; Moore 2002, 2005; Beabout 2012, 2013). Recent empirical work (Conroy 2009; von Krogh et al 2012; Robson 2015; Wilcox 2012) may provide support for this notion of managerial agency in reporting managerial efforts to protect practices from institutional demands. Management is, however, but one of a series of productive activities for which such claims have been made and it is to the type of argument required to make good such claims that we now turn.

How Might Virtue-Inculcating Practices Be Identified in Business?

MacIntyre provides a substantive organizational sociology that can be used to analyze how organizations provide contexts in which the development of virtues might both be promoted or frustrated (Moore and Beadle 2006). Virtues are both required and developed through the work of practices whose very conceptualization requires distinctions about the quality of work and workers. In such practices,

the virtues enable practitioners to achieve the excellences of their practice, to maintain the genuinely productive relationships on which these excellences depend, and to resist their corruption (Moore et al. 2014). To work productively in any socially cooperative practice requires us to develop wisdom, temperance, courage, and a commitment to justice. These virtues enable us to be good students, practitioners, and ultimately teachers of practices as diverse as fishing (MacIntyre 2008), medicine (MacIntyre 1978), and military service (MacIntyre 2000).

A second area of enquiry has developed around the identification of MacIntyrean practices in business. This is in part inspired by MacIntyre's own admitted "lack of attention to productive practices" (MacIntyre 1994, p. 284). Much rests on which activities comprise practices in MacIntyre's sense. The literature is replete with such claims (Beadle and Moore 2006) including those which anticipate objections, for example, van de Ven (2011) and Robson (2015) regarding banking, Breen (2012b) regarding vehicle manufacture, and Garcia-Ruiz and Rodriguez-Lluesma (2015) on a range of consumption-based practices. What are the grounds on which organized activities might fail to constitute practices?

First, on MacIntyre's definition practices produce internal goods, that is, goods whose achievement is only possible for those who have mastered the relevant practice. If activities are conducted across practices, they lack the relevant specificity; for example, in a debate that parallels that in business ethics MacIntyre deploys this argument to deny that teaching is itself a practice (MacIntyre and Dunne 2002) while asserting that all practices must be taught. Second, practices have histories of conflicts, frustrations, and innovation through which their standards of achievement have emerged. Understanding of the relevant standards is restricted to master practitioners whose judgments must include both those of the relevant excellences of the practice but also the relative excellences of apprentices as they move towards mastery of the practice (MacIntyre 1990, pp. 61–64). Third, practitioners share a specific kind of life, whose elements include particular relationships to work, to materials, and to goods. These feature in the development of the relevant type of narrative life so that, for example, the life of a portrait painter might be distinguished from that of a scientist. Fourth, on MacIntyre's schema, practices require resources of money, power, and status provided by some kind of institutional apparatus, if they are to survive. However, unlike those goods whose achievement is internal to the practice, achievement of external goods does not depend on the virtues of those who pursue them; they may be obtained by fair means or foul. And thus the stage is set for a very particular kind of ongoing drama in which the creativity and integrity of practices is always vulnerable to the institutional pursuit of money, status, and power.

On this scheme, the identification of a practice requires a series of cases to be made. Failure to identify the relevant goods, histories, narratives, and conflicts are thus fatal to the argument of any would-be practice and such has been regularly alleged of claims made for the status of business itself (Beadle 2008), of management (Beadle 2002), and of financial trading (MacIntyre 2015) to cite just three.

The Relationship Between Practices and Institutions

If one of the defining features of practices is the sometimes latent, sometimes open, conflict that characterizes their relationship with institutions, then we would expect this tension to feature in distinctly MacIntyrean accounts of virtue in business in a way that is at the very least untypical of other types of accounts; and so it does. The secondary literature provides four types of strategy for addressing this tension. A first approach is to use MacIntyre's framework to argue for the reform of management itself. For Moore and his coauthors, management should itself be principally concerned with the proper ordering of internal and external goods (Moore 2002; Moore and Beadle 2006; Fernando and Moore 2014), a claim echoed by Dawson and Bartholomew (2003), Sison and Fontrondona (2012), and by Crockett (chapter "▶ Developing Virtues in Developing Countries: Case Studies from Rwanda") in this handbook. Moore has envisioned such management as a craft (2005) and proposed a set of reforms designed to "crowd-in" virtue in managerial decision-making (Moore 2012; Moore et al. 2014). Beabout identifies the type of practical wisdom both evident in and required by such managers (2012) and makes arguments as to the type of education and experience which might foster such managerial virtue (2013). Horvath (1995) claims that MacIntyre's account helps explain the repeated failures of conventional approaches to business ethics curricular, while Conroy (2009) reports management training interventions which make use of the "goods-virtues-practices-institutions" schema to encourage managers to protect the goods internal to mental health practices.

A second approach, in some versions supportive but in others critical of the first, is to consider how regulatory and institutional conditions might encourage the protection and development of practices. Breen (2012b) focuses on employee empowerment through cellular production practices, while both McPherson (2013) and Beadle and Knight (2012) make comparable cases for building practice-based features in the design of jobs. Moving away from the workplace, Keat (2000) and Moore and Beadle (2006) both distinguish between the type of market, regulatory, and financial environments which would sustain practices and those which would undermine them. Keat (2008) argues that European coordinated market economies provide just this kind of supportive institutional environment in which investment in training and workplace codetermination vest power with practitioners, while Kay (1997) deploys arguments from *After Virtue* to promote a stakeholder approach to accounting for potentially divergent interests in managerial decision-making. Sinnicks (2014) takes issue with both Beabout and Moore in arguing that management is incapable of reforming itself and that regulatory protection of practices is required.

A third approach is to reject MacIntyre's characterization of capitalism as threatening to practices. Dobson, once a vocal supporter of MacIntyre (Dobson 1996, 1997), has subsequently developed a critique of MacIntyre's characterization of capitalism (2009), and these arguments are extended in this handbook (chapter "▶ Against MacIntyre: The Corrupting Power of Practices"). Mintz (1996) and

Maitland (1997) reject MacIntyre as a resource for deploying virtue-based arguments in business ethics on similar grounds.

The fourth, diametrically opposed view, allies MacIntyre's account of capitalism with the Marxist critique he regularly cites (e.g., MacIntyre 2015; MacIntyre 1995[1953]) to reject any compatibility between practice-based work and the economics of capital accumulation. The recent volume "Virtue and Economics" (Bielskis and Knight 2015) is dominated by contributors making this case, and it is represented by Knight's contribution to this handbook (chapter "▶ Against MacIntyre: The Corrupting Power of Practices"). There is a notable symmetry between the procapitalist virtue ethicists who reject MacIntyre and those who invoke his critique to reject capitalist markets. Dobson's and Knight's contributions to this handbook represent additions to this debate and share a theoretical focus common to much of the literature on the relationship between practices and institutions. But not all of the secondary literature is theoretical; an increasing body of work has sought to use MacIntyre's framework in empirical enquiries, and it is to this that we now turn.

Empirical Enquiry Using MacIntyre's "Goods-Virtues-Practices-Institutions" Framework

Given MacIntyre's critique of social science, it is unsurprising that narrative methods, and in particular case studies, predominate in empirical applications of his work. A partial exception resides in the development of a specifically MacIntyrean data collection instrument, Carter Crockett's Interactive Joint Enquiry Exercise, exemplified in his contribution to this handbook and elsewhere (Crockett 2005; Moore 2012; Fernando and Moore 2014). This enables the relative priority of firms' pursuit of internal and external goods to be examined through the translation of these concepts into representations of excellence and success that are meaningful to research participants.

More conventional case studies have predominated in MacIntyrean empirical work, however, and these have used a range of data to examine the dynamics of relationships between goods, virtues, practices, and institutions. Examples of secondary studies include von Krogh et al. (2012) account of the development of free software as a practice-based response to the perceived threat of commercialization, Bernacchio's and Couch's (2015) account of participatory governance at the Mondragon cooperative, and Breen's account of worker participation in vehicle manufacture at Volvo (2012b). Primary research has employed a variety of qualitative methods including Wilcox's (2012) interview-based narrative of resistance to downsizing by human resource managers, Beadle's life-history narrative of circus directors (2013), Hine's (2007) analysis of senior managers' responses to ethical vignettes, and Hall's (2011) auto-ethnographic account of the tradition-constituted moral enquiry of American surgeons.

Introduction to the Chapters in This Section

The chapters in this section have been chosen to exemplify the responses that MacIntyre's work has evoked in business ethics. Greg Beabout begins by extending his arguments for managerial wisdom framed by a MacIntyrean concern for properly ordering the claims of internal and external goods. By contrast, Kelvin Knight's chapter robustly defends MacIntyre's condemnation of the manager in the context of his withering critique of capitalism. Dobson shares Knight's interpretation of MacIntyre but claims that the balanced pursuit of internal and external goods might be as easily corrupted by practices as by institutions. Finally, Crockett's primary research among entrepreneurs in Rwanda provides occasion for the use of his Interactive Joint Enquiry Exercise.

Conclusion

MacIntyre's approach to the virtues has provoked a range of theoretical and empirical responses which have sometimes defended, sometimes denounced, and sometimes extended his own enquiries. This brief summary has attempted to frame this secondary literature to help students and scholars navigate the main areas of interest and dispute. What is not in dispute is the challenge MacIntyre presents to the view that business is a context in which the virtues can easily flourish. MacIntyre's influence in business ethics testifies to the difficulty of ignoring this challenge.

References

Anthony PD (1986) The foundation of management. Tavistock, London

Beabout G (2012) Management as a domain-relative practice that requires and develops practical wisdom. Bus Ethics Q 22(2):405–432

Beabout G (2013) The character of the manager – from office executive to wise steward. Palgrave MacMillan, New York

Beadle R (2002) The misappropriation of MacIntyre. Reason Pract 2(2):45–54 (The journal has been subsequently renamed Philosophy of Management)

Beadle R (2008) Why business is not a practice. Analyse Kritik 30(1):229–242

Beadle R (2013) Managerial work in a practice-embodying institution – the role of calling, the virtue of constancy. J Bus Ethics 113(4):679–690

Beadle R, Knight K (2012) Virtue and meaningful work. Bus Ethics Q 22(2):433–450

Beadle R, Moore G (2006) MacIntyre on virtue and organization. Organ Stud 27(3):323–340

Bernacchio C, Couch R (2015) The virtue of participatory governance: A MacIntyrean alternative to shareholder maximization. Bus Ethics: Eur Rev 24(S2):S130–S143

Bielskis A, Knight K (eds) (2015) Virtue and economy: essays on morality and markets. Ashgate, Aldershot

Breen K (2012a) Under Weber's shadow – modernity, subjectivity and politics in Habermas, Arendt and MacIntyre. Ashgate, Farnham

Breen K (2012b) Production and productive reason. New Polit Econ 17(5):611–632

Brewer KB (1997) Management as a practice: a response to Alasdair MacIntyre. J Bus Ethics 16(8): 825–833

Collier J (1998) Theorising the ethical organization. Bus Ethics Q 8(4):621–654

Conroy M (2009) An ethical approach to leading change – an alternative and sustainable application. Palgrave MacMillan, London

Crockett C (2005) Grounding the theory of virtue. Unpublished PhD thesis. The Robert Gordon University, Aberdeen

Dawson D (2009) Conflicting stories of virtue in UK healthcare: bringing together organisational studies and ethics. Bus Ethics: Eur Rev 18(2):95–109

Dawson D, Bartholomew C (2003) Virtues, managers and business people: finding a place for MacIntyre in a business context. J Bus Ethics 48(2):127–138

Dobson J (1996) The feminist firm: a comment. Bus Ethics Q 6(2):227–232

Dobson J (1997) MacIntyre's position on business: a response to Wicks. Bus Ethics Q 7(4):125–132

Dobson J (2009) Alasdair Macintyre's Aristotelian business ethics: a critique. J Bus Ethics 86:43–50

Du Gay P (1998) Alasdair MacIntyre and the Christian genealogy of management critique. Cult Values 2(4):421–444

Evans J (2011) Our leaders are all Aristotelians now. Public Policy Res December–February:214–221

Fernando M, Moore G (2014) MacIntyrean virtue ethics in business: a cross-cultural comparison. J Bus Ethics. 132:185–202. doi:10.1007/s10551-014-2313-6

Ferrero I, Sison AJG (2014) A quantitative analysis of authors, schools and themes in virtue ethics articles in business ethics and management journals. Bus Ethics: Eur Rev 23(4):375–400

Garcia-Ruiz P, Rodriguez-Lluesma C (2015) Consumption practices – a virtue ethics approach. Bus Ethics Q. Online First. doi:10.5840/beq20147313

Hall DE (2011) The guild of surgeons as a tradition on moral enquiry. J Med Philos 36:111–132

Halliday J, Johnsson M (2009) A MacIntyrean perspective on organizational learning. Manag Learn 41(1):37–51

Hine AHS (2007) The shadow of MacIntyre's manager in the kingdom of conscience constrained. Bus Ethics: Eur Rev 16(4):358–371

Horvath CM (1995) Excellence v effectiveness: MacIntyre's critique of business. Bus Ethics Q 5(3):499–531

Jackall R (2009) Moral Mazes, updated edn. Oxford University Press, Oxford

Kay J (1997) A Stakeholding Society – what does it mean for business? Scott J Polit Econ 44(4):425–437

Keat R (2000) Cultural goods and the limits of the market. Macmillan, London

Keat R (2008) Ethics, markets and MacIntyre. Analyse Kritik 30(1):243–260

Knight K (1994) (ed) A MacIntyre reader. Polity Press, Cambridge

MacIntyre A (1964) Against utilitarianism. In: Wiseman S (ed) Aims in education. University of Manchester Press, Manchester, pp 1–23

MacIntyre A (1977) Utilitarianism and cost benefit analysis. In: Sayre KM (ed) Values in the electric power industry. University of Notre Dame Press, Notre Dame

MacIntyre A (1978) What has ethics to learn from medical ethics? Philos Exch 2:37–47

MacIntyre A (1979) Corporate modernity and moral judgement: are they mutually exclusive? In: Goodpaster KE, Sayer KM (eds) Ethics and problems of the 21st century. University of Notre Dame Press, Notre Dame

MacIntyre A (1990) Three rival versions of moral enquiry. Duckworth, London

MacIntyre A (1994) A partial response to my critics. In: Horton L, Mendus S (eds) After MacIntyre. Polity Press, Cambridge

MacIntyre A (1995[1953]) Marxism and Christianity. Duckworth, London

MacIntyre A (1999) Social structures and their threats to moral agency. Philosophy 74(3):311–329

MacIntyre A (2000) The recovery of moral agency? In: Wilson J (ed) The best Christian writing 2000. HarperCollins, New York (Originally published in Harvard Divinity Bulletin April 16, 1999)

MacIntyre A (2007) After virtue, 3rd edn. Duckworth, London

MacIntyre A (2008) How Aristotelianism can become revolutionary: ethics, utopia and resistance. Philos Manag 7(1):3–8

MacIntyre A (2015) The irrelevance of ethics. In: Bielskis A, Knight K (eds) Virtue and economy: essays on morality and markets. Ashgate, Aldershot, 7–21

MacIntyre A, Dunne J (2002) Alasdair MacIntyre on education: in dialogue with Joseph Dunne. J Philos Educ 36(1):1–19

Maitland I (1997) Virtuous markets: the market as a school for the virtues. Bus Ethics Q 7(1):17–31

Mangham I (1995) MacIntyre and the manager. Organization 2(2):181–204

McCann D, Brownsberger ML (1990) Management as a social practice: rethinking business ethics after MacIntyre. Annu Soc Christ Ethics 223–245

McPherson D (2013) Vocational virtue ethics: prospects for a virtue ethic approach to business. J Bus Ethics 116:283–296

Mintz S (1996) Aristotelian virtue and business ethics education. J Bus Ethics 15:827–838

Moore G (2002) On the implications of the practice-institution distinction: MacIntyre and the application of modern virtue ethics to business. Bus Ethics Q 12(1):19–32

Moore G (2005) Humanizing business: a modern virtue ethics approach'. Bus Ethics Q 15(2):237–255

Moore G (2012) The virtue of governance, the governance of virtue. Bus Ethics Q 22(2):293–318

Moore G, Beadle R (2006) In search of organizational virtue in business: agents, goods, practices, institutions and environments. Organ Stud 27(3):369–389

Moore G, Beadle R, Rowlands A (2014) Catholic social teaching and the firm. crowding in virtue: a MacIntyrean approach to business ethics. Am Cathol Philos Q 88(4):779–805

Overeem P, Tholen B (2011) After managerialism: MacIntyre's lessons for the study of public administration. Adm Soc 43(7):722–748

Robson A (2015) Constancy and integrity: (un)measurable virtues? Bus Ethics: Eur Review 24(S2): S115-S129

Sinnicks M (2014) Practices, governance, and politics: applying MacIntyre's ethics to business. Bus Ethics Q 24(2):229–249

Sison AJG, Fontrondona J (2012) The common good of the firm in the Aristotelian-Thomistic tradition. Bus Ethics Q 22(2):11–46

van de Ven B (2011) Banking after the crisis: towards an understanding of banking as a professional practice. Ethical Perspect 18(4):541–568

von Krogh G, Haefliger S, Spaeth S, Wallin MW (2012) Carrots and rainbows: motivation and social practice in open source software development. MIS Q 36(2):649–676

Wilcox T (2012) Human resource management in a compartmentalised world: whither moral agency. J Bus Ethics 111:85–96

Practical Wisdom, Practices, and Institutions

Gregory R. Beabout

Contents

Abstract

This chapter offers an introductory overview of recent efforts to extend MacIntyre's virtue ethics to business and management. Geoff Moore has called attention to a distinction drawn by MacIntyre between practices and institutions. This distinction, along with other central concepts and distinctions from MacIntyre's virtue ethics, are explained. With these in hand, it becomes clear that, MacIntyre's work includes not only a negative assessment of the corrosive features of advanced capitalism, but also the outlines of a positive way forward for rethinking the pursuit of excellence in contemporary business and management. Management of a certain sort can be understood as a domain-relative practice. The pursuit of excellence in such a practice involves cultivating a range of virtues, especially practical wisdom. Practical wisdom involves the ability to reason well about action, bringing together sound principles with an ability to attend to the relevant particularities of a concrete situation. In the context of a contemporary organization, those charged with institutional leadership act with practical wisdom when they protect and extend the excellences internal to the practices of the organization, deliberate well with others, make good

G.R. Beabout (✉)
Department of Philosophy, Saint Louis University, St. Louis, MO, USA
e-mail: beabout@slu.edu

judgements, and carry out plans that bring the group as near as possible to worthwhile goals.

Introduction

In an important essay in *Business Ethics Quarterly*, Geoff Moore (2002) argued that, at that time, MacIntyre's virtue ethics had not been explored fully as a resource for business ethics. MacIntyre, who has been publishing works of philosophy for more than half a century, is considered by many to be one of the most important thinkers of our day. *After Virtue* (1981), which is MacIntyre's most important book, has been influential well beyond the debates internal to academic moral theorists. MacIntyre is recognized as one the central figures in the revival of virtue ethics in contemporary academic philosophy. Moore and others have extended MacIntyre's virtue ethics by applying it to issues in business ethics and management.

Prior to Moore's (2002) article, most writers working in business ethics that referenced MacIntyre's work quite naturally drew the conclusion that MacIntyre and his moral philosophy have nothing positive to contribute to business ethics. Dobson characterized MacIntyre's virtue ethics as "antibusiness" and "antimanagerial" (1997, p. 128). Wicks drew the conclusion that MacIntyre's "views would effectively rule out any conception of business that is remotely similar to capitalism as we know it" (1996, p. 133). A similar interpretation of MacIntyre as a critic of business is advanced by Santilli (1984), McCann and Brownsberger (1990), Horvath (1995), Mangham (1995), Nash (1995), Balstad Brewer (1997), and du Gay (1998). As an initial response to MacIntyre, it might seem sensible to interpret MacIntyre in this way; after all, MacIntyre is famously and repeatedly quite critical of the *ethos* of advanced capitalism and the *character* of the bureaucratic manager. When MacIntyre was asked why he declined an invitation to address a conference on business ethics, he reportedly explained that he refused for the same reason that he "wouldn't attend a conference on astrology" (Knight 1998, p. 284). On this sort of interpretation, the virtue ethics of MacIntyre seems to offer nothing constructive to business ethics. Like so many social critics who work in the humanities, MacIntyre's moral philosophy appears to involve a dismissive attitude toward business and a complete rejection of contemporary market structures and institutions.

Against this interpretation, Moore has argued that there is an important way in which virtue ethics generally, and MacIntyre's virtue ethics in particular, can contribute to business ethics. In order to find positive resources for contemporary business and management in MacIntyre's virtue ethics, Moore proposed that attention should be paid to the distinction MacIntyre draws between "practices" and "institutions." Moore concluded his 2002 article with a call to business ethicists to investigate more deeply MacIntyre's framework. "We need to explain and

explore the concepts of practices and institutions, of internal and external goods, of *telos* and narrative" (2002, p. 31).

Doing so has been fruitful. Moore's (2002) article has been followed by a series of his own subsequent pieces and later contributions, especially by Ron Beadle, but also by quite a few others, including not only articles in the leading business ethics journals, but also presentations at many conferences, entire journal volumes, and books (Beadle and Moore 2008; Sison et al. 2012; Beabout 2013; Harris 2013). For more than a decade, a growing stream of discussion has built on Moore's proposal, giving rise to applications, disputes, clarifications, debates, and creative extensions. One important aspect of this development is prefigured in Moore's (2002) article: the importance of *phronesis* or practical wisdom as an integral virtue for excellent business management. Following Moore's lead, this chapter revisits and explains MacIntyre's framework of "goods-virtues-practices-institutions." From the literature that followed upon Moore's (2002) article, a general thesis has come into focus: positive features of MacIntyre's framework can be applied to rethink contemporary business and management. Accordingly, this chapter is divided into three parts: (1) a review of MacIntyre's framework, (2) an account of management as a domain-relative practice, and (3) a discussion of how the virtue of practical wisdom is integral to such an understanding of management.

MacIntyre's "Goods-Virtues-Practices-Institutions" Framework

The virtues are understood by MacIntyre to be acquired human qualities that enable us to excel in social practices, our individual lives, our shared lives, and our lives as vulnerable, dependent animals (MacIntyre 1981, pp. 191, 219, 223; MacIntyre 1999). To focus on the first of these, it helps to recall from *After Virtue* MacIntyre's often-quoted definition of a practice (1981, p. 187). According to MacIntyre, a social practice is a form of human activity that is coherent, complex, cooperative, and socially established such that participating in the activity allows the pursuit and extension of goods internal to the activity. Attending to the last part of this account brings into focus the important distinction between internal and external goods. External goods, such as money or prestige, are contingently attached to the activity in question; such goods, which can be possessed by individuals and won or lost in a zero-sum game, can be achieved in multiple ways, even without engaging in the activities of a given practice. In contrast, internal goods are specific to the activities of the practice in question; accurate judgments about excellence in those activities require familiarity with the practice and its standards, and possession of such a good by one person does not hinder its possession by another.

To illuminate the distinction between internal and external goods, MacIntyre uses a brief story, a sort of philosopher's narrative, to trace a transformation in the motivation of a young child learning to play chess (1981, p. 188). At first, the child is uninterested in learning the game. Then, the prospect of receiving money-for-candy is introduced: 50 cents for each game played, with the competition adjusted "in such a way that it will be difficult, but not impossible, for the child to win and

that, if the child wins, the child will receive an extra 50 cents worth of candy" (1981, p. 188). So motivated, the child agrees to play, and plays to win. MacIntyre notes that, "so long as it is the candy alone which provides the child with a good reason for playing chess, the child has no reason not to cheat and every reason to cheat, provided he or she can do so successfully" (1981, p. 188). We may hope, suggests MacIntyre, that the child eventually will find a new motivation for trying to excel in the game of chess as the child discovers those goods specific to chess: analytical skill, strategic imagination, and competitive intensity. Transformed, the child learns to be motivated by excellences internal to the activity of chess. "Now if the child cheats, he or she will be defeating not me, but himself or herself" (1981, p. 188).

MacIntyre's narrative of the chess-playing-child traces, in a few swift lines, a dispositional transformation and development typically spread out over an extended period. The child is changed from an outsider-to-a-social-practice, to apprentice, and then toward becoming a sort of "journeyman" on the way to mastery. While developing toward mastery of a discipline or practice, one comes to recognize goals and excellences with intrinsic value in activities that were first undertaken for an instrumental purpose.

The examples of practices listed by MacIntyre includes games, arts, and sciences, but also productive practices like farming, fishing, and painting. As with the story of the chess-playing child, one may undertake such a practice at first in order to pursue an external good; however, with time and experience, some practitioners come to discover intrinsic motivations and standards of excellence internal to the activities of the practice. The pursuit of such internal excellences requires the cultivation of a set of virtues: "truthfulness, justice and courage – and perhaps some others" (1981, p. 192).

Turning now to the distinction brought into focus by Moore, MacIntyre begins his explanation of the difference between a practice and an institution by citing examples: "Chess, physics and medicine are practices; chess clubs, laboratories, universities and hospitals are institutions" (1981, p. 194). MacIntyre distinguishes institutions from practices in terms of the ends sought by each. Practices are characterized as having internal goods and standards of excellence appropriate to the activity. In contrast, institutions are "characteristically and necessarily" concerned with external goods, especially money, power, and status (1981, p. 194).

The relationship between practices and institutions, in MacIntyre's account, is complicated. MacIntyre mentions five features of the relationship:

1. Practices need institutions in order to be sustained.
2. Institutions "house" practices.
3. Practices and institutions are part of the same causal order.
4. Once established, practices and institutions concern themselves with and are attentive to different goods and purposes.
5. The virtues are needed both to pursue the goods internal to the practice and to avoid the temptation to favor external goods to the neglect of the internal goods (MacIntyre 1981, p. 194).

Implicit in these claims is a theory of the origin of institutions. Practices give rise to and depend on institutions. Institutions have their genesis and origin in social practices.

While practices and institutions are intimately related, the two have separate goals. Practices aim at excellence (as measured by standards internal to the activity) while institutions aim at success (as measured by standards external to the activity). In pursuit of these goals, each is subject to distinct dangers and corrupting tendencies. Practices that are not institutionalized risk unsustainability. However, once a practice is institutionalized, the practice becomes vulnerable to the acquisitiveness of the institution. Since institutions are characteristically and necessarily concerned with external goods, especially money, power, and status, they are prone to the neglect of internal goods. MacIntyre claims, "We should therefore expect that, if in a particular society the pursuit of external goods were to become dominant, the concept of the virtues might suffer first attrition and then perhaps something near total effacement, although simulacra might abound" (1981, p. 196).

MacIntyre claims that institutions have "all the characteristics of a practice" (1981, p. 194). MacIntyre distinguishes between two different kinds of institutions. Modern institutions, which aim to serve the community by providing the degree of order needed to allow each individual to pursue his or her own self-chosen conception of the good life, are distinct from ancient/medieval institutions. The difference between these two, according to MacIntyre, has to do with the role of the virtues in the work of sustaining an institution. Within institutions in the ancient/medieval form, the virtues are necessarily exercised "by at least some of the individuals who embody it in their activities" (1981, p. 195). The virtues are understood, at least by some of the institution's members, to be necessary for the sustenance of the institution. As contemporary examples that retain this form, one might consider universities and hospitals, especially those in which the common life of the members is understood in terms of a shared tradition constituted by a continuous argument about what the university or what good medicine is and ought to be. In contrast, modern institutions, as MacIntyre identifies them, purport to produce effective results and fair outcomes without relying on the virtues. Without the virtues, the institutional concern for external goods will tend to become dominant and the virtues needed to sustain the institution against consumptive and competitive desires will erode (1981, p. 196).

Can Managing an Institution Ever Be Understood as a Sort of Practice?

MacIntyre reminds his reader that although external goods (such as wealth and prestige) can have a corrupting influence, these are in fact goods. Within the tradition of the virtues, justice and generosity pertain to the allocation of these goods. In a similar way, while MacIntyre is critical of modern institutional forms, he is not a critic of institutions. When MacIntyre claims that institutions have all the characteristics of a practice, he implies that making and sustaining institutions are

activities with their own internal goods. What insights about institutions emerge when we notice that they are crucial for sustaining practices, or when we become aware that making and sustaining institutions are activities with their own internal goods? Following Moore's call to examine in greater detail the complex relationship between practices and institutions has given rise to a series of questions. Can MacIntyre's virtue ethics provide a framework that might humanize business? (Moore 2005). Is it possible to use MacIntyre's framework in the capitalist business world to conceive of or discover institutions that incorporate justice? (Moore 2002) Can a corporation be structured in such a way that it promotes virtue? (Moore 2005) Why do some businesses actively protect the virtues requisite to pursue excellence in the practices they house while others do not? (Moore and Beadle 2006, Moore 2012b) Is it possible to use MacIntyre's framework to do empirical case studies evaluating the institutional structures of one or more corporations in terms of the virtues? (Beadle and Moore 2008; Moore 2012a; Beadle 2013) Rather than "crowding out" virtue, can a business organization be governed in a manner that crowds virtue in? (Moore 2012b) Can MacIntyre's framework be used to make sense of meaningful work? (Beadle and Knight 2012) Given that institutions are crucial for sustaining social practices, and that making and sustaining an institution is an activity with its own internal goods, can the activity of managing an institution be understood as a sort of practice? (Beabout 2012, 2013)

In order to reach an affirmative answer to this final question, it is crucial to draw a distinction that comes into focus when we consider Joseph Dunne's interview with MacIntyre regarding the activities of schoolteachers. Dunne asked MacIntyre, "Can we helpfully construe teaching as itself a practice and see the curriculum itself as a set of practices into which students are to be initiated?" (Dunne 2002, p. 4) MacIntyre provided a long, somewhat wandering answer, portions of which were quite surprising to Dunne. Specifically, MacIntyre stated, "Teaching itself is not a practice, but a set of skills and habits put to the service of a variety of practices" (Dunne 2002, p. 5). The heart of MacIntyre's proposal was that teachers should think of themselves in terms of the disciplines they teach, "as a mathematician, a reader of poetry, an historian or whatever, engaged in communicating craft and knowledge to apprentices" (Dunne 2002, p. 5). Included in his answer, MacIntyre emphatically denied that teaching is itself a practice. Dunne later pressed this point, but MacIntyre dug in his heels, claiming that teaching "is never more than a means, that it has no point and purpose except for the point and purpose of the activities to which it introduces students" (Dunne 2002, p. 9).

Dunne later challenged MacIntyre's claim, conceding that teaching is not a sort of "domain-neutral expertise" (Dunne 2002, p. 7), but suggesting teaching is a practice according to MacIntyre's well-known definition. Specifically, Dunne suggested that teaching is a complex form of socially established cooperative human activity that contains its own internal standards of excellence, is the good of a certain kind of life, and the dialectic between practice and institution is reflected in the case of teaching and school (Dunne 2002, pp. 7–8). Further, in their conversation, MacIntyre made several relaxed comments that support the

claim that teaching is a practice; MacIntyre refers to the "ends of teaching" and "the practice or practices of teaching" (Dunne 2003, p. 353).

On the whole, Dunne seems to get the better of this debate. Accordingly, one way to answer the question of whether teaching is a practice is to propose that there are "domain-relative practices," and then to think of both teaching and managing in those terms. Doing so concedes MacIntyre's criticism of those who claim a supposed domain-neutral expertise, while also granting Dunne that teaching is an activity with its own set of excellences, one that can be made into a form of life, and that the practice of teaching is housed in relevant institutions such as schools, colleges, and universities (Beabout 2012). A "domain-relative practice" is an activity that possesses internal standards of excellence identifiable to practitioners while being inextricably connected to another particular domain. In each such case, familiarity with the particularities of the other related domain is an integral feature of the activity. Teaching is always tied to a particular subject, just as coaching is always tied to a particular sport. In the same way, managing an institution is always tied to the particular practices housed in the institution. So, just as the expertise needed to excel as a teacher of mathematics to 11-year-olds is related to but also different than the expertise needed to teach literature to 16-year-olds, so too the expertise needed to manage a company that manufactures refrigerators is related to but also different than the expertise needed to manage a financial institution or a hospital or a restaurant. Managing an institution with excellence involves not only good planning and organizing, but also awareness of and attentiveness to sustaining and nurturing the particular practices housed within one's institution. What virtues are needed to do this well?

Practical Wisdom as a Virtue Integral to Excellence in Managing an Institution

Thomas Whetstone has suggested that ethicists could focus more intently on the way practicing managers use virtue language, "listening to what managers themselves say when discussing excellent managers" (Whetstone 2003, p. 344). In Whetstone's studies of the language used by managers and those who are managed to describe the excellences involved in managing well, he showed that contemporary managers, while certainly not schooled in the classical and medieval tradition of the virtues, employ with considerable articulation a moral language that "is essentially one of virtues and vices" (Whetstone 2003, p. 354). The traits reported in Whetstone's study correspond to a rather traditional list of moral virtues: honesty, trustworthiness, dedication, fairness, integrity, self-control, politeness, compassion, and loyalty (Whetstone 2003, p. 352). Whetstone also reported that those he studied listed several other traits: flexibility, good judgment, the ability to show perspective, and the ability to be innovative, that is, the virtues that, in the Aristotelian tradition, contribute to and constitute practical wisdom (Whetstone 2003, p. 352).

In *After Virtue*, MacIntyre emphasizes the virtues of justice, courage, and honesty (1981, p. 192), but he does not provide in that book an emphasis on or a

detailed account of practical wisdom. Practical wisdom, which was considered by Aristotle and Thomas Aquinas to be a virtue of central importance, is treated in greater detail in some of MacIntyre's later writings (MacIntyre 1999). Traditionally, practical wisdom is described as the virtue whereby one acquires a disposition of intellect such that, in each action, one is excellent at (1) deliberating about what to do while attending to relevant particularities, (2) making in each instance a good judgment, and (3) carrying out such decisions in action. For examples of more detailed accounts of this virtue, see Pieper (1966), Dunne (1993), or Schwartz and Sharpe (2010). The person of practical wisdom actively has developed excellence at taking in information, deliberating, judging, and executing wisdom in action. In short, the person of practical wisdom has cultivated excellence in the realization of one's human powers to *see*, *judge*, and *act*; these constitute the key parts of the virtue of practical wisdom.

Because this virtue involves a sort of foresight, Cicero translated Aristotle's Greek term, *phronesis*, with the Latin, *providentia*, denoting a kind of divine foresight. This Latin term was later contracted, so that the medievals used the term *prudentia* to denote wisdom in human action, especially the ability to foresee the consequences of action in each case. At the heart of prudence or practical wisdom is the ability to reason well about action, bringing together sound principles with what is known about the past and the present to make good decisions, choosing an appropriate means toward achieving a worthwhile goal.

In the traditional list of cardinal virtues, practical wisdom has held a primary place (even more important than the character virtues of courage, temperance, and justice). Aristotle provides a detailed seminal treatment of this virtue in Book VI of the *Nicomachean Ethics* (Aristotle 2002, 1140a24–1145a13), as does Thomas Aquinas in his *Summa Theologica*, where he describes this virtue as "foremost among all the moral virtues" (Aquinas 1948, II–II, 56, 1). The character virtues, such as courage and moderation, have been recognized since Aristotle as crucial to practical wisdom, because without them, one is unable to determine whether a given end is worthwhile; one who lacks courage may choose overly cautious goals; one who lacks moderation may tend to be guided by greed and acquisitiveness. Practical wisdom requires knowledge of both abstract, universal truths and awareness of the concrete particularities of each action.

Aristotle and Thomas Aquinas, like so many ancient and medieval thinkers, were concerned with practical wisdom for achieving excellence in traditional social roles, for example, in managing one's household or holding a leadership role in a political community. Can the virtue of practical wisdom inform the decisions of those charged with leading an institution, including a business organization, in the contemporary context? One of the results of extending MacIntyre's virtue ethics in light of his practice-institution distinction is to suggest an affirmative answer to this question (Kavanagh 2013). Indeed, a growing number of writers concerned with virtue ethics in business and management have pointed to the importance of the virtue of practical wisdom (Moberg 2007; Roca 2008; Melé 2009, 2010; Provis 2010; Queiroz 2012, 2015; Shotter and Tsoukas 2014). Those charged with the responsibility to plan, organize, and lead an institution can see in their task the need

to cultivate practical wisdom, seeing one's organization as the bearer of one or more social practices. Such a person understands their work to be guided by excellences internal to the domain-relative practice of leading or managing one's institution with an eye on sustaining and advancing the practices housed in one's institution, along with the disposition of being on the way toward practical wisdom, seeing in each circumstance the available means to organize a given group of people to come as near as possible to achieve a worthwhile goal.

Conclusion

MacIntyre's virtue ethics contains within it positive resources for business ethics. His distinction between practices and institutions, as developed by Geoff Moore and others, brings into focus the possibility of understanding the activities of managers in terms of the virtues. Outstanding managers must attend to the standards of excellence that are internal to the practices housed in the domain of one's institution. Managers must become excellent at planning, leading, and organizing not simply as abstract activities, but in the concrete circumstances of one's particular organization, relative to a specific domain or set of interlocking social practices. Developing excellence of this sort requires cultivating the virtue of practical wisdom.

References

Aquinas T (1948) Summa theologica. Benziger Bros, New York

Aristotle (2002) Nicomachean ethics (Bekker number: 1140a24-1145a13) (trans: Rowe C). Oxford University Press, Oxford

Balstad Brewer K (1997) Management as a practice: a response to Alasdair MacIntyre. J Bus Ethics 16:825–833

Beabout G (2012) Management as a domain-relative practice that requires and develops practical wisdom. Bus Ethics Q 22:405–432

Beabout G (2013) The character of the manager: from office executive to wise steward. Palgrave MacMillan, New York

Beadle R (2013) Managerial work in a practice-embodying institution: the role of calling, the virtue of constancy. J Bus Ethics 113:679–690

Beadle R, Knight K (2012) Virtue and meaningful work. Bus Ethics Q 22:433–450

Beadle R, Moore G (eds) (2008) MacIntyre, empirics and organization. Philos Manag 7(1):1–2. Special issue. https://www.pdcnet.org/pdc/bvdb.nsf/purchase?openform&fp=pom&id=pom_2008_0007_0001_0001_0002

Dobson J (1997) MacIntyre's position on business: a response to Wicks. Business Ethics Quarterly 7(4):125–132

Du Gay P (1998) Alasdair MacIntyre and the Christian genealogy of management critique. Cult Values 2:421–444

Dunne J (1993) Back to the rough ground: practical judgment and the lure of technique. University of Notre Dame Press, Notre Dame

Dunne J (2002) Alasdair MacIntyre on education: in dialogue with Joseph Dunne. J Educ 36:1–19

Dunne J (2003) Arguing for teaching as a practice: a reply to Alasdair MacIntyre. J Philos Educ 37:353–369

Harris H (ed) (2013) The heart of the good institution: virtue ethics as a framework for responsible management. Springer, New York

Horvath C (1995) Excellence v. effectiveness: MacIntyre's critique of business. Bus Ethics Q 5:499–532

Kavanagh D (2013) Problematizing practice: MacIntyre and management. Organization 20:103–115

Knight K (1998) The MacIntyre reader. University of Notre Dame Press, Notre Dame

MacIntyre A (1981) After virtue. Duckworth, London. Third edition: (2007) University of Notre Dame Press, Notre Dame

MacIntyre A (1999) Dependent rational animals: why human beings need the virtues. Open Court, Chicago

Mangham I (1995) MacIntyre and the manager. Organization 2:181–204

McCann D, Brownsberger M (1990) Management as a social practice: rethinking business ethics after MacIntyre. In: Stackhouse M (ed) (1995) On moral business. Eerdmans, Grand Rapids, pp 508–514

Melé D (2009) Integrating personalism into virtue-based business ethics: the personalist and the common good principles. J Bus Ethics 88:227–244

Melé D (2010) Practical wisdom in managerial decision making. J Manag Develop 29:637–645

Moberg D (2007) Practical wisdom and business ethics. Bus Ethics Q 17:535–561

Moore G (2002) On the implications of the practice-institution distinction: MacIntyre and the application of modern virtue ethics to business. Bus Ethics Q 12:19–32

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15:659–685

Moore G (2012a) Virtue in business: alliance boots and an empirical exploration of MacIntyre's conceptual framework. Organ Stud 33:363–387

Moore G (2012b) The virtue of governance, the governance of virtue. Bus Ethics Q 22:293–318

Moore G, Beadle R (2006) In search of organizational virtue in business: agents, goods, practices, institutions and environments. Organ Stud 27:369–389

Nash L (1995) Whose character? A response to Mangham's 'MacIntyre and the manager'. Organization 2:226–232

Pieper J (1966) The four cardinal virtues. University of Notre Dame Press, Notre Dame

Provis C (2010) Virtuous decision making for business ethics. J Bus Ethics 91:3–16

Queiroz R (2012) The importance of *phronesis* as communal business ethics reasoning principle. Philos Manag 11:49–61

Queiroz R (2015) Putting ethics and economic rationality together: an Aristotelian and philosophical approach. Business Ethics: A European Review 24(3):332–346

Roca E (2008) Introducing practical wisdom in business schools. J Bus Ethics 82:607–620

Santilli P (1984) Moral fictions and scientific management. J Bus Ethics 3:279–286

Schwartz B, Sharpe K (2010) Practical wisdom: the right way to do the right thing. Riverhead Books, New York

Shotter J, Tsoukas H (2014) Performing *phronesis*: on the way to engaged judgment. Manag Learn 45:377–396

Sison A et al. (eds) (2012) Reviving tradition: virtue and the common good in business and management. Bus Ethics Q 22:207–210

Whetstone T (2003) The language of managerial excellence: virtues as understood and applied. J Bus Ethics 44:343–357

Wicks A (1996) Reflections on the practical relevance of feminist thought to business. Bus Ethics Q 6:523–531

MacIntyre's Critique of Management

Kelvin Knight

Contents

Abstract

What MacIntyre says of management has always been highly critical. This account of his critique focusses on *After Virtue*. It first discusses the book's subversion of managerial claims to expertise by attacking their justification in claims of social scientific certainty, before moving on to his critique of managers' characteristic manipulation of their subordinates. Such manipulation, he argued, demonstrates that the emotive usage of moral terms has become detached from their meaning within a once coherent scheme of teleological ethics. The reformation of such a scheme must resist the modern fragmentation of morality and compartmentalization of life, and such resistance must begin from ordinary moral agents' resistance to their disempowerment and demoralization through their systemic subordination to institutionalized management.

K. Knight (✉)
Centre for Contemporary Aristotelian Studies in Ethics and Politics (CASEP), London
Metropolitan University, London, UK
e-mail: k.knight@londonmet.ac.uk

Introduction

Alasdair MacIntyre's critique of management remains most famously expressed within his 1981 critique of modern moral philosophy and social science in *After Virtue*. He here describes "the concept of managerial effectiveness" as "a moral fiction" that lacks adequate rational justification and conjures up "a fictitious, but believed-in reality, appeal to which disguises certain other realities" (MacIntyre 2007, p. 76). As he goes on to say in the book's second half, those other realities are ones of power, money, and status; goods that are "external" to what he calls practices but are the currencies dealt in by organized managerial institutions.

Sociologically, a crucial aspect of modernity is its formalization of rules and roles within distinct organizations. Management, and the idea of its effectiveness, is central to both the operation and legitimation of the modern world. Given the absence of any way of rationally resolving conflicts between groups that couch their rival demands in terms of "rights" or "utility" (the other two moral fictions which MacIntyre identifies), the idea of the state's managerial effectiveness is indispensable to their containment. In regarding "government agencies" and "private corporations" alike as "bureaucratic structures," MacIntyre follows Max Weber (MacIntyre 2007, pp. 25–26), the great theorist of bureaucratic claims to authority and effectiveness. For Weber, bureaucracy is an effective and efficient organizational means to any end. In dismissing this as one of the delusive self-images of our age, and in laying out its genealogy, MacIntyre subverts claims that social science should aspire to anything like the kind of law-like generalization or technologically reliable predictive knowledge generated by the natural sciences. Social and organizational studies do not provide a basis for such knowledge, and therefore do not truly warrant the "metaphysical belief in managerial expertise [that] has been institutionalized in our corporations" (MacIntyre 2007, p. 108).

In subverting the very concepts of technocratic expertise and managerial effectiveness, MacIntyre's critique of management and of social science matched his critique of "the Enlightenment project" in moral philosophy. In its historical and genealogical approach, and in its unmasking of moral claims, it follows Friedrich Nietzsche's mode of critique. One motivation for avoiding the Marxist mode is that MacIntyre wished to focus on control, not ownership, since "bureaucratic management" described not only private and public sectors of the capitalist West but also state control in the nominally communist East; another was that Marxist critique was expressed in terms of the same kind "of law-like generalizations" that he regarded as fundamentally mistaken, enabling communist bureaucrats, no less than capitalist managers, to claim authority to direct workers on the bases of fictitious claims to superior knowledge and expertise. Since such claims are fictitious, no one exercises the kind of social control that such institutional authorities claim and with which they are often credited by social critics. Even if managers are able to legitimate their power over their subordinates through such claims and perceptions, they lack the power to ensure the outcomes they intend to effect.

In *After Virtue*, MacIntyre famously supplemented earlier discussion of the ethics of social roles with a more novel and critical account of such contemporary,

manipulative "characters" as "the bureaucratic manager" (MacIntyre 2007, pp. 74–77). The point of his characterization of the manager is that this character epitomizes, embodies and effects, socially and causally, what he called the "emotivist" (and might now call "expressivist") use of moral language. In such contemporary usage, moral terms have become detached from their historical meaning. Terms such as "good," "right," and "excellence" were once part of a coherent moral scheme, which has since been fragmented. Now, managers use such terms as manipulative means of persuasion. They have become the lexicon of a rhetorical technique to be used alongside other techniques in the management of human resources. The institutionalization of such instrumental usage, the involvement of others in those institutions, and the subjection and habituation of those others to that usage and its effects ensure that modern moral discourse has become pervasively manipulative.

MacIntyre's Critique of Manipulation

Metaphysically, modern morality is abstracted from particular rules, roles, and institutions into a sphere of idealized individual actors and of idealized universal rules. Families persist but most work and administration is detached from them to be managed by corporate and state institutions. It is distinctive of the expertise and authority claimed by managers that it is of a kind which is supposed to be universally applicable, transferrable from one modern institution to another irrespective of the particular kind of activity that it rules and they manage.

The morality into which managers are institutionalized is that described by Nietzsche. It is an ethic of the shepherd as distinct from the herd, the overman as distinct from his underlings. On this picture the manager is of a different kind to those whom he manages, possessing if not a superior kind of knowledge then a stronger kind of will. This perspective is one that MacIntyre condemned not just in capitalist managers but also in those would-be revolutionaries, and especially in those who claimed to know more than others and therefore an authority to lead and manage those others as means to their own theoretical end (MacIntyre 1973, pp. 340–342). Even so, he has often referred to the third of Karl Marx's "Theses on Feuerbach" which criticizes any division of "society into two parts, one of which is superior to society," (Marx 1976, p. 4) or, as he puts it in *After Virtue*, to "bifurcation of the contemporary social world into a realm of the organizational in which ends are taken to be given and are not available for rational scrutiny and a realm of the personal in which judgment and debate about values are central factors, but in which no rational social resolution of issues is available" (MacIntyre 2007, p. 34). The ideal of the manager is of a person who inhabits only the supposed realm of epistemological and organizational objectivity.

Where it is real, managerial effectiveness involves the manipulation of human resources. This is the primary skill of management, relating to what, in *Whose Justice? Which Rationality?*, he went on to call a "quality of effectiveness," as distinct from any virtue or "quality of excellence," observing that "manipulation . . .

makes citizens worse" (MacIntyre 1988, pp. 32, 70). The etymology of "management" discloses its origin in the treatment of humans like horses, without regard for the fulfillment of their specific and rational nature and instead treating them as mere means to the fulfillment of a purpose of the manager (Knight 2007, pp. 30, 115). While we moderns are taught to see ourselves as autonomous moral agents, when we become engaged with bureaucracy or management we become involved "in manipulative relationships with others. Seeking to protect the autonomy that we have learned to prize, we aspire ourselves *not* to be manipulated by others; seeking to incarnate our own principles and stand-point in the world of practice, we find no way open to us to do so except by directing towards others those very manipulative modes of relationship which each of us aspires to resist in our own case" (MacIntyre 2007, p. 68).

Manipulation of others as means to one's own or an institution's ends is unjust. This injustice is the very opposite of that virtue of justice as desert which MacIntyre considers an attribute of those committed to some practice, who willingly acknowledge the equality of fellow practitioners and, also, the greater authority of those with proven and genuine expertise in the practice. Institutions, though, reward not excellence but effectiveness, and, moreover, all too often reward effectiveness quite irrespective of excellence. Thus a manager might be effective in "rationalizing" employees or driving competitors out of work, or in misleading consumers or investors. And, of course, such effectiveness is all too often rewarded with gross material inequity. As MacIntyre contends, "acquisitiveness as such, *pleonexia*, is a vice, indeed the vice which is the principal form of injustice. And justice in exchange requires that conceptions such as those of a fair wage and a just price should have application. But to hold both those theses is to set oneself in radical opposition to any economy dominated by markets and requiring the accumulation of capital" (MacIntyre 1991, p. 15).

MacIntyre has always aimed to overcome "the hierarchical division between managers and managed" (MacIntyre 1998, p. 231). He argues not only that it is unjust to treat others as you would have them treat you, and as they deserve to be treated, but also that there is no epistemological justification for such manipulative treatment. The separation of values from facts is an intellectual error, falsely justifying managerial claims to normative neutrality and value-free effectiveness. Reason concerns both ends and means, and all can and should engage in such reasoning. To divide society between the knowing and the known, the managers and the managed, is to demoralize everyone. It is to deny the managed the agency that is necessary to engage in the social activity of changing from how one is to how one ought to be, and it is to exempt managers from any need for such improvement.

His Teleological Sociology

In criticizing the use of others as means to one's own ends, MacIntyre might have turned to Immanuel Kant. It was instead in distancing himself from all modern moralities, and as a way of criticizing the use of others also as means to more

impersonally institutionalized ends, that he instead turned to Marx, the great theorist of systemic exploitation. In rejecting even Marx's "communist" imitation of Kant's ideal "kingdom of ends," he might have turned to Nietzsche, the great subverter of all moralities. Instead, he turned to Aristotle.

It was in *After Virtue* that MacIntyre announced his participation in the Aristotelian tradition to which he has ever since remained loyal. What is distinctive of Aristotelianism is its concern with teleology: the logic or rationality of goods as ends or *telois*. What is distinctive of MacIntyre's Aristotelianism is his identification of a social teleology of shared practices. Such practices are defined by their "internal goods," which are known, lived, and progressed by their participants. These practices are ordered to the achievement of those goods, both in the activity of practitioners and in the products of that activity. In the first sense, the good internal to a practice is a shared form of life: the life of an artist or a scientist, of a doctor or a farmer, a miner or a builder, a politician or a parent. In the second sense, the good is a work of art or a scientific truth, of health or food, of coal or iron ore, or a bridge or a house, of a political community or a growing person.

The claim of a manager would be that the second kind of good is – usually, if not always – most effectively and efficiently obtained by disregarding the first. MacIntyre's claim is that human beings are what are most important, and therefore that to disregard the first kind of good is an error. The practice of medicine or farming is good for its material effects but also for the excellence or virtue of its practitioners. These are intellectual virtues, such as skills, but also moral virtues that are learned through and necessary to such social activities. The form of life of a doctor or farmer is a form of life that expresses and embodies those virtues, in which participants learn to recognize, respect, and emulate that which is commonly good and genuinely excellent within the practice. Within practices, "good" has real meaning and use in reasoning about ends and about the best means to those ends, rather than a merely ostensive and emotive usage in which it may be arbitrarily said of any object. In expressing such meaning and use, practices are not only the primary constituents of society but also the schools of the virtues. It is by being socialized into such understanding and pursuit of impersonal or common goods that one's desires are educated and one can transform oneself from a condition of "untutored human-nature-as-it-happens-to-be" to that of "human-nature-as-it-could-be-if-it-realized-its-telos," and that point is therefore given to "the precepts of rational ethics as the means for the transition from one to the other" condition (MacIntyre 2007, p. 53). Practices are the means through which, by accepting one's native dependence on others and thereby learning "as an apprentice learns" (MacIntyre 2007, p. 258), one can learn how to become a truly "independent practical reasoner" (MacIntyre 1999). If one's activity is managed by others, one is denied this possibility.

MacIntyre admits that organizational institutions are necessary to sustain practices, to formalize and enforce rules, and to obtain and distribute resources. Practices may be ordered to their internal goods, but they require such general and "external goods" as money, power, and status if they are to be well ordered, and these are the currency of institutions. The distinction between practices and

institutions is an analytic one; it need not – usually, if ever – involve any absolute distinction of personnel, or perhaps even of formal roles. If there is a hierarchical division between managers and managed, then the practice is separated from the institution. If so, the practice is likely to be corrupted, and so too are both the managed and the managers.

Such corruption is certain when managers subordinate even the good of the practice's product to the external good and institutionalized goal of profit. Then, managers within such institutions treat workers as means to an end other than that which is internal to their work. The operation of a capitalist company (this term, of course, originating in the companionship of owner with owner, not with worker) typically generates a conflict of interests between managers and workers, so that no kind of common good is possible. With regard to external goods, "the owners of capital and those who manage their enterprises always . . . have a compelling reason to keep wages low" (MacIntyre 2015). With regard to internal goods, the authority of managers depends upon denying producers any collective authority over their product.

The alternative to which MacIntyre's analysis points is that of the defense of goods internal to a practice and common to its practitioners, and of practitioners' determination of standards of excellence and judgments regarding the excellence of acts and actors by those standards. It is those goods that should give point and purpose to a practice and to one's participation in it, and it is those standards that should inform one's actions. Here, there is no division between manager and managed and all share in the same kind of reasoning, act for the sake of the same kind of good, and benefit in the same way from the actualization of that common good. This good and those standards should give point also to the acquisition and distribution of external goods. This will only be the case if those who understand the internal good, though their own activity or practice, are those who engage in the practical reasoning about what rules and resources are required, about how they are to be applied and enforced or acquired and distributed, and about when such judgments should be revised and practice progressed. Such reasoning would itself be ethically educative and is itself a crucial constituent of the activity's internal good. For Aristotelians, reason and its execution or practice are rightly inseparable. Managers, in contrast, characteristically insist on the division of labor between their power of decision and its execution by their subordinates. Meanwhile, they disregard the distinctions between practice and institution and, therefore, between internal or final goods, which are good in themselves, and those goods that are merely external or instrumental. In this, they lose the point.

His Critique of Modern Roles

Given what MacIntyre says of the real ethical and educative value of shared practices and of social roles, it might well be surprising were he to criticize the effects of such roles within modernity – and yet he does. The modern self is encouraged to consider her- or himself as an independently rational chooser. She

or he is so encouraged by modernity's professional moralists and politicians, and by occupying the roles of voter and consumer. At the same time, she is likely to occupy very different roles within a family and a workplace, and within a host of other roles in relation to state and corporate institutions. The problem is in finding some way to integrate these various roles. How, one might ask, is one to narrate one's life and to manage one's self? This is a question which modern academic philosophy is unable to answer. The modern self appears to be theoretically abstract and practically compartmentalized.

Morally, the problem of compartmentalization is that of double – or, rather, of multiple – standards. For MacIntyre, a virtuous person is one who acts according to the same moral standards irrespective of context, whereas a manager will act toward her workers in a different way than she will act toward her boss, and will act in a different way again toward her family or her friends. Of course, he differs from Kant in allowing that the rightness of some actions is contextual rather than categorical. And, of course, a manager, like a worker, might lie to his wife and be honest to his colleagues. Nevertheless, he agrees with Kant that lying is wrong irrespective of conditions, and a person who lies to their spouse is unlikely to think that they must always be honest to their colleagues. Aristotelian ethics differ from an ethics of categorical rules in that it focusses not upon the act but upon the actor. A virtuous actor is one who possesses the virtue of *phronesis*. *Phronesis* is not simply to be understood as our "prudence"; it in no way implies that if one is in a corner one can act immorally ("just on this one occasion," as one might think) to extricate oneself. Virtue is not contextually relative, since it is a matter of character and integrity. It is, though, contextual in recognizing the importance of judgment, and that an "ethical demand is always addressed to this particular person in this particular situation concerning this particular other. It cannot ever be truly or truthfully represented as the application of a universal and general rule to a particular situation" (Fink and MacIntyre 1997, p. xxx). A virtuous actor, a person who possesses *phronesis*, is one who, with due immediacy or reflection, apprehends what any particular situation demands of them, and who acts in accordance with that demand. She will do so not because this or that role places demands upon her; if this were so she would find herself continually stymied, as different roles place conflicting demands upon her time. Rather, she does so because she has a sound conception of the human good, and therefore of her own *telos*, which enables her to adjudicate between such otherwise conflicting demands. *Phronesis* is this virtue of practical judgment. It enables the actor to manage herself. However, she can only cultivate, exercise, and exemplify this virtue if she is not managed by others.

Compartmentalization is not only a critique of the contemporary moral self. No less than MacIntyre's critique of manipulation and injustice, his critique of compartmentalization is also a critique of our contemporary social structure. This is another respect in which he differs from Kantian universalism. MacIntyre's ethics is contextual not just because it refers to the particularity of the situation in which an actor necessarily acts but, also, because it refers to the particular social conditions under which we all now act. It is always possible that a situation occurs in which another person needs our immediate help here and now, and a virtuous person must

respond accordingly. However, to be a virtuous person one requires a conception of the human good, even if one only understands it as the good of one's own life. It is only through reflection on such a comprehensive good that one can manage one's own life as a whole. It is always possible to respond to a particular demand, but this does not enable one to order all of the demands placed upon us. Such a conception of the human *telos* is, MacIntyre insists, what the structure of contemporary society largely precludes. It is for this reason that particular practices are so very important, because it is here that we readily find goods that we might share with others and to which we might learn to subordinate our untutored desires. This is, again, why practices are the schools of the virtues. They educate us not only into particular skills and pursuit of particular goods but also into virtues of justice and truthfulness, temperance and courage, and into understanding that these are characteristics that we should embody and enact in our lives as a whole.

MacIntyre's critique of compartmentalization is a critique of what, when younger, he would have called capitalism, but of what he now prefers to call the culture of advanced modernity. This is a culture to which the accumulation of capital, the fetishization of commodities, the secularization of Protestant individualism, the bureaucratization of politics, the privatization of morality, the failure of the enlightenment project of justifying the rules of morality nonteleologically, and the Nietzschean aftermath to that failure have all contributed. It is a culture to which MacIntyre has always been profoundly opposed and a culture in which contemporary management is entirely at home.

Conclusion

Despite MacIntyre's critique of management, it is sometimes proposed that management should be considered as what he calls a practice, and that it can be morally educative in the same way as are other practices. On such accounts, his critique is domesticated into a "virtue ethics" that might be applied to any and all institutionalized activities and rationalities. This is to misconstrue his entire project. It is to misunderstand what he says of the nature of human beings as reasoners and practitioners, of modern theory as expressive of the mistakes of modern institutions, and of "the irrelevance of ethics" to that institutionalized activity (2015). Such a misconstrual adds to the error of understanding social science in terms of nomological natural science the complementary error of understanding ethics in the terms of technology. It is also to ignore what MacIntyre says of the virtues of "all those movements of resistance to the imposition by the state and the market on local societies of measures destructive of their shared life and of the possibility of their achieving their common goods" (MacIntyre 2013, p. 211), and of "resistance to capitalism … that is informed by an understanding of the dangers of co-option and domestication" (MacIntyre 2011, p. 316). Rather than resist the ascription of a collective identity to one's self, as is sometimes done in Nietzsche's name,

MacIntyre proposes that practitioners assert such identities in collective resistance against management. Where our resistance is successful, we can reform our ethics and reclaim our lives.

References

Fink H, MacIntyre A (1997) introduction. In: Løgstrup KE (ed) The ethical demand (trans: Jensen T et al). University of Notre Dame Press, Notre Dame

Knight K (2007) Aristotelian philosophy: ethics and politics from Aristotle to Macintyre. Polity Press, Cambridge

MacIntyre A (1973) Ideology, social science, and revolution. Comp Polit 5(3):321–342

MacIntyre A (1988) Whose justice? Which rationality? University of Notre Dame Press, Notre Dame

MacIntyre A (1991) How to seem virtuous without actually being so. Centre for the Study of Cultural Values, Lancaster

MacIntyre A (1998) The theses on Feuerbach: a road not taken. In: Knight K (ed) The MacIntyre Reader. Polity Press, Cambridge

MacIntyre A (1999) Dependent rational animals: why human beings need the virtues. Open Court, Peru

MacIntyre A (2007) After virtue: a study in moral theory, 3rd edn. University of Notre Dame Press, Notre Dame

MacIntyre A (2011) Where we were, where we are, where we need to be. In: Blackledge P, Knight K (eds) Virtue and politics: Alasdair MacIntyre's revolutionary Aristotelianism. University of Notre Dame Press, Notre Dame

MacIntyre A (2013) Relies. Rev Int Philos 67(2):201–220

MacIntyre A (2015) The irrelevance of ethics. In: Bielskis A, Knight K (eds) Virtue and economy: essays on morality and markets. Ashgate, Farnham

Marx K (1976) Theses on Feuerbach (trans: Lough W). In: Cohen J, Marx K, Engels F et al (ed) Collected works, vol 5. Progress Publishers, Moscow

Against MacIntyre: The Corrupting Power of Practices

John Dobson

> "... the road to virtue and that to fortune ... are happily in
> most cases very nearly the same."
>
> Adam Smith, *Theory of Moral Sentiments*.

Contents

Abstract

In this chapter, I build on the virtue-practice-institution schema of modern
virtue ethics theory. Within this schema firms produce two goods: external
goods, which are associated with the firm-as-institution; and internal goods,
which are associated with the firm-as-collection-of-practices. Although there
is general agreement among virtue ethicists about the normative desirability
of firms pursuing both internal and external goods, there is marked disagree-
ment about the actual ability of modern firms, operating within modern global
markets, to consistently pursue both goods. Here I offer arguments to support
the view that it is possible for modern business organizations, operating
within contemporary markets, to successfully pursue both internal and

J. Dobson (✉)
College of Business, California Polytechnic State University–San Luis Obispo, San Luis Obispo,
CA, USA
e-mail: jdobson@calpoly.edu

external goods. I also argue that the main threat to this successful pursuit is not
– as MacIntyre suggests – the corrupting power of institutions, but rather the
corrupting power of rogue practices.

Keywords

Virtue ethics • Alasdair MacIntyre • Practices

Introduction

Recent developments in virtue ethics provide a comprehensive moral construct of
the modern corporation, what might be called a Theory of the Firm (Moore and
Beadle 2006). Unlike the familiar theory of the firm developed in neoclassical
economics, however, this virtue-ethics-based theory places morality – or more
specifically moral worth – at the heart of the nature of the firm. Virtue ethicists
often refer to this theory as the virtue-practice-institution model, which hereafter I
will abbreviate as the VPI model (Moore 2002).

The VPI model envisages all business organizations (abbreviated hereafter as
"firms") – whether banks, hedge funds, manufacturers, health care providers, etc.
– as pursuing two distinct types of goods: external goods (roughly the goods of
effectiveness) and internal goods (roughly the goods of excellence). The VPI
model is also both descriptive and prescriptive. According to this model firms are,
and should be, economic and moral communities in which human flourishing is
achieved through the pursuit of external and internal goods. Thus the VPI model
provides a comprehensive view of what the modern firm is, and what it should
be. This view is inclusive of both the moral worth of the modern firm, and its
economic worth. (I use the phrase "modern firm" here in line with Roberts
(2004), to denote contemporary business organizations operating in global capital
markets.)

The prescriptive aspect of the VPI model is not in dispute; all virtue
ethicists agree that this is how firms should ideally be (Keat 2008; Moore
2002). The dispute arises when one turns to the descriptive possibility of the
VPI model. Does this theory depict a feasible reality for modern firms? Here
there are two distinct schools of thought. One argues that firms, such as the VPI
model describes, may have existed in the past – and may still exist in remote
enclaves of the global economy – but that the advance of global capitalism is
eviscerating the VPI model as a realistic description of the modern firm. In
essence, global capitalism is – according to this school – fundamentally
antithetical to the VPI model. As such, global capitalism is – at least from
the perspective of virtue ethics – fundamentally immoral and incapable of
nurturing human flourishing. The most prominent, though by no means the
only, advocate of this school is Alasdair MacIntyre. He argues that the insti-
tutional pursuit of external goods, within modern firms, inevitably inhibits the

successful pursuit of internal goods within the associated practices: in essence, modern institutions corrupt practices. Thus, according to MacIntyre, the modern firm is largely devoid of virtue and as such a poor mechanism through which to pursue human flourishing.

In this chapter, I argue that MacIntyre is too dismissive of the modern firm's ability to sustain virtues and practices. The modern firm is indeed capable of nurturing both the pursuit of external goods *and internal goods*. Far from corrupting practices, the firm-as-institution sustains practices and the associated virtues. It is thus fully compatible with the pursuit of human flourishing. Indeed the threat to this pursuit comes not from the institution, as MacIntyre suggests, but rather from the cultivation of "rogue" practices that threaten the institution's ability to pursue external goods and thus sustain those practices that are consistent with this pursuit. In essence, therefore, my argument here – contra MacIntyre – is that practices can corrupt institutions. Furthermore, the modern-firm-as-institution provides a mechanism for discerning between practices that facilitate the symbiotic pursuit of both internal and external goods, versus those practices that – while pursuing their own particular internal goods – militate against this symbiosis.

The MacIntyre View

Given that other chapters in this section describe MacIntyre's view in depth, I will supply just a cursory review here. MacIntyre's most long-standing criticism of the modern firm is what he labels as *compartmentalization*. The actors within modern firms, namely managers, are unable to act as true moral agents. In their actions as managers, they compartmentalize themselves within the confines of a morally stunted version of utilitarianism, namely cost-benefit analysis. The milieu of the modern firm renders them blind to considerations beyond the financial "bottom line." Managers become Albert-Speer like technicians, diligently managing train timetables to ensure the "efficient" delivery of Jews to concentration camps (see for example MacIntyre 1999b; Moore 2008). For example, in *Social Structures and their Threats to Moral Agency*, MacIntyre discusses "a business corporation whose chief executive officer decides to exaggerate the progress made by the corporation's scientists on a research project, with the aims both of not losing customers to rivals and of bolstering share prices" (1999b, p. 322). MacIntyre argues that the "only grounds on which objection to such deception can be based, if it is to be heard, is that in the longer run deception will fail to maximize corporate profits" (p. 323). More recently, MacIntyre has continued this broad criticism by asserting, in *Dependent Rational Animals*, that market-based relationships such as those within and between modern firms "undermine and corrupt communal ties" (1999a, p. 117).

The Practice-Institution Interface

A starting premise upon which MacIntyre and I agree is that market economies, and the business organizations therein, are not ethically neutral. First, there are "varieties of capitalism" (Keat 2008, p. 250) some of which nurture virtue. Second, this nurturing arises from a clearer understanding of the relationship between institutions and practices.

Keat, for example, describes varieties of capitalism that lie on a spectrum between "so-called 'impatient capital' ... generally regarded as a hallmark of Anglo-American economies, by contrast with the 'patient capital' of coordinated market economies" (2008, p. 250). He invokes the contemporary German economy as an exemplar of the latter, in which "industry-wide associations play a central role in promoting cooperation in research and development, and in apprenticeship-based forms of training" (ibid.). In this regard, Keat faults MacIntyre for focusing exclusively on the "impatient" end of the capitalist spectrum. The MacIntyre view largely ignores this, viewing – as it does – the modern firm and the modern economy as a one-size-fits-all intellectual structure.

Turning now to the second premise, namely of a more sympathetic relationship between external and internal goods, Keat begins with a clear definition of the contemporary market economy:

> [T]he market might be understood as a complex social institution which includes the contractual exchange of goods for money, private property rights, competition between firms aiming to maximize profits, the use of prices as signals, and so on – all of which are in various ways backed by the powers of the state; and it might then be argued that this institution operates in such a way that 'producers' can only succeed in acquiring external goods if they do so in ways that enable 'consumers' to acquire what *they* regard as 'good.' (2008, p. 248)

Within such market systems Keat sees institutions as playing a more inclusive role in the nurturing of practices. Unlike within the MacIntyre view, where institutions do little more than supply material support for practices, Keat sees institutions as providing an essential moral grounding for practices: "... one of the reasons why practices need institutions is that they cannot rely wholly on the virtues, or on other forms of moral constraint not backed by sanctions. ... [O]ne of the essential functions of external goods is to provide sanctions when the virtues fail ..." (p. 247). So, for example, Mercedes-Benz Corporation, as institution, will ensure that some young apprentice engineer does not become so obsessed with the intricacies of fuel injection systems that she loses sight of the ultimate goal, namely the instrumental role of fuel injection systems in the broader practice of producing an excellent automobile.

The production of the automobile provides external goods of money, status, power, etc. But it also provides internal goods associated with the practice of maintaining the automobile-manufacturing institution. Also, the consumption of the automobile, albeit superficially an external good market transaction, also facilitates the pursuit of internal goods – such as the goods associated with auto

maintenance – and the sustenance of practices such as membership in an owners' touring club, etc.

Specifically, modern firms – such as automobile manufacturers – can create and nurture practices. This view recognizes the undeniable institutional power of these organizations as engines of cash flow but, if correctly structured, these engines can also drive the formation of practices. As such, modern firms are not inherently and irremediably alien to virtue. True, institutions may corrupt practices if the latter become too powerful; but there is also a strong symbiotic relation between institutions and practices. Indeed, the maintaining and enhancing of the institution can, in-and-of-itself, be viewed as a practice of first importance (Moore and Beadle 2006). Keat argues therefore for a more far-reaching invocation of the market-based economy:

> [W]e can conceive of 'instituting markets' in large-scale societies as a (possible) collective, ethically-based decision about how to secure the institutional conditions for certain kinds of goods, a decision that would be accompanied by recognizing the need also to secure and protect the existence of *other* domains in which very different kinds of goods are likewise made available to all members of the political community. (2008, p. 254)

Along similar lines, Moore emphasizes the essential synergy between these two corporate moral universes of external and internal goods:

> . . . the corporation must continually be aware that it is founded on and has as its most important function, the sustenance of the practice. This is simply because, without the practice, the institution dies. Thus a retailing organization that is so focused on external goods, such as profit and shareholder value, that it fails to nurture the practice it sustains – the specific business practice of retailing – will eventually find itself without the skills and resources it requires to sustain the practice. It will, in effect, kill itself from the inside. (2002, p. 28)

And in a later article, Moore re-emphasizes this point: "all business activities, irrespective of their form of institutionalization, must contain the vestiges of a practice and the virtues to some degree" (2005, p. 679). He also revisits an observation first made by MacIntyre concerning the umbilical link between institutions and practices noting that, as mentioned earlier, purely sustaining the institution can itself be regarded as an important practice: "In other words, those who have, in one sense, outgrown the practice and now represent the institution that houses it, also have the same opportunity to exercise the virtues in the making and sustaining of the institution" (2005, p. 663). Finally, by developing the notion of corporate "character," Moore identifies a mechanism that tends to counter MacIntyre's argument that managers of institutions become "compartmentalized" into an exclusive focus on external goods and thus limit their exercise of the virtues:

> The corporation of virtuous character, then, will in general require *systems and processes* that ensure the corporation is not 'compartmentalised' from other institutions in society but sees itself as one part of a larger whole. Equally, the corporation of virtuous character will need to possess and exercise the virtues of temperance, to withstand the inherent tendency to focus on external goods, and justice in order to weigh its own advantage with that of the

wider community. It is also, and most notably, the corporate virtue of temperance that will encourage a *supportive culture*. (2005, p. 671)

In summary, the VPI Model is not just an ideal but is a feasible reality within the milieu of contemporary capitalism. Practices not only can survive but indeed must survive if firms are not to "kill themselves from the inside." This symbiotic balance between the institution and the accompanying practices – between the pursuit of internal and external goods – is clearly a fine one. MacIntyre places much emphasis on the potentially corrupting power of institutions – and their concomitant pursuit of external goods – to "swamp" the practices they support. However, what I would like to argue in the next section is that – in sustaining the internal-good-external-good balance envisaged by the VPI model – the threat works both ways. In fact, I will argue, the threat is as great if not greater that practices within a given firm can corrupt their institutional foundation. Practices can and do corrupt institutions. The corruption wreaked by practices is more subtle, given the subtle nature of internal goods. But in many ways the corrupting power of practices is more insidious and more threatening to the surrounding economy and society. Furthermore, the virtues associated with the institution and with the practice of sustaining the institution are just as valid morally as those virtues associated with other practices supported materially by the institution. Indeed these former virtues play an essential role in controlling the corruptive power of rogue practices.

Primary and Tertiary Practices

Recall that the empirical viability of the VPI model requires that, for any given firm, a symbiotic relation between practices and the underlying institution endures through time. Institutions and practices are defined by the pursuit of external and internal goods respectively. The successful pursuit of these goods in turn entails the cultivation of virtues, i.e., desirable character traits, among all actors (who we might call stakeholders) who interact to a greater or lesser degree with this nebulous and porous construct – this "legal fiction which serves as a nexus of contracts" – called the firm. Note that the successful pursuit of external goods also requires the exercise of virtue because the maintenance of the institution is a practice. As MacIntyre observes –

"the making and sustaining of forms of human community – and therefore of institutions – itself has all the characteristics of a practice; and moreover of a practice which stands in a peculiarly close relationship to the exercise of the virtues ... the ability of a practice to retain its integrity will depend on the way in which the virtues can be and are exercised in sustaining the institutional forms which are the social bearers of the practice"

Given that the survival of the institution is necessary for the survival of any practices, these institutional virtues could be called "primary virtues." In addition, there are those virtues that adhere more directly to practices that, though still

supported by the institution, are not directly focused on maintaining the institution, these could be termed "tertiary virtues." Correspondingly, we can term the practices associated with these virtues as *primary practices* and *tertiary practices*. So, for example, a firm's support of some corporate-social-responsibility program (see the Ben and Jerry's example below) may indeed possess all the qualities of a practice, but its pursuit may be unrelated to the primary practice of maintaining the firm through time as a viable institution.

A reasonable question to ask is why firms would support tertiary practices given that, by definition, these practices are not directly concerned with sustaining the institution? The answer is that tertiary practices have the potential to provide the dynamic internal goods that sustain the firm through time. Within capitalism, particularly contemporary global capitalism, firms must – to use the familiar shark metaphor – keep swimming. Or as Moore colorfully puts it in the earlier quote, a firm that fails to maintain tertiary practices will "kill itself from the inside." Thus both primary and tertiary practices are necessary if the firm is to contribute to human flourishing, and indeed is to survive long-term. As Pettis notes, in the context of banking: "long-term wealth creation accrues most to societies in which the financial system most willingly funds risk-taking entrepreneurs [i.e., tertiary practices]" (2013, p. 8).

Actors in the firm may be involved in both primary and tertiary practices to greater of lesser degrees. Senior management will understandably tend to be more directly concerned with the primary virtues. As Moore and Beadle observe:

> senior managers – those who have, in one sense, outgrown the [tertiary] practice and now represent the institution that houses it – also have the same opportunity to exercise the [primary] virtues in the making and sustaining of the institution. (2006, p. 373)

Senior management can thus be seen as the "guardians of the flame" in nurturing the primary virtues necessary for the institution to thrive. They also act as gate-keepers in discerning the worth of tertiary practices. This is no simple task given that tertiary practices are by nature entrepreneurial and experimentally innovative. These tertiary practices may foster virtues that are different to – and to some extent threaten – the primary virtues. Actors within the firm cannot exercise all virtues evenly thus, to some extent at least, there will be competition for allegiance between primary and tertiary virtues.

External goods such as power and status, for example, which are typically associated with institutions, will also play a role in practices. Social virtues typically associated with practices, such as temperance, courage, and justice will also be applicable in the pursuit of external goods in institutions. Indeed, even the market-based institutions of interest here in reality involve much nonmarket social interaction and hierarchy. As Karen Ho observes in her extensive ethnographic study of Wall Street:

> Recent anthropological and sociological works . . . [demonstrate] . . . that economic practices take place in complex webs of social relations, which change in form and degree over time. Just as 'nonmarket' gift exchanges are characterized by a high degree of formal

calculation, market economies are more fully embedded in social networks than Polanyi's strict separation allows. . . . The 'actual practice[s] of economies' defy top-down notions of market: high finance is largely concerned with personalities, private perks and little interest groups, prestige, imagination, almost anything but what might be called a market. (Ho 2009, p. 32)

Thus the modern firm is best characterized as a cauldron of market, social, and hierarchical relations. Individuals within the firm typically interact both within institution-like structures and within practice-like structures. Moore makes a similar observation:

There may, for example, be times when the practice becomes so introverted and self-satisfied that it no longer sets out to achieve 'those standards of excellence that are appropriate to, and partially definitive of, that form of activity'. . . . An important role of those who represent the corporation [i.e., institution], therefore, is to act when they observe excellence not being pursued and to remind those engaged in the practice of their responsibility. This may well be more observable by those who represent the corporation for they will see, in the performance indicators used to measure the achievement of external goods, the failure of the practice to meet 'best practice' elsewhere. (2002, p. 29)

Thus institutions act as filtering or censuring mechanisms for the limitless array of potential practices and their concomitant internal goods. Institutions provide a "marketplace of morality" (Dunfee 1998) that ensures that those practices that serve the common good are nurtured . The power of institutions to censure practices comes from the former's production of wealth and power. Competitive capital markets ensure that power is disseminated broadly through the public ownership of corporations. Of course, we know corporate democracy is far from perfect, but its institutions are clearly more broadly democratic than its practices. As MacIntyre notes, practices are by nature exclusionary and undemocratic in that they represent "a particular type of moral community, one from which fundamental dissent has to be excluded". From the perspective of feminist theory, for example, Frazer and Lacey note: "Feminist theory understands male power exercised and maintained in and through practices" (1994, p. 271).

Rogue Practices

As discussed above, MacIntyre makes much of the corrupting power of the institution and its associated vices of avarice and the will-to-power. And, according to MacIntyre, the corrupting power of these institutional vices – vis-à-vis the virtues of the associated practices – is inevitable. But what of the virtues nurtured by the institution, or more specifically the virtues nurtured by the primary practice associated with maintaining the institution? McCloskey wryly observes: "Even an ethics of greed for the almighty dollar, to take the caricature at its face value, is not the worst. For example, an ethics of greed is better than an ethics of slaughter. . . .The disdain for modest greed is ethically naïve, because it fails to acknowledge

that the greed prospers in a market economy only by satisfying the customer" (1994, pp. 181–182). McClosky goes on to defend the "bourgeois" institutional virtues: "Intellectuals in the West have had a tin ear for business and its values. . . .From this Marxist historical mistake arose the fairy tales of lost paradises for aristocrats or peasants and a reason for ignoring the bourgeois virtues" (pp. 189–191). Ian Maitland makes a similar observation concerning the value of institutional virtues: ". . . many of the character traits that we commonly call virtues are rewarded by the market. Therefore participation in the market may inculcate values and dispositions that make us better citizens" (1997, p. 28).

If we accept that primary "institutional" virtues matter, and that they matter in a crucial sense that they support both the institution and the primary practices that sustain both themselves and the underlying institution, then a natural concern arises as to the relationship between primary practices and their relationship to tertiary practices. Could some tertiary practices actually threaten the survival of the institution? And, if so, how would this happen given that these practices, albeit tertiary, still exhibit the defining characteristics of practices?

A provocative answer to this question is supplied by a recent empirical study of organizational culture undertaken by Jamie-Lee Campbell and Anja Goritz. In *Culture Corrupts: A Qualitative Study of Organizational Culture in Corrupt Organizations* (2014), they – albeit inadvertently – define rogue practices. What, in the current context, could be called a practice, Campbell and Goritz define as a social cocoon: "The social cocoon is part of organizational culture because it forms assumptions, values, and norms of employees to support corruption (e.g., focus on particular values, norms, and a special language to make corruption [of the institution] appear harmless" (p. 294). They go on to observe that, within a rogue practice, "[e]mployees reinforce and control underlying assumptions, values, and norms.. . . Employees reshape and reframe manager values and expectations through collective sense-making about their daily behavior . . . that makes [institutional] corruption appear as decent and customary" (pp. 295–296).

The critical point to observe here is that these rogue practices can indeed flourish as practices within their "cocoon" of genuine virtues. In an interview, one manager within a corrupt organization recounts, "it [participation in a rogue practice] is a sense of community, a feeling of togetherness, a confirmed fellowship, the pursuit of a common goal" (p. 304). This, however, is a common goal that, if left unchecked, can destroy the institution that provides its material support. Thus these corrupt organizations that Campball and Goritz identify steadily "kill" themselves from the inside: the rogue tertiary virtues steadily swamp the primary institutional virtues. In short, practices have the power to corrupt and destroy institutions.

By "corrupt practice" here I simply mean the ability to damage or destroy the institution that houses the practice. So, for example, Ben and Jerry's pursuit of its social mission – albeit virtuous – was taken to an extreme that threatened the company's survival. John Willman observed: "As Ben and Jerry's has discovered in recent years, the financial bottom line has to take priority, since without adequate profits little can be achieved on the social mission" (1998, p. 8). The result of Ben and Jerry's poor financial performance was its loss of independence. It was acquired by Unilever in 2000.

Conclusion

In this chapter, I invoke the concept of the business organization as derived from recent developments in virtue ethics theory. Within this theory, morally justifiable business organizations are viewed as combinations of institutions and practices. Both institutions and practices pursue their own distinct kind of moral good by cultivating a distinct balance of virtues. This practice-institution balance requires vigilance on the part of those involved in the business organization. Too exclusive a focus on cultivating the virtues associated with either practices or institutions could threaten this balance.

I focus here on the potential of practices to corrupt institutions. I argue that primary virtues associated with maintaining the institution must constrain the potentially corrupting power of the tertiary virtues of practices. Thus virtues associated with practices must continually be evaluated from the perspective of the primary institutional virtues.

References

Campbell J-L, Goritz AS (2014) Culture corrupts! A qualitative study of organizational culture in corrupt organizations. J Bus Ethics 120:291–311

Dunfee TW (1998) The marketplace of morality: first steps toward a theory of moral choice. Bus Ethics Q 8(1):127–145

Frazer E, Lacey N (1994) MacIntyre, feminism and the concept of practice. In: Horton J, Mendus S (eds) After MacIntyre: critical perspectives on the work of Alasdair MacIntyre. University of Notre Dame Press, Notre Dame

Ho K (2009) Liquidated. Duke University Press, Durham

Keat R (2008) Ethics, markets, and Macintyre. Analysis Kritic 30:243–257

MacIntyre A (1994) A partial response to my critics. In: Horton J, Mendus S (eds) After MacIntyre: critical perspectives on the work of Alasdair MacIntyre. University of Notre Dame Press, Notre Dame

MacIntyre A (1999a) Dependant rational animals. Open Court Publishing, Illinois

MacIntyre A (1999b) Social structures and their threat to moral agency. Philosophy 74(289):311–329, July

Maitland I (1997) The market as school of the virtues. Bus Ethics Q 7(1):17–31

McClosky D (1994) Bourgeois virtue. Am Scholar 63(2):177–191

Moore G (2002) On the implications of the practice-institution distinction: Macintyre and the application of modern virtue ethics to business. Bus Ethics Q 12(1):19–32

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Moore G (2008) Re-imagining the morality of management: a modern virtue-ethics approach. In: Proceedings of Alasdair MacIntyre's revolutionary Aristotelianism, 29 June–1 July

Moore G, Beadle R (2006) In search of organizational virtue in business. Organ Stud 23(3):369–389

Pettis M (2013) Why the world needs reckless bankers. Financial Times, March 26:8

Willman J (1998) Large scoops of social values. Finan Times (February 9):8

Developing Virtues in Developing Countries: Case Studies from Rwanda

Developing Virtues in Developing Markets

Carter Crockett

Contents

Abstract

Although efforts have been made to recover Aristotle's theory of virtue, linking the theory to organizational practice has proven difficult. This paper addresses this challenge by employing a previously developed conceptual lens for identifying organizational virtue, an empirical tool we call the Interactive Joint Inquiry Exercise (IJIE). This tool emphasizes central MacIntyrian concepts that are often overlooked in this type of inquiry: *purpose, balanced judgment*, and *praxis*. We then direct this lens as part of a wider ethnographic study of three social ventures in Rwanda, hoping to identify key differences and patterns among comparative

C. Crockett (✉)
Centre for Entrepreneurial Leadership, Gordon College, Wenham, MA, USA
e-mail: carter.crockett@gordon.edu; carter@karisimbipartners.com

cases. Such an exploration seems relevant in both nonprofit and business institutions; in developed and developing countries alike. Every organizational member can find meaning in these ancient components of the virtue paradigm, especially when conveyed in common and localized vernacular, and the IJIE research instrument offers new value in considering the values and trade-offs of any given organization. In exploring the organizational cultures of these new ventures, this inquiry extends the empirical grounding of MacIntyre's virtue ethics.

Introduction

This contribution seeks to aid our understanding of the descriptive and normative guidance that MacIntyre's conception of virtue offers present-day organizations. As is often pointed out, there is a significant gap between scholarly discourse on moral issues and that required by practitioners (Stark 1993; Soule 2002). Contrary to earlier assertions, MacIntyre and others have outlined a virtue framework that is assessable even to those who have not received philosophical training. What we lack, however, is a robust grounding of the theory of virtue that may provide guidance and insight to those leading and affected by contemporary organizations. This paper addresses this challenge by seeking to understand the presence of virtue in nonprofit and business organizations in the developing country of Rwanda. If MacIntyre's conceptions of the virtues are to be deemed relevant, then they should find application in a diverse array of organization types and geographies where very different cultural realities prevail. As the author has been living in Kigali, Rwanda, certain fascinating yet difficult-to-access organizations have become viable for such an analysis. Living and working with these organizations and their representatives for many years has afforded the author a good sense for which organizations would be most interesting subjects for such a study, and it has also allowed the author to corroborate the words of the respondents with their observable actions (or praxis) during times of relative crisis and good fortune.

How and Where Organizational Virtue Is Found

An array of empirical measures have sought to capture organizational virtue (e.g., Shanahan and Hyman 2003; Cameron et al. 2004), many choosing to focus on first defining a particular list of virtues (Maitland 1997; Solomon 1999;

Pellegrino 2002; Mort et al. 2003; Murphy 1999; Seeger and Ulmer 2001). Virtue is a richer concept than implied in such studies. Any attempt to apply a predefined list of "universal business virtues" without considering the interdependent components of the virtue paradigm will have done little more than introduce a list of "business values." Instead, empirical enquiry that is consistent with the MacIntyrian virtue framework suggests we must explore organizations using the key components of the larger virtue paradigm: *purpose*, *balanced judgment,* and *praxis*.

These three pivotal components of a dynamic theory of virtue are more worthy of our attention than any individual organizational virtues we might suggest. One or more virtues have little power when considered outwith the paradigm that animates and explains the power they are meant to hold. These components possess indispensable properties for unifying, governing, and harmonizing the entire apparatus of a virtue paradigm. One possible reason these orchestrating components have been neglected could be that these are often viewed as abstract metaphysical notions. Yet the common goal of a company and the daily judgments it faces are inherently practical matters, and well within the subject matter a thoughtful organizational leader can engage (no philosophy training required). Consequently, in Aristotelian terms, the gap between theory and practice is not as wide as may be expected. Thankfully, the power of these concepts survive even when the way they are described is modified to accommodate a different time and place than Ancient Greece.

Level of Analysis

A new conceptual lens with explanatory power for organizations may reveal elements overlooked by conventional evaluation tools and prominent management theories. More specifically, we will direct this new conceptual lens at *organizational culture* and we are encouraged by the new understanding and insights such exploration has already yielded.

MacIntyre (1985, p. 273) offers assistance in the identification of genuine virtue in the form of a three-part test. The following is an attempt to paraphrase these stages for application to an organizational context, such as a business or nonprofit:

Stage 1: Does it contribute to the intrinsic quality of the given practice (and hence the institution this practice sustains and is sustained by)?
Stage 2: Does it contribute to the integrity and flourishing of relevant individuals (conceived as social beings holding multiple roles in society)?
Stage 3: Does it contribute to the flourishing of the relevant social tradition(s)?

In previous studies (Crockett 2005), featuring business contexts in a mature economy in Scotland (oil industry consulting), some organizations were found to satisfy the above stages in the following fashion:

1. A tendency to elevate the "internal goods" (virtues) of the practice over conventional metrics of success. Evidence of significant levels of excellence in the core practices of the organization. A proven capacity for generating strong profit and other performance measures for the company.
2. Concerted effort to develop the character and practical judgment of individual stakeholders: organizations contributed to the integrity, development, and fulfillment of participating individuals.
3. Clear ambitions to achieve a scenario where benefits extend beyond the interests of the company and its individual members, to include the interests of the larger community and society of which it is a part.

Unit of Analysis

Three Rwandan ventures offer a different type of subject for study using this new conceptual lens. Aristotelian theory, ethnographic methods, and entrepreneurial analysis fit well together; each are holistically concerned with the dynamic processes by which social settings are created and nurtured toward a common goal. However, we believe this and previous studies have managed to identify more than a suitable unit of analysis. We suggest that in entrepreneurship, *we have identified the optimal process for understanding and introducing an Aristotelian paradigm in contemporary organizations*. MacIntyre hinted at the rich potential of organizational ventures (1985, p. 194, 1994, p. 302) and ended his treatise with a call for "the construction of local forms of community within which civility and the intellectual and moral life can be sustained" (1985, p. 263). Entrepreneurs create communities of purpose, and they possess an unmatched opportunity to shape the values and culture embedded in each venture. No CEO or management team in the subsequent years of that venture will have the same moral authority, and later stages of organizational growth are unlikely to allow any individual(s) to wield so much power to create culture as we see at the founding of the company. Additionally, we now see the powerful impact some modern companies have in shaping the societal culture (often beyond that of church or state; for good or ill), so the impact of the founder is hard to underestimate.

Research Methodology

We now have a number of examples of MacIntyrean empirical inquiry that benefit from this new conceptual lens (Beadle and Könyöt 2006; Moore and Beadle 2006; Beadle and Moore 2011; Weick and Sutcliffe 2003). The Interactive Joint Inquiry Exercise (IJIE) provides a unique approach for enabling MacIntyre's concepts of "internal goods" and "external goods" to be rendered in terms that people without philosophical training can understand while at the same time holds explanatory power for defining the balanced judgment that is operational in a given

organization. This paper builds on these studies and extends the IJIE methodological tool for studying organizational virtue (Crockett 2005) consistent with MacIntyrian concepts.

In draft manuscripts as current as 2012, MacIntyre provides further encouragement for those seeking to determine the presence of organizational virtue: it should be clear even to bystanders without philosophical training if external goods (e.g., profit) are put to the use of the internal goods and excellent products of an organization or vice versa. The IJIE is precisely designed to measure the extent to which an organization prioritizes internal vs. external goods.

Illustrating Cases: Social Ventures in Rwanda

To connect abstract discussion to practical implications, we will apply these concepts to understanding three different organizations. In order to test saliency and applicability of these concepts in a very different setting than Scotland (where the author initially explored them to some effect), or other developed markets (Whetstone 2003; Moore 2012), further in-depth case studies were drawn from the less-developed country of Rwanda. This grounds the utility of virtue concepts in organizational contexts including those found in non-Western markets (Fernando and Moore 2014).

Rwandan culture is very much dependent on thick relationships developed face-to-face. To illustrate: it is not uncommon for principle decision-makers to have five to six meetings in person prior to solidifying a simple contract. Rwanda is also a poor country undergoing rapid development under a new constitution and strictly enforced legal parameters. Despite hopeful developments since the tragic genocide of 1994, trust remains weak, unsophisticated management is common, and it can prove difficult for virtually any organization to earn a considerable profit in this land-locked country with few natural resources. While a stable political environment and a "zero corruption" policy make Rwanda one of the best contexts in which to launch a new venture, it can be a long and difficult effort for even the most experienced leaders to achieve moderate success many years later. This part of the world favors those with the flexibility to adjust plans rapidly as the context requires. Since "control" is more of a wishful notion than reality, it is common to rely heavily on a thick web of close relationships to navigate inevitable tumult and the unpredictable cycles of external influence organizational leaders remain vulnerable to. The systemic acquisitiveness found in more developed countries is less common in Rwanda, instead idealists and new systems are largely animated by an explicit desire to build skills that can simultaneously ensure individual and societal prosperity in the face of a past marked by poverty and broken systems. As this country adopts more Western business practices, however, it seems clear that Rwandan companies are increasingly influenced by more individualistic motives and competitive practices.

Sample Selection

If the claim to the universal applicability of MacIntyre's framework to organizations is correct (Moore and Beadle 2006), then we should be able to apply this framework as much to developing economies as to developed. As the author has been living in Kigali, Rwanda, fascinating yet difficult-to-access organizations have become viable subjects for such an analysis.

Each of the chosen organizations are roughly the same age (less than 8 years old), having been built by Western-trained Americans primarily motivated by a desire to assist in the development effort as related to the unique challenges of this small country. Because they primarily serve the same context, each is subjected to many of the same government bureaucracies, legal contracts, and cultural nuances.

Living and working with these organizations and their representatives for many years has afforded the author a good sense for which organizations would be most interesting to compare using this conceptual lens. Importantly, being present and familiar with these entrepreneurs and organizations has also allowed the author to corroborate the words of the respondents with the observed praxis of the respondents during times of crisis and relatively good fortune. A more detailed treatment of the praxis found in each of these organizations is not possible here, given limited space, but a more comprehensive treatment of this supporting evidence is available upon request.

One Acre Fund

One Acre Fund is generally regarded as succeeding at a scale and with a discipline rarely seen among nongovernmental organizations (NGOs) in Africa. Founded in 2006, this organization has targeted the dominant labor knowledge of the world's poor (farming) and land that they already have access to. With these common ingredients in place, One Acre Fund commits to making each farmer more than twice as productive. One Acre's core service package for farmers includes the delivery of key inputs (seeds, fertilizers) coupled with practical training. Farmers pay for these services (via access to flexible credit) as One Acre feels it is important to avoid giving handouts. Today, One Acre Fund operates in four East African countries, has doubled the income of about 200,000 poor farmers, and those farmers are covering about 80 % of the total operating expenses One Acre Fund requires to support all operations. Philanthropic donations are required to cover the balance of operating expenses, but they are on track to sever all need for donations en route to serving 1.4 million farmers by 2020.

The following represents a summary of many different interviews with Eric Pohlman, Founder and Country Director of Rwanda operations for One Acre Fund, and corroborated (to a lesser extent) by other managers working at One Acre Fund in Rwanda (Fig. 1).
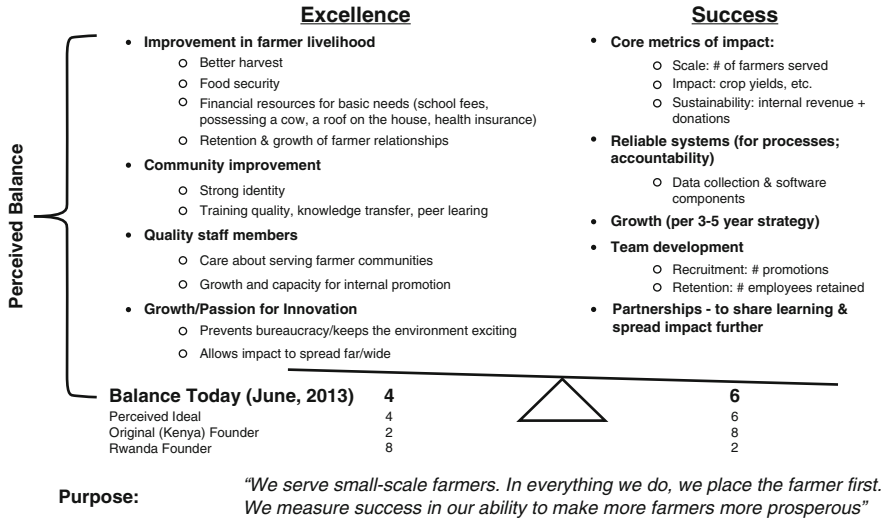
Fig. 1 One Acre Fund IJIE Summary Findings

Understanding the Interactive Joint Inquiry Exercise Results

It was suggested earlier that the power of the virtue framework is not adequately captured by any particular list of virtues. Instead, the power of virtue is embodied in the conceptual meaning offered by the interdependent components of the virtue framework. The Interactive Joint Inquiry Exercise (IJIE) depicted above is a simple instrument designed to highlight and understand the dynamic working of these concepts in a particular organization. Importantly, the exercise departs from the technical jargon and complex philosophy of MacIntyre and seeks to allow the members of the organization to put ancient Aristotelian concepts in terms that hold meaning in conventional terms for a localized social context. The most appropriate use of this instrument has been described elsewhere (Crockett 2005; Moore 2012), and calls for particular questions to be asked in the following sequence:

1. How does your organization measure "success"?
2. What does "excellence" look like in your organization?
3. Considering each side of this seesaw as a whole, which is given the greatest relative priority in your organization (dividing a maximum of 10 points)?
4. Considering each of the two sides of this seesaw, does one come first?

That depicted above features the words and meaning collected using this interactive instrument in an interview with a key leader of One Acre Fund.

Correlation and Causation

It is always helpful to ask the respondent if they see any correlation or sequential order between the two sides of the seesaw. In response to this prompt, Eric described the causality which he saw clearly: *"I always think about it in this progression: 1) Why -> 2) How -> 3) What. You have to start with "Why/How" (your values, etc.) but you quickly have to get to the "What" or you're not going to find any funding (investment capital or donations). Your company might be able to get away with doing this (success) and not doing that (excellence)... but your company might suck and I wouldn't want to work for it. You'd just be mediocre."* In this response, Eric hints at some of his own personal values and beliefs while highlighting some of the differences we may find between the pressures felt at a nonprofit versus that of a business.

For all intents and purposes, Eric is one of two "founders" or primary leaders at One Acre Fund. Interestingly, it seems the original founder, Andrew Youn, places a more concerted focus on the "success" factors of the organization. To balance Andrew's natural bent and focus, Eric focuses on the "excellence" side of the scale, as if there is an intrinsic hope that the organizational ethos will find a suitable equilibrium as a blend of these two leaders. Additionally, it seems different countries may call for a different emphasis along such scales. The following quote from Eric says it well:

> As a leader, and on the Rwanda program, I place much more emphasis here (excellence)...
> but I don't necessarily feel that is healthy for the organization. This is a semi-crazy personal
> philosophy, but at the end of the day, on a 20 yr. timeframe, all that really matters (to me) is
> the relationship with the farmer.... That's really all there is... and I don't know how you
> can really build a company along those lines and survive.... But, that's really more of a
> (personal) life philosophy. For us (One Acre Fund), Andrew is the "numbers guy" and I'm
> the "people guy". I think that gets at (part of the value) I bring to the organization.

Heaven Restaurant

Alissa Ruxin left New York to move to Rwanda when her husband took a development job there (working to establish Jeffrey Sach's Millennium Village initiative in that country). By 2008, Alissa began to establish one of Rwanda's finest restaurant businesses, hiring and training orphans and other disadvantaged Rwandans to fulfill roles in the growing hospitality sector. Heaven describes itself as a social enterprise built by Rwandan craftspeople, featuring Rwandan food and handicrafts, and responsible for the training of hundreds of people since it was founded.

The above figure represents a summary of interview responses obtained from Heaven co-owners, Alissa and Josh Ruxin (Fig. 2).
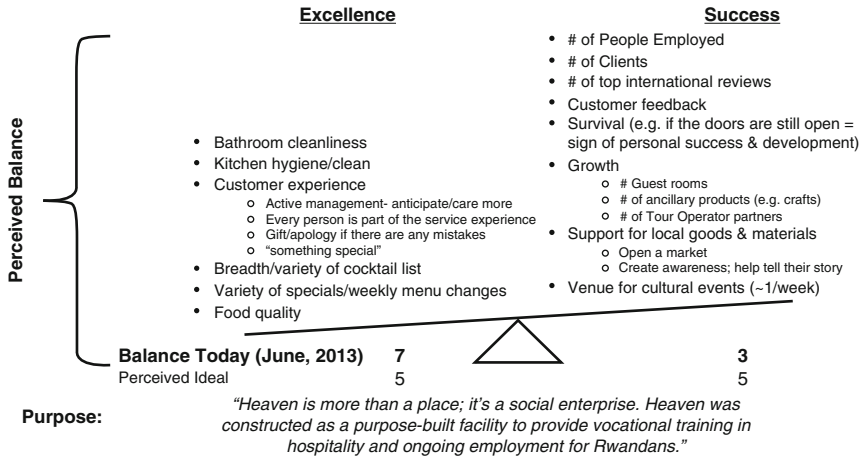
Fig. 2 Heaven Restaurant IJIE Summary FIndings

Correlation and Causation

Once again, it is helpful to see if the respondent can identify any correlation or sequence between the two sides in the balance depicted above. In response to this prompt, Alissa and Josh described the causality they agreed on: *"Excellence typically comes first. To survive, it must be more like 50/50... If we go too far this way (success) too fast then we'd just be... Applebees* (i.e., a common, not very special, US-based chain of restaurants). *For now, we really need to focus here (excellence) for now/the near future."*

Ballet Rwanda

At 21 years of age, Caroline Joan Peixoto moved from New Jersey to Rwanda to fulfill a dream: to start the first classical ballet studio in that country. She had a burning desire to bring something of her love of ballet to inspire creative expression in a part of the world where that form of creativity was not yet known. Today, she has succeeded in establishing a ballet studio business, training more than 120 girls in an art form virtually unknown previously in the country. Eight sold-out performances have been staged in 5 years, creating highly anticipated events in Kigali's social scene. Ballet Rwanda began as a ballet school, but in 2012, it expanded into City Arts into City Arts, a community arts center. Classes are offered by various teachers in creative subject areas: dance (ballet, hip-hop, capoeira), fitness (yoga, zumba, meditation), art (painting, ceramics), photography, writing, and film. Caroline's expanded goal is to establish a creative hub for citizens of Kigali where one can learn, teach, or share.
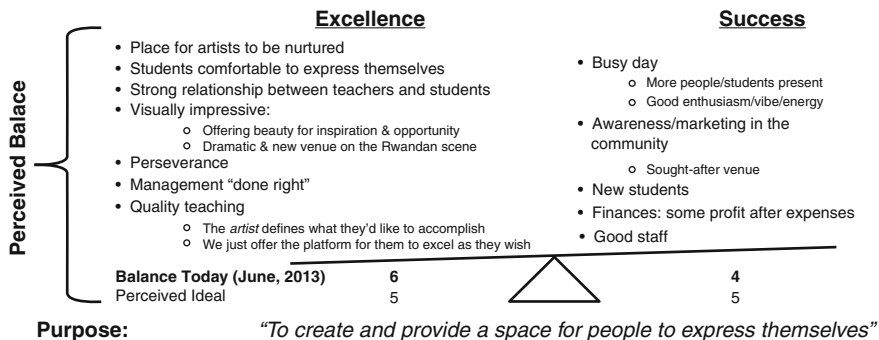
Fig. 3 Ballet Rwanda IJIE Summary Findings

The figure above represents a summary from many different interviews with Caroline Joan Peixoto (Fig. 3).

Correlation and Causation

In response to this prompt, Caroline described the causality which she saw:

> (Re: finances/success) that's not what makes ME feel successful. It takes some stress off my brain (i.e., that we can pay our bills)... but the goal of City Arts has never been to make money, and it's still not. Obviously, the more clients we get in the door, the more able we are to pay the rent. But the goal is to provide creative space for the community... and I feel successful in that... I do. Obviously, the (success/money) comes into play, but that's not the goal... We just need a few bucks in the bank so that we're covered for next month: that's success. I have a few bucks in the bank, and we're not sinking, we're surviving, and in Rwanda, in this type of thing, that's amazing!.

In this response, Caroline suggests that the "success" factors come first, but only in the sense that they earn her organization the opportunity to pursue "excellence." Although registered as a business, it is clearly "excellence" (not success in conventional business terms) that Caroline is most motivated to deliver.

Conclusion

This brief analysis of three different organizations yields some interesting suggestions for future researchers seeking to ground the theory of virtue:

• It seems the Interactive Joint Inquiry Exercise for identifying organizational virtue works in a variety of environments, including that presented by a poor African country.

- Nonprofit and business organizations alike struggle with some of the same conceptual challenges.
- It is unlikely that any one entrepreneur will be equally predisposed, adept, and interested in pursuing excellence (internal goods) as well as success (external goods), thus, finding a complementary cofounder may be a suitable way to make balanced judgments.
- The actual list of internal and external goods relevant to each organization varies, but there are similarities (especially as relates measures of "success").
- While it remains a novel way to discuss their own organizational culture, founding leaders are more likely to indicate that "excellence" comes before "success" (instead of vice versa) and every respondent to date (60+) has seen the two concepts as strongly correlated to each other.

Future initiatives should begin to formulate a framework that entrepreneurial practitioners could use as a tool for conceptually applying virtue at the foundation of any new nonprofit or business venture.

References

Beadle R, Könyöt D (2006) The man in the red coat – management in the circus. Cult Organ 12(2): 127–137

Beadle R, Moore G (2006) MacIntyre on virtue and organization. Organ Stud 27(3):323–340

Beadle R, Moore G (2011) MacIntyre: neo-Aristotelianism and organization theory. Res Sociol Organ 32:85–121

Cameron K, Bright D, Caza A (2004) Exploring the relationships between organizational virtuousness and performance. Am Behav Sci 47(6):1–24

Carland JW, Hoy F, Carland JAC (1988) "Who is an entrepreneur?" Is a question worth asking. Am J Small Bus 12(4):33–39

Coe S, Beadle R (2008) Could we know a practice-embodying institution if we saw one? Philos Manag 7(1):9–19

Collins JC, Porras JI (2000) Built to last: successful habits of visionary companies. Random House, New York

Covey SR (1992) The seven habits of highly effective people: restoring the character ethic. Simon & Schuster, London

Crisp R, Slote M (2003) Virtue ethics. Oxford University Press, New York

Crittenden P (1990) Learning to be moral: philosophical thoughts about moral development. Humanities Press International, London

Crockett S (2005) The cultural paradigm of virtue. J Bus Ethics 62(2):191–208

Crockett C (2005) Grounding the theory of virtue. Unpublished PhD thesis, The Robert Gordon University, Aberdeen.

Crockett C (2008) MacIntyre: from transliteration to translation. Philos Manag 7(1):45–66

Crockett C, Anderson A (2008) A grounded theory of virtue: from purpose to praxis. Working paper

Denzin NK (1970) Strategies of multiple triangulation. Aldine, Chicago

Detert J, Schroeder RG, Mauriel JJ (2000) A framework for linking culture and improvement initiatives in organizations. Acad Manag Rev 25(4):850–863

Dobson J (1997) MacIntyre's position on business: a response to wicks. Bus Ethics Q 7(4):125–132

Drucker PF (2001) The essential drucker. Butterworth-Heinemann, Oxford

Dyck B, Kleysen R (2001) Aristotle's virtues and management thought: an empirical exploration of an integrative pedagogy. Bus Ethics Q 11(4):561–574

Eisenhardt KM (1989) Building theories from case study research. Acad Manag Rev 14(4): 532–550

Eisenhardt KM, Sull DN (2001) Strategy as simple rules. Harv Bus Rev 79(1):106–117

Etzioni A (1988) The moral dimension: toward a new economics. The Free Press, New York

Fernandes MF, Randall DM (1992) The nature of social desirability response effects in ethics research. Bus Ethics Q 2(2):183–205

Fernando M, Moore G (2014) MacIntyrean virtue ethics in business: a cross-cultural comparison. J Bus Ethics 1–18. Online First

Fukuyama F (1995) Trust: the social virtues and the creation of prosperity. Hamish Hamilton, London

Gersick CJG (1988) Time and transition in work teams: toward a new model of group development. Acad Manag J 31(1):9–41

Glauser BC, Strauss AL (1967) The discovery of grounded theory. Aldine, New York

Handy C (2002) What's a business for? Harv Bus Rev 80(12):49–55

Hartman EM (1998) The role of character in business ethics. Bus Ethics Q 8(3):547–559

Jackall R (1989) Moral mazes: the world of corporate managers. Oxford University Press, London

Jick TD (1983) Mixing qualitative and quantitative methods: triangulation in action. Adm Sci Q 24(4):602–612

Johnson G (1992) Managing strategic change- strategy, culture and action. Long Range Plan 25(1):28–36

Kohlberg L (1976) Moral stages and moralization: the cognitive development approach. In: Lickona T (ed) Moral development and behavior: theory, research and social issues. Holt, Rinehart and Winston, New York, pp 84–107

Van Maanen J (1988) Tales of the field: on writing ethnography. University of Chicago, Chicago

Machan TR (1999) Entrepreneurship and ethics. Int J Soc Econ 26(5):596–609

MacIntyre A (1985) After virtue: a study in moral theory, 2nd edn. Duckworth, London

MacIntyre A (1994) A partial response to my critics. In: Horton J, Mendus S (eds) After MacIntyre: critical perspectives on the work of Alasdair MacIntyre. University of Notre Dame, Notre Dame, pp 283–304

Maitland I (1997) Virtuous markets: the market as a school of the virtues. Bus Ethics Q 7(1):17–31

Mangham IL (1995) MacIntyre and the manager. Organ Symp 2(2):181–204

Manville B, Ober J (2003) Beyond empowerment: building a company of citizens. Harv Bus Rev 81(1):48–51

Moore G (2002) On the implications of the practice-institution distinction: MacIntyre and the application of modern virtue ethics to business. Bus Ethics Q 12(1):19–32

Moore G (2005a) Humanizing business: a modern virtue ethics approach. Bus Ethics Q 15(2):237–255

Moore G (2005b) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Moore G (2008) Re-imagining the morality of management: a modern virtue ethics approach. Bus Ethics Q 18(4):483–511

Moore G (2009) Virtue ethics and business organizations. In: Smith J (ed) Normative theory and business ethics. Rowman and Littlefield, Lanham, pp 35–59

Moore G (2012) Virtue in business: alliance boots and an empirical exploration of MacIntyre's conceptual framework. Organ Stud 33(3):363–387

Moore G, Beadle R (2006) In search of organizational virtue in business: agents, goods, practices, institutions and environments. Organ Stud 27/3:369–389

Morris T (1997) If Aristotle Ran General Motors: the new soul of business. Henry Holt & Company, New York

Mort GS, Weerawardena J, Carnegie K (2003) Social entrepreneurship: towards conceptualization. Int J Nonprofit Volunt Sect Mark 8(1):76–88

Murphy PE (1999) Character and virtue ethics in international marketing: an agenda for managers, researchers and educators. J Bus Ethics 18(1):107–125

Nussbaum MC (1999) Virtue ethics: a misleading category? J Ethics 3(3):163–201

Pellegrino ED (2002) Professionalism, profession and the virtues of the good physician. Mount Sinai J Med 69(6):378–384

Peters T, Waterman RH (2004) Search of excellence. Profile Business, London

Pettigrew AM (1990) Longitudinal field research on change: theory and practice. Organ Sci 1(3):267–292

Randall D, Fernandes M (1991) The social desirability response bias in ethics research. J Bus Ethics 10(11):805–817

Rosen M (1991) Coming to terms with the field: understanding and doing organizational ethnography. J Manag Stud 11(2):31–48

Rousseau DM, House RJ (1994) Meso organizational behavior: avoiding three fundamental biases. In: Cooper CL, Rousseau DM (eds) Trends in organizational behavior. Wiley, West Sussex, pp 13–30

Santos FM, Eisenhardt KM (2004) Constructing markets and organizing boundaries: entrepreneurial action in nascent fields. In: Academy of management proceedings, J1-J7

Schein EH (1984) Coming to a new awareness of organizational culture. Sloan Manag Rev 25(2):3–16

Schein EH (1992) Organizational culture and leadership. Jossey-Bass, San Francisco

Seeger MW, Ulmer RR (2001) Virtuous responses to organizational crises: Aaron Feuerstein and Milt Cole. J Bus Ethics 31(4):369–376

Shanahan KJ, Hyman MR (2003) The development of a virtue ethics scale. J Bus Ethics 42:197–208

Siehl C (1985) After the founder: an opportunity to manage culture. In: Frost PJ, Moore LF, Louis MR, Lundberg CC, Martin J (eds) Organizational culture. Sage, London, pp 125–140

Solomon RC (1993) Ethics and excellence: cooperation and integrity in business. Oxford University Press, New York

Solomon RC (1999) A better way to think about business. Oxford University Press, Oxford

Solomon RC (2003) Victims of circumstances? A defense of virtue ethics in business. Bus Ethics Q 13(1):43–62

Solomon RC (2004) Aristotle, ethics and business organizations. Organ Stud 25(6):1021–1043

Soule E (2002) Managerial moral strategi management review 27(1):114–124

Stark A (1993) What's the matter with business ethics? Harvard business review 71(3):38–48

Sternberg E (1996) A teleological approach to business ethics. Praxiology: Int Annu Pract Philos 5:51–65

Sternberg E (2000) Just business: business ethics in action, 2nd edn. Oxford University Press, Oxford

Stewart A (1991) A prospectus on the anthropology of entrepreneurship. Entrep Theory Pract 16(2):71–92

Tsoukas H, Cummings S (1997) Marginalization and recovery: the emergence of Aristotelian themes in organization studies. Organ Stud 18(4):655–683

Uzzi B (1997) Social structure and competition in interfirm networks: the paradox of embeddedness. Adm Sci Q 42(1):35–67

Vardi Y, Weitz E (2004) Misbehavior in organizations: theory, research and management. Erlbaum, London

Warren RC (1996) Business as a community of purpose. Bus Ethics Eur Rev 5(3):82–96

Weick K, Sutcliffe K (2003) Hospitals as cultures of entrapment: a re-analysis of the Bristol Royal Victoria Infirmary. Calif Manag Rev 45(2):73–85

Whetstone JT (1995) The manager as a moral person: exploring paths to excellence. Unpublished DPhil thesis, Templeton College, Oxford University, Oxford

Whetstone JT (2003) The language of managerial excellence: virtues as understood and applied. J Bus Ethics 44(4):343–357

Wilkins AL (1983) The culture audit: a tool for understanding organizations. Organ Dyn 12(2):24–39

Yin RK (2003) Case study research: design and methods, 2nd edn. Sage, London

Part III

Adam Smith

Recovering Adam Smith's Virtue Ethics for Commercial Society

Thomas R. Wells and Johan Graafland

Contents

Abstract

Introduction to the section on Adam Smith's virtue ethics.

Keywords

Adam Smith • Virtue ethics

Introduction

Adam Smith is justly famous as a founding father of economics. Yet the fame achieved by his analysis of economic behavior in *The Wealth of Nations* has eclipsed his other achievements, especially the sophisticated and original virtue ethical account of moral behavior of his other book, *The Theory of Moral Sentiments*, which he continued to revise and develop right up until his death. This is

T.R. Wells (✉)
Institute for Philosophy, Leiden University, Leiden, The Netherlands
e-mail: t.r.wells@dunelm.org.uk

J. Graafland
Department of Economics and Department of Philosophy, Tilburg University, Tilburg, The Netherlands
e-mail: j.j.graafland@uvt.nl

particularly notable in the very academic disciplines – business and economics – that lay claim to Smith's legacy. Smith's ethics are routinely portrayed in textbooks, and even academic articles in leading journals, as promoting a narrowly self-interested egoism, that, thanks to the invisible hand of the market, turns out to maximize social welfare. This view of Smith is also widely held in business ethics (Hühn and Dierksmeier 2014). That is unfortunate. Smith was both a great defender and critic of commercial society, and many of his ideas and arguments remain relevant to contemporary debates in business ethics, especially beyond the specific domain of corporate social responsibility.

The present caricature of Smith's ethics has much to do with the Whiggish portrayal of his economics by academic economists, in which *The Wealth of Nations* is considered only from a specific historical perspective, as a progenitor of later neoclassical theory. This reconstruction of Smith's economics then becomes the source for interpreting his ethics, via selected short quotations extolling the self-interest of butchers and the invisible hand of the market. The book Smith wrote about ethics is absent from this process.

The articles offered here follow a different methodology, back to the real Adam Smith. All are by experts in the history of ideas, each focusing on a different aspect of Smith's moral philosophy and its contemporary relevance. The reasoning behind this is not that Smith is of merely historical interest but that his ideas are too important to rely on the Whiggish narrative that has developed around him. In the past 30 years, various moral philosophers, from Stephen Darwall to Amartya Sen to Patricia Werhane, have made major contributions to contemporary problems in philosophy and the world by seeking out and engaging with the real Adam Smith. We hope that more business ethicists in particular will see Smith's ethics as a resource rather than as a problem to be overcome.

The virtue ethics of the real Adam Smith

Smith's moral philosophy is complicated and departs in various ways from the main virtue ethics tradition, of which he was arguably the last major exponent until its present-day revival (McCloskey 2008). The article by Ryan Hanley picks up on the unorthodoxy of Smith's virtue ethics, which has sometimes been interpreted as mere virtue *theory*, in the service of a utilitarian or deontological ethics. Hanley argues that Adam Smith is a real virtue ethicist because of the centrality of flourishing, the nature of real happiness, to his investigations and because of his continuity in goals and methods with the classical virtue ethicists.

The article by Jerry Evensky discusses the centrality of individual virtue, over and above the invisible hand, to Smith's vision of a successful, sustainable commercial society. Evensky analyzes the three key virtues of Smith's system – self-love, benevolence, and justice – which should all operate together and in harmony within each individual. He traces their historical evolution and relation to social, political, and economic institutions but also their ideal character which allows us to recognize and seek after them. In this light, capitalism becomes an ethical project, a

series of dramatic social, political, and economic changes that demands the revision of a society's understanding of the virtues and their proper balance and the reform of institutions to nurture them.

Jack Weinstein's article complements Evensky's by taking an agent-focused approach to the question of how to live well in the face of the peculiar challenges and opportunities of commercial society. Smith's answer to this includes placing the proper emphasis on the pursuit of wealth in relation to the goods we need to flourish, such as material necessities, social relationships, and tranquility. Commercial society allows and even encourages a race for wealth, a positional property, but it doesn't prevent individuals, even among the working poor, from accessing these other good things of life.

One reason Smith's moral philosophy fell into obscurity even among philosophers is that his defense of a virtue ethics adapted to the conditions of modern – commercial – society in the sentimentalist tradition of the Scottish enlightenment coincided with the appearance of the rationalist enlightenment moral theories that have come to dominate moral philosophy – the deontological approach of Kant and the utilitarianism of Bentham. Another reason is that Smith refused to choose between empirical psychological questions and normative ones, as orthodox moral philosophy demands, because he thought a theory of moral behavior should be founded on an accurate understanding of how and why people make moral decisions. In the final article, Craig Smith outlines what made Adam Smith's account distinct from his predecessors' and contemporaries'. Adam Smith himself argued that his approach was truer to moral experience: moral life is pluralist and thus necessarily complex. That complexity is not addressed but merely evaded by rule-based moral systems that attempt to reduce all our concerns to some single decisive principle, such as self-interest, or social utility, or the rational consistency of our motives. Instead it requires judgment, developed by experience and imaginative reflection via the device of the *impartial spectator*.

Conclusion

As these articles demonstrate, Adam Smith has much to contribute both to our understanding of virtue ethics and to our understanding of the ethical problems of commercial society.

Cross-References

▶ Adam Smith on the Greatest Wealth of Nations: How Progress Depends on Virtuous Citizenship
▶ Adam Smith: Moral Judgment Versus Moral Theory
▶ Adam Smith's Advice on Living Well in a Commercial Society
▶ Is Smith a Real Virtue Ethicist?

References

Hühn MP, Dierksmeier C (2014) Will the real A. Smith please stand up! J Bus Ethics 1–14. doi:10.1007/s10551-014-2506-z

McCloskey D (2008) Adam Smith, the last of the former virtue ethicists. Hist Polit Econ 40(1):43–71

Is Smith a Real Virtue Ethicist?

Ryan Patrick Hanley

Contents

Abstract

This chapter argues that Adam Smith is in fact a "real" virtue ethicist on the grounds that his moral theory (i) regards virtue as central; (ii) values virtue for its capacity to promote happiness; and (iii) believes that genuine happiness requires the cultivation of intellectual virtues including practical and theoretical wisdom. If correct, this matters for two reasons. First, it helps us better see the degree to which Smith's system is founded on a commitment to the realization of genuine flourishing for both individuals and for communities, and thereby helps to dispel the all-too-persistent popular view that Smith ought to be regarded principally as a champion of simple utility maximization. Second, Smith offers us not only a real virtue ethics, but one that is particularly useful for us today. As others have noted, the conditions of modern commercial society today are much different from those of the aristocratic *polis* that formed the context in which and for which Aristotle developed his virtue ethics. If so, it may well be that Smith offers a virtue ethics better suited to our world than those of Aristotle and other ancient theorists.

R.P. Hanley (✉)
Department of Political Science, Marquette University, Milwaukee, WI, USA
e-mail: ryan.hanley@marquette.edu

Introduction

Over the past several decades, virtue ethics has emerged as an alternative to two dominant approaches within moral philosophy: utilitarianism and deontology. Its distinctive contribution concerns its conception of the good. Where utilitarians are said to conceive the good as that which promotes the greatest happiness of the greatest number, and deontologists are often described as conceiving the good as that which conforms to a universally valid ethical rule, virtue ethicists have long been seen as defining the good from the perspective of what a good person would do. In so doing, virtue ethics is often described as a character-based ethics rather than an action-based ethics (for more detailed overviews of virtue ethics, see, e.g., Trianosky 1990; Crisp 1996; Annas 2006).

Virtue ethics owes its modern revival to a group of twentieth-century moral philosophers including G.E.M. Anscombe, Phillipa Foot, and Alasdair MacIntyre. But its origins tend to be traced to classical antiquity and to Aristotle and the Stoics in particular, with Aristotle still tending to be regarded as the paradigmatic exemplar of a character-based approach to ethics. Yet in recent years the virtue ethics canon has significantly expanded, and now it has become increasingly common to regard several other figures – including Confucius and the Confucian tradition, Hume, and Nietzsche – with a virtue ethical approach (see, e.g., the essays collected in Russell (2013c)). But most important for our present purposes has been the recent addition of Adam Smith's name to this group.

Adam Smith's fame as a founding father of modern economics long eclipsed his renown as a moral philosopher. But the last several decades have seen a steady rise in popular and scholarly interest in his ethics. In particular, this has prompted an upsurge of interest in his first book, *The Theory of Moral Sentiments* (1759). In the early stages of renewed interest in *The Theory of Moral Sentiments*, Smith's work tended to be read as a contribution to either utilitarian or deontological approaches to ethics. Yet this is no longer the rule. The import of Smith's virtue theory within his larger project has been emphasized in several recent studies (e.g., Griswold 1999; Montes 2004; Hanley 2013), and one consequence of this is that while the view of Smith as defending "an act-centered juridical approach to morality" that strives for "clear-cut directives for moral conduct" has not entirely disappeared (Frede 2013, p. 140, cf. Schneewind 1990), it has, among specialists, largely given way to an explicit association of Smith with virtue ethics (e.g., Hanley 2006; McCloskey 2008; Hanley 2009), to the degree that one now finds references in specialist literature to "Adam Smith's own virtue ethics" (Wells and Graafland 2012, p. 320).

All of this would seem to suggest that the question of whether Smith is in fact a virtue ethicist has been settled. Why then raise the question of whether Smith is a "real" virtue ethicist? What is at stake in this question? As it happens, quite a bit. In the first place, the question of what exactly constitutes a "real" virtue ethicist, Smith aside, remains up for debate; in this vein, the introduction to a recent essay on "The Definition of Virtue Ethics" by a leading scholar of the subject begins by noting that "attempts to distill the essence of virtue ethics in a simple or clear formula raise

more questions than they answer," with the consequence that "the task of offering a definition is difficult, complex, and highly controversial" (Swanton 2013, p. 315).

Before we can say whether Adam Smith is a real virtue ethicist, we thus need to establish a provisional working definition that will enable us to distinguish "real" virtue ethics from imposters. To this end, we might employ a distinction recently drawn by Rosalind Hursthouse, who explicitly distinguishes between "virtue theory" and "virtue ethics" (Hursthouse 2012). The former, she explains, refers to theories of virtue deployed by utilitarians and deontologists. Virtue ethics, however, employs a theory of virtue in a quite specific and unique way, focusing on the relationship of virtue to the happiness and flourishing of its possessor (see also Schneewind 1990). In this vein, it has been sometimes said that it is not virtue itself, but rather the concept of flourishing, that is the fundamental category and distinctive feature of a virtue ethics (Johnson 2008). In addition, virtue ethicists also tend to emphasize the indispensability of practical wisdom to living well. Altogether then, "true" virtue ethics might be said to be built upon three central concepts: virtue (*arête*), practical wisdom (*phronesis*), and happiness (*eudaimonia*) (Hursthouse 2012) – a definition nicely summarized by Russell, who emphasizes the widespread acceptance among virtue ethicists of an approach in which "the virtues are those character traits that are essential to living a fulfilling human life, a life in which one both cares about the right things and has the wisdom and skill to act intelligently about those things" (Russell 2013a, p. 3).

In what follows I argue that Adam Smith is in fact a "real" virtue ethicist on the grounds that his moral theory (i) regards virtue as central; (ii) values virtue for its capacity to promote happiness; and (iii) believes that genuine happiness requires the cultivation of intellectual virtues including practical and theoretical wisdom. If this is right, it matters for two reasons. First, it helps us better see the degree to which Smith's system is founded on a commitment to the realization of genuine flourishing for both individuals and for communities, and thereby helps to dispel the all-too-persistent popular view that Smith ought to be regarded principally as a champion of simple utility maximization. Second, Smith offers us not only a real virtue ethics, but one that is particularly useful for us today. As others have noted, the conditions of modern commercial society today are much different from those of the aristocratic *polis* that formed the context in which and for which Aristotle developed his virtue ethics (Wells and Graafland 2012, p. 321). If so, it may well be that Smith offers a virtue ethics better suited to our world than those of Aristotle and other ancient theorists.

Smith, Virtue and Virtue Ethics

We begin with Smith's concept of virtue. Few today would doubt that Smith has a theory of virtue and that this theory of virtue is central to his larger project. At the same time, what is particularly interesting for present purposes in this theory of virtue is the way in which Smith presents it. For not only does Smith present virtue as central to his project, he does so in a manner that explicitly aligns with a virtue

ethical approach. Take, for example, the summary review of his project presented in the concluding part of the *Theory of Moral Sentiments*. Here Smith quite explicitly suggests that the principal question in ethics is "wherein does virtue consist?" or, as he glosses it, "what is the tone of temper, and tenour of conduct, which constitutes the excellent and praise-worthy character?" (TMS 7.1.2). Smith's formulation of this question is significant insofar as it lays out not only *what* the fundamental question of ethics is, but also *how* he thinks it should be examined. On the former front Smith clearly thinks "the question concerning the nature of virtue" is the primary question of ethics (TMS 7.2.intro.3). On the latter front he suggests that the best way to study the nature of virtue is through portraits of what he calls "the character of virtue" – itself the title and subject of a new section that Smith added to his important sixth edition revisions of the *Theory of Moral Sentiments* (see Hanley 2009) – including portraits of "the prudent man" (TMS 6.1.7), "the magnanimous man" (TMS 6.3.44), and "the wise and virtuous man" (TMS 6.3.23–25). Each of these is of intrinsic interest and deserves more careful study than can be provided here. But what is essential for our purposes is to note that both in insisting that the nature of virtue is the principal question in ethics, and insisting that the nature of virtue is best studied via sketches of virtuous characters, Smith attests to the degree to which he accepts and builds on the framework established by classical eudaimonistic virtue ethics.

The regard in which Smith holds virtue itself further attests to his acceptance of this classical framework. In the course of distinguishing virtue from propriety in the first part of the *Theory of Moral Sentiments*, he insists that "virtue is excellence, something uncommonly great and beautiful, which rises far above what is vulgar and ordinary" (TMS 1.1.5.6; see also TMS 7.2.1.50). This is striking for two reasons. First, Smith clearly understands virtue as something other than merely a tool for the pursuit or attainment of further external goods – prudence for wealth, courage for honor, etc. Smith instead regards virtue as noble and beautiful unto itself, again in a manner familiar to students of classical virtue ethics. This leads to a second point. For while Smith was very clearly committed to crafting an ethics for the citizens of a modern commercial society, his ethics was crafted in light of a deep appreciation of the ancient focus on moral nobility, a focus he sought to preserve even as he sought to develop an ethics for our world rather than for Aristotle's.

That Smith is centrally concerned with virtue seems clear. But why, we might wonder, is he so concerned with virtue? Put differently, what exactly did he think virtue was good for? As we saw above, Smith is not prone to defend virtue as instrumentally valuable in the pursuit of external goods. In sharp contrast, in his capacity as an ethicist if not as an economist, Smith tends to denigrate rather than celebrate such pursuits; hence his claim that when seen rightly, power and wealth will appear to be what they in fact are: "enormous and operose machines contrived to produce a few trifling conveniences to the body" yet leave us always vulnerable "to anxiety, to fear, and to sorrow; to diseases, to danger, and to death" (TMS 4.1.8). In Smith's view then, virtue is valuable not for its instrumental role in promoting the acquisition of external goods whose value is in any case dubious, but in its capacity to promote a more comprehensive well-being or flourishing.

One of the most striking elements of the *Theory of Moral Sentiments* is in fact its focus on this more comprehensive flourishing and especially its focus on the way in which the achievement of happiness depends on the acquisition of certain virtues and the avoidance of certain vices. Smith often develops his arguments on this front in the form of comparative character studies; in this vein he contrasts the virtues of the "private man" with the vices of the public "man of spirit and ambition" (TMS 1.3.2.5), the "two different roads" of living exemplified by the lives of "the rich and the great" on the one hand and "the wise and virtuous" on the other (TMS 1.3.3.2), and the relative happiness of "the poor man's son whom heaven in its anger has visited with ambition" (TMS 4.1.8) and "the beggar who suns himself by the side of the highway" (TMS 4.1.10). Each of these demands study from within the context of Smith's economics, as each comparison touches on themes central to his vision of commercial society and its implications for human well-being (e.g., Griswold 1999; Rasmussen 2008). But for our present purposes, what most matters is that Smith's evaluations of these and other types of lives are consistently developed as ways of puzzling out "what constitutes the real happiness of human life" (TMS 4.1.10). This focus on "real happiness" (TMS 3.3.30–31) and on using character studies as a way to clarify it signals the degree to which Smith's concerns go well beyond those that are conventionally associated with deontology and consequentialism, and thus give further reason for us to align him with a genuine virtue ethics.

Having seen (i) that Smith had a theory of virtue; and (ii) that Smith believed that virtue was chiefly valuable insofar as it promotes human flourishing, it remains to say a brief word about the role of theoretical and practical wisdom – and indeed intellectual virtue more generally – in his account. Scholars have long appreciated that one of the most valuable and significant features of his ethics is its theory of judgment (see, e.g., Fleischacker 1999; Valihora 2001; Carrasco 2004). But Smith's interest in intellectual virtue hardly ends here, as has been noted (e.g., Schliesser 2005; Hanley 2013). For now what is of most significance is that Smith's concern with intellectual virtue is tied to his larger theory of happiness. This connection can be seen in several places but perhaps especially in his reference to "the happiness of a good mind" (TMS 1.3.2.7). Speaking broadly, here and elsewhere Smith suggests that happiness and virtuous cognition are to some degree intertwined – a position that aligns with recent efforts to uncover Smith's sophisticated account of the ways in which affect or sentiment and cognition interact (see, e.g., Frazer 2010), and also provides a context for Smith's unexpected though hardly unqualified insistence that "virtue may very properly be said to consist in conformity to reason" (TMS 7.3.2.6).

One reason why this claim is significant is that it suggests the degree to which certain of Smith's concerns with the relationship of cognition to happiness dovetail with similar concerns of contemporary virtue ethicists. One of the most important and interesting developments within recent virtue ethics has been not only the increased focus on practical wisdom but also increased emphasis on the ways in which a focus on practical wisdom might bolster the credentials of virtue ethics to speak to questions of action as opposed merely to questions of character. Take for example Daniel C. Russell's recent claim that "eudaimonistic virtue ethics does of course concern itself with what is right and what one ought to do, but here the focus

is on how to deliberate well about such questions, for which rules are generally insufficient. . .Virtue ethics offers us action guidance less by giving us rules to follow than by telling us how to become people who can do what rules never can" (Russell 2013b, p. 14). It is a claim that would have resonated deeply with Smith, who quite consciously distances himself from rule following, and insists rather that the proper aim of ethics is to "present us rather with a general idea of the perfection we ought to aim at, than afford us any certain and infallible directions for acquiring it" (TMS 7.4.1). Indeed aside from the curious case of justice, Smith thinks that on the whole such attempts to define rules for ethical action would be "the most absurd and ridiculous pedantry" (TMS 3.6.9, cf. TMS 6.2.1.22). Acting well instead requires cultivated habits of ethical virtue as well as a developed cognitive capacity to know how to operationalize such virtues in specific instances, and it is in Smith's efforts to provide guidance on each front that his principal relevance for contemporary virtue ethics perhaps lies.

Conclusion

In sum, insofar as Smith's moral theory is founded on a strong commitment not only to virtue but also to happiness and to practical wisdom, it can lay claim to deserving to be regarded as a "true" virtue ethics. Indeed, there may even be reason to regard Smith as a truer virtue ethicist than such of his contemporaries as Hume and Kant (whose credentials as a virtue ethicist have themselves been the subject of much recent debate; see, e.g., Johnson 2008, cf. Dierksmeier 2013). But however this may be, it seems at least safe to conclude that Smith saw himself as less aligned with the principal concerns of either consequentialists or deontologists than with those ancient eudaimonists who, as he himself says, "very justly represented virtue; that is, wise, just, firm, and temperate conduct; not only as the most probable, but as the certain and infallible road to happiness even in this life" (TMS 7.2.1.28).

References

Annas J (2006) Virtue ethics. In: Copp D (ed) The oxford handbook of ethical theory. Oxford University Press, Oxford

Carrasco M (2004) Adam smith's reconstruction of practical reason. Rev Metaphys 58:81–116

Crisp R (1996) Modern moral philosophy and the virtues. In: Crisp R (ed) How should one live? Oxford University Press, Oxford

Dierksmeier C (2013) Kant on virtue. J Bus Ethics 113:597–609

Fleischacker S (1999) A third concept of liberty: judgment and freedom in Kant and Adam Smith. Princeton University Press, Princeton

Frazer M (2010) The enlightenment of sympathy. Oxford University Press, Oxford

Frede D (2013) The historic decline of virtue ethics. In: Russell D (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge

Griswold C (1999) Adam Smith and the virtues of enlightenment. Cambridge University Press, Cambridge

Hanley R (2006) Adam Smith, Aristotle, and virtue ethics. In: Schliesser E, Montes L (eds) New voices on Adam Smith. Routledge, London

Hanley R (2009) Adam Smith and the character of virtue. Cambridge University Press, Cambridge

Hanley R (2013) Adam Smith and virtue. In: Berry C, Paganelli M, Smith C (eds) The Oxford handbook of Adam Smith. Oxford University Press, Oxford

Hursthouse R (2012) Virtue ethics. In: Stanford encyclopedia of philosophy. http://plato.stanford.edu/entries/ethics-virtue last access of 5 Jan 2016

Johnson R (2008) Was Kant a virtue ethicist? In: Betzler M (ed) Kant's ethics of virtue Walter de Gruyter, Berlin

McCloskey D (2008) Adam Smith, the last of the former virtue ethicists. Hist Polit Econ 40:43–71

Montes L (2004) Adam Smith in context: a critical reassessment of some central components of his thought. Palgrave MacMillan, London

Rasmussen D (2008) The problems and promise of commercial society: Adam Smith's response to Rousseau. Penn State University Press, University Park

Russell D (2013a) Introduction: virtue ethics in modern moral philosophy. In: Russell D (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge

Russell D (2013b) Virtue ethics, happiness, and the good life. In: Russell D (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge

Russell D (ed) (2013c) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge

Schliesser E (2005) Wonder in the face of scientific revolutions: Adam Smith on Newton's 'proof' of Copernicanism. Br J Hist Philos 13:697–732

Schneewind J (1990) The misfortunes of virtue. Ethics 101:42–63

Smith A (1982[1759]) The theory of moral sentiments (eds: Raphael D, Macfie A). Liberty Fund, Indianapolis

Swanton C (2013) The definition of virtue ethics. In: Russell D (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge

Trianosky G (1990) What is virtue ethics all about? Recent work on the virtues. Am Philos Q 27:335–344

Valihora K (2001) The judgement of judgement: Adam Smith's theory of moral sentiments. Br J Aesthet 41:138–161

Wells T, Graafland J (2012) Adam Smith's bourgeois virtues in competition. Bus Ethics Q 22:319–350

Adam Smith on the Greatest Wealth of Nations: How Progress Depends on Virtuous Citizenship

Jerry Evensky

Contents

Abstract

Adam Smith believed that there is an absolute standard of virtue, that acting by this standard represented the perfection of moral character, and that a community of individuals who achieved this ideal would enjoy the greatest possible *Wealth of Nations*.

However, Smith did not believe we can know this standard, and in any case he did not believe any human has the self-command to achieve this standard, so as a practical matter he did not believe that the greatest *Wealth of Nations* is achievable.

But, Smith believed that we can develop an informed image of the ideal by culling from the lessons of history the principles that lead to progress and thus inform that ideal. For Smith the ideal is a limit, not achievable but approachable. The raison d'être of his moral philosophy was to imagine the contours of the ideal of virtue and to advocate for institutions that nurtured a continuous approximation of that ideal in individuals so that humankind could progress toward that limiting case: The greatest *Wealth of Nations* and secure tranquility for each individual.

J. Evensky (✉)
Maxwell School of Citizenship and Public Affairs, Syracuse University, Syracuse, NY, USA
e-mail: jevensky@maxwell.syr.edu

Introduction

> People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices. (Smith 1976b, p. 145)

Adam Smith had great admiration for the energy and creativity of the merchants and manufacturers of society, what we might today refer to as the entrepreneurial class. Their self-interest drives them to pursue "wealth and greatness," and while the fruits of this pursuit are largely "mere trinkets of frivolous utility," nevertheless, the energy and creativity of these men "rouses and keeps in continual motion the industry of mankind." (Smith 1976a, pp. 181, 183)

Smith admired these men but, as the opening quotation suggests, he did not trust their virtue. Smith believed that, driven by an all too often unbridled self-interest, the members of this faction would collude, and that they had the resources to affect and effect policy to realize the objectives of their factional interests.

In 1776, the year the British colonies in America declared their independence, Smith's classic work *The Wealth of Nations* was published. In it he castigates the members of this mercantilist faction for having been the source of these "disturbances" (Smith 1976b, p. 573). Their monopoly of colonial trade has served them well, he writes, but it has done so at the expense of the blood and treasure of the nation.

The power of this "order of men" derives from the political influence the members of this faction leveraged with their resources.

> [L]ike an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest publick services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists. (Smith 1976b, p. 471)

In Smith's analysis, this whole saga . . . economic distortion (monopoly) enabled by political influence (rent-seeking) costing lives, treasure, and empire . . . represents a failure of virtue.

Individual civic virtue is for Smith the sine qua non of a successful, sustainable commercial society. The wheels of progress turn, according to Smith, only as smoothly as the virtue of its citizens allows. Thus "virtue, which is, as it were,

the fine polish to the wheels of society, necessarily pleases; while vice, like the vile rust, which makes them jar and grate upon one another, is as necessarily offensive." (Smith 1976a, p. 316)

Smith's analysis of virtue is dichotomous. It consists of an ideal universal norm that we can never "know" ... we can only imagine, and the relative norms of extant societal standards that we can observe. The connection between the two is established empirically: To the degree that the extant relativist standards of a given society approximate the ideal standard, to that degree the wheels of progress turn more smoothly and that society functions more fruitfully.

In an ideal world we can take it on faith that all others will be virtuous and thus we need not protect ourselves from being cheated or exploited. No fear ... no transaction costs necessary to protect ourselves ... fluid environment for trade ... greatest wealth for the nation. In the real world, to the degree that our trust approximates faith, to that degree the transaction costs of trade are diminished, the fluidity of markets is closer to the ideal, and the wealth of the nation is enhanced.

It follows that those societal norms that, *ceteris paribus*, have historically led to progress provide empirical indications of the nature of the invisible ethical ideal.

On Virtue in Smith's Moral Philosophy

Smith envisions humankind's progress as having evolved through four stages: hunting and gathering, pasturage, agriculture, and commerce. He culls from this historical progress of opulence what he believes to be the key elements of virtue ethics that made this progress possible.

These key elements are the moral sentiments, ergo the name of his first work *The Theory of Moral Sentiments*. The three primary sentiments that together in their balance determine the degree of praiseworthiness or blameworthiness of an individual's sentiments, this being the measure of the distance of that individual from ethical perfection, are

- Self-love
- Beneficence
- Justice

No one of these sentiments is virtuous or ignoble in and of itself. It is the balance of these that constitutes the degree to which one's sentiments are virtuous.

Self-love is the spring for human action. It is the energy source for society's engine of progress. Properly constrained it is virtuous for its energy serves society. But unconstrained self-love is the vice, the "vile rust" that seizes up that engine.

Beneficence is the warmth of human kindness that Smith felt is so essential if a community is to be a source of happiness for all individuals, and a source of comfort for those in need. But beneficence alone is no foundation for social progress. Progress requires energetic action stimulated by self-love, and it requires justice.

"Justice ... is the main pillar that upholds the whole edifice [of society]. If it is removed, the great, the immense fabric of human society ... must in a moment crumble into atoms" (Smith 1976a, p. 86). The standards of justice embody the rules that make the race for wealth fair. To the degree individuals follow these rules their self-love is properly bridled, and thus properly constrained the keen competition stimulated by individuals' desires to "better their condition" (Smith 1976b, p. 341) is constructive for society. All participants can be trusted to play by the rules.

Self-love motivates, benevolence humanizes, and justice constrains each of us. When we balance these properly we are perfectly virtuous citizens, and a society of such citizens is a warm and fruitful place.

So how can we "know" this virtuous balance of these sentiments? We cannot. We can only imagine it. But then, imagining was Smith's calling. He was a philosopher and as he writes in his "History of Astronomy": "Philosophy, by representing the invisible chains which bind together all these disjointed objects endeavours to bring order into this chaos ... [and, as it deals in the realm of the invisible, it] may be regarded as one of those arts which addresses themselves to the imagination." (Smith 1980, p. 46)

Smith's standard for the consistency of an individual's balance of sentiments with perfect virtue is the sympathy, the "fellow-feeling" (Smith 1976a, p. 13) or approval, of the *imagined* "man within the breast, the supposed impartial spectator, the great judge and arbiter of our conduct" (Smith 1976a, pp. 226–227).

There is no list of ethical standards, no moral rulebook that can anticipate every nuance of every situation and to which we can refer for every judgment on virtue. As Smith writes: "We shall stand in need of no casuistic rules to direct our conduct. These it is often impossible to accommodate to all the different shades and gradations of circumstance, character, and situation" (Smith 1976a, p. 227). The *imagined* "impartial and well-informed spectator" (Smith 1976a, p. 130) takes all the extant conditions into account, knows the nature of perfect virtue, and can thus make a definitive judgment as to whether, in the given circumstance, the balance of an individual's sentiments deserves approbation for its virtue.

Continuing his imagined ideal case, Smith asserts that even if one could "know" the balance of sentiments that constitutes virtue, this is not sufficient to be virtuous:

> The man who acts according to the rules of perfect prudence [(enlightened self-love)], of strict justice, and of proper benevolence, may be said to be perfectly virtuous. But the most perfect knowledge of those rules will not alone enable him to act in this manner: his own passions are very apt to mislead him; sometimes to drive him and sometimes to seduce him to violate all the rules which he himself, in all his sober and cool hours, approves of. The most perfect knowledge, if it is not supported by the most perfect self–command, will not always enable him to do his duty. (Smith 1976a, p. 236)

To be virtuous one must *act* by the standards of virtue.

But how does one know virtue and act virtuously when there is in fact no impartial spectator, no "demigod within the breast" (Smith 1976a, p. 131), to guide us. Smith's impartial spectator represents an ideal norm that serves as a reference point for his real analysis.

Smith on Relative Social Norms, the Evolution of These Norms, and the Progress of Humankind

Smith did not believe we can "know" the nature of perfect virtue, but as noted above he did believe we can discern empirically the degree to which a society's virtue ethics approximate this ideal by that society's place in the history of humankind's progress.

In Smith's reading of history, humankind has made halting progress toward the limiting, ideal case through the following evolutionary process: In every society there is an established "golden mean" of behavior (Smith 1976a, p. 204) . . . a commonly shared conception of what constitutes virtue. This social standard is inculcated in each successive generation through our capacity to be socialized. We are, after all, malleable beings made of a "coarse clay" (Smith 1976a, p. 162), and we desire the approbation of our community. Thus, it is possible for our society to shape us into beings who take the extant standards of virtue, the golden mean, as the natural order of things. To live by the extant standards of our society is to do our "duty."

This social standard of virtue, this golden mean, is not static. It evolves as part of a simultaneous system that encompasses the social, political, and economic dimensions of society (Evensky 2005, pp. 45–58).

For a society to function constructively, these social, political, and economic dimensions must complement one another. But because each of these dimensions is dynamic (e.g., the mode of production changes), the emergence of inconsistencies across these dimensions is inevitable.

Sever inconsistency leads to societal dysfunction and decline. In Smith's analysis, for a society to progress materially, for *The Wealth of Nations* to grow, these dimensions must evolve together in complementary ways. For example, a successful move from the pasturage to the agricultural stage requires the development of new social and political institutions that are adapted to land ownership. Smith's "stages" analysis is not a singularly economic analysis; it represents the coevolution of social, political, and economic institutions that makes progress possible.

In the course of this evolution these institutions shape and are in turn shaped by individuals. We are socialized beings but we each have a unique biography, and these uniquenesses give each of us a singular perspective from which to reshape the institutions that have shaped us. Thus, human action is a key driver of a society's evolution. The trajectory of that evolution is not a product of human reason but rather the result of chance, circumstance, and the intended and unintended consequences of individuals' actions.

For any given society, progress is possible but not inevitable. To the degree the social, political, and/or economic dimensions are corrupted by unbridled self-interest a society can stagnate or decline. Indeed, there is no example of inexorable societal progress in Smith's historical analysis. But while individual societies have emerged, grown, and declined, humankind has progressed through the four stages due to a process of natural selection.

Material progress is potentially unleashed when individuals enjoy the freedom to "better their condition" (Smith 1976b, p. 341), but freedom is only consistent with progress where ethics and institutions ensure individuals' security. Societies that develop more mature systems of social, political, and economic institutions … including, crucially, more mature standards of virtue ethics … are more fruitful. Being more secure and thus more fruitful, these societies have more resources and more sophisticated technology, and are thus more capable, *ceteris paribus*, of defending themselves from outside threats. They are more sustainable.

In Smith's view, the nation that as of his day has made the most progress thanks to its more enlightened laws and institutions is his own Great Britain, which brings us back to where we began.

The primary threat Smith sees to the progress that Great Britain has achieved as of his day is not from without, but from within.

> In her present condition [having followed the dictates of the mercantile system], Great Britain resembles one of those unwholesome bodies in which some of the vital parts are over grown, and which upon that account, are liable to many dangerous disorders scarce incident to those in which all the parts are more properly proportioned. A small stop in a great blood-vessel, which has been artificially swelled beyond its natural dimensions, and through which an unnatural proportion of the industry and commerce of the country has been forced to circulate, is very likely to bring on the most dangerous disorders upon the whole body politick. (Smith 1976b, pp. 604–605)

He writes in 1776 that Britain has become so dependent on the flow in this artificially enlarged vessel, the colonial trade, that "the expectation of a rupture with the colonies … has struck the people of Great Britain with more terror than they ever felt for a Spanish armada, or a French invasion" (Smith 1976b, p. 605).

That very year the rupture came. Subsequently, in a 1784 addition to *The Wealth of Nations* (a new chapter titled "Conclusion of the Mercantile System"), Smith writes with real vitriol of the distortions and consequent costs that these merchants and manufacturers, pursuing their unbridled self-interest, have imposed on Britain. They have sacrificed the well-being of the nation to their factional interest.

Conclusion: Adam Smith as Virtue Ethicist

Smith's vision is classical liberal: he imagines the boundless possibilities of free people pursuing their individual agendas to "better their condition" (Smith 1976b, p. 341) in a free market system. But all that freedom only realizes the ideal in a world populated by angels. And alas, we are not angels. So to make progress possible we must, as a community, construct institutions that at once unleash and properly bridle our energies.

In his last effort to share his vision, revisions to *The Theory of Moral Sentiments* published in 1790 (the year he died), Smith adopts a civic humanist voice, extolling "citizenship … as an active virtue" (Pocock 1983, p. 235). Good citizenship is, according to Smith, an essential foundation for his classical liberal vision.

Smith writes in 1790:

> He is not a citizen who is not disposed to respect the laws and to obey the civil magistrate; and he is certainly not a good citizen who does not wish to promote, by every means in his power, the welfare of the whole society of his fellow-citizens. (Smith 1976a, p. 231)

The progress of a nation's opulence, realizing humankind's potential to enhance *The Wealth of Nations* . . . it all rests on the participation of the "good [(as in virtuous)] citizen."

It is the "good citizen," governed by justice and humanized by benevolence as he seeks to better his condition, who contributes most constructively to the commonwealth. It is he who, even as he "rouses and keeps in continual motion the industry of mankind," is praiseworthy . . . deserving of the approbation Smith bestowed upon his dearest friend David Hume: a "wise and virtuous man." (Smith 1977, p. 221)

For Adam Smith, the sine qua non of human progress is this virtuous citizen.

References

Evensky J (2005) Adam Smith's moral philosophy: a historical and contemporary perspective on markets, law, ethics, and culture. Cambridge University Press, Cambridge

Pocock JGA (1983) Cambridge paradigms and Scotch philosophers: a study of the relations between civic humanist and the civil jurisprudential interpretation of eighteenth-century social thought. In: Hont I, Ignatieff M (eds) Wealth and virtue. Cambridge University Press, Cambridge

Smith A (1976a) Theory of moral sentiments. In: Raphael DD, Macfie AL (eds), Raphael DD, Skinner A (eds) The Glasgow edition of the works and correspondence of Adam Smith. Clarendon, Oxford

Smith A (1976b) An inquiry into the nature and causes of the wealth of nations. In: Campbell RH, Skinner A, Todd WB (eds), Raphael DD, Skinner A (eds) The Glasgow edition of the works and correspondence of Adam Smith. Clarendon, Oxford

Smith A (1977) The correspondence of Adam Smith. In: Mossner EC, Ross IS (eds), Raphael DD, Skinner A (eds) The Glasgow edition of the works and correspondence of Adam Smith. Clarendon, Oxford

Smith A (1980) Essays on philosophical subjects. In: Wightman WPD, Bryce JC (eds), Raphael DD, Skinner A (eds) The Glasgow edition of the works and correspondence of Adam Smith. Clarendon, Oxford

Adam Smith's Advice on Living Well in a Commercial Society

Jack Russell Weinstein

Contents

Abstract

Adam Smith's advice on how to live well is an intermingling of virtue ethics and an account of the proper institutions for humankind. He advises that a commercial society is to be preferred over all other types because of the freedom and opulence it provides. Throughout his works, he defends his conviction that commercialism brings with it a good standard of living, a stable society, enhanced knowledge, satisfying religious belief, liberty, the ability to follow one's own interests, an educated populace, and the possibility of international cooperation. For Smith, while there are varying standards of living well, many of which have merits for their given contexts, he advises that people look toward nature and human knowledge to determine the best life in the most promising society. This chapter outlines Smith's advice to those seeking virtue. It describes the good life as natural and illustrates both the principles and conditions that are motivating people toward excellence and justice.

J.R. Weinstein (✉)
Department of Philosophy and Religion, University of North Dakota, Grand Forks, ND, USA
e-mail: jack.weinstein@und.edu

Introduction

Philosophers have long debated what it means to live well. The phrase itself is ambiguous and may either denote a standard of moral behavior or an empirical theory of satisfaction. The former, which sees the good life as a moral standard, deemphasizes personal happiness in favor of righteous behavior; it may idealize asceticism or detachment from worldly attractions. Catholic priests and the Platonic philosopher king adopt this approach to living well. The latter, an approach that sees the good life as a satisfied one, deemphasizes morality in favor of pleasure or wish fulfillment. Ayn Rand's heroes, Nietzsche's Übermensch, and Gordon Gekko represent this theory at its most extreme.

There is no single location in which Adam Smith articulates his account of the good life; his theory must be constructed from all of his writings. However, it is clear that despite the popular notion that Smith endorses a capitalist model of accumulation, he actually offers an account of good living that balances morality, environmental influences, and personal desires. His account is Aristotelian in that it recognizes the interplay between moral virtues and external goods, but it is Hobbesian and Mandevillian in that it respects personal interest as a worthy goal. Further, while scholars regularly resurrect *The Adam Smith Problem*, a false claim that there are irreconcilable tensions between other-oriented concerns in *The Theory of Moral Sentiments* (*TMS*) and self-interested motivations in *An Inquiry into the Nature and Causes of the Wealth of Nations* (*WN*), Smith's account of living well is consistent between all of his works. Any tensions between altruism and egoism (Smith never uses these terms) are found within individual texts, not across them.

Finally, like the philosophers before him, Smith is both a theoretician attempting to describe a system and a teacher giving advice. He offers prescriptions to guide readers in their own choices and actions. This chapter will describe some of these pedagogical moments alongside its more theoretical discussion.

Individuals Decisions Are Affected by One's Institutions

Living well is a dominant theme in Smith's work. Taking his project as a whole, he aims to articulate the principles that govern human interaction and social growth, both of which inform his theory of the good life. Yet, while he emphasizes the human world and prioritizes discussions of human psychology, personal motivation, and social and political progress, Smith also takes nature into account.

Modern readers may be confused when encountering his texts, since he assumes some aspects of human life as natural that many now regard as artifact, but Smith predates the modern debate contrasting nature and nurture. Nurture is natural, for Smith, and nature is, in some sense, nurturing. The good life has elements of both.

A case in point, Smith did not think society was an agreement or construct created by individuals: he rejected the idea of a social contract. Instead, he argued that human beings must live in society, that no person could subsist on his or her

own, and that moral development is only possible in a social context. This means that individual choice is necessarily filtered through one's context, and while, as we shall see, people can challenge cultural mores, Smith does not anticipate either existential or radical freedom. His agents are relational. They are physically atomistic but mentally interwoven. A good person can find independence within social influence, but he or she cannot be autonomous in any extreme sense of the word.

For Smith, all societies can be categorized as being in one of four distinct stages: a society made up of hunters, or of shepherds, or built around an organized agriculture, or, finally, one founded on commerce. This list is hierarchical and chronological, meaning that Smith sees commercial societies as more recent than agricultural ones and that, all things being equal, later societies are better than their predecessors.

According to Smith, commercial societies are superior to others because they provide more knowledge, more expansive liberty, a better quality of life, and long-term stability. In them, the individual has more control and more agency; he or she is freer, morally and politically. Commercial societies also interact better with one another than noncommercial societies do because they promote peace and cosmopolitan values. Smith's belief in what would now be called globalization is foundational to the oft-cited contemporary claim that no two liberal democracies have ever had a war against one another. Whether or not these observations are true, Smith assumes that peace is an essential component of living well and he does not glorify the martial virtues (WN V.i.f.59-61, Smith 1976a). Classical philosophers saw these martial virtues as cultivating a kind of self-reliance, but Smith counters that notion, expecting a commercial society must tame aggressive values. For Smith, commercial interactions are indeed built on the desire for exchange, but sympathy motivates interpersonal relationships.

Smith's individual is empathetic and imaginative; *TMS* both reports and advises that people enter into others' perspectives to judge matters from the point of view of those whom they morally evaluate. This alone is a challenge to a militaristic ideal. Soldiers are, by definition, closed off to the enemy's experience and a cog in a large machine. But from day laborers to political operatives, Smith aims to counter the invisibility that results from collectivity. Our moral interest falls on individuals. We learn their stories and we judge their actions. But we cannot move them around as if they are pieces on a chessboard, and we cannot effectively manipulate the system of which they are a part (*TMS* VI.ii.2.18, Smith 1976b).

Smith's is not a Utopian vision. He makes no suggestion that commercial societies are perfect, but they do, he asserts, represent progress. He favors a comparative approach to understanding justice and asks what it means to live *better* more often than what it means to live well. Improvement is natural, whether from the individual or historical perspective, and while Smith never claims his four-stage historical progression is inevitable, his philosophy of history seems to suggest it.

The key to progress for Smith is the development of manufacturing abilities. Political organization is dependent on the means of production and sustenance. Political structures function best when they are suited to the societies they organize,

and each time period has its own moral norms with its own standard of necessity and luxury (*WN* V.i.2-11, Smith 1976a). Well-being is naturally articulated by the social structure, he argues, even if there is always room for improvement. Smith understood commercial society as allowing for better and more accurate personal judgment. Individuals are as connected to the means of production as governance is.

Further, while Smith is egalitarian in some respects, he appears confident that individuals can live well even if they have fewer material goods or less political status than some others. But he also disallows gross inequality, writing "no society can surely be flourishing and happy of which by far the greater part of the numbers are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged" (*WN* I.viii.36, Smith 1976a).

Progress is natural, again, a notion that runs counter to many modern sensibilities. But he believes that both the laws of history and the principles of human nature are discoverable. They can be describable in ways similar to Newtonian physical laws. There are key differences, or course – the different principles of human nature are often in tension with one another in ways that the laws of physics cannot be, and the laws of nature cannot be articulated with the same precision as the mathematical laws the natural sciences – but they are still considered to be principles and are still empirically discoverable. As a result, for Smith, human behavior can be predicted with reasonable accuracy, and the human environment can be adjusted to suit the needs and tendencies of individuals and groups. Again, here we see that individual action is not radically untethered but subject to laws of nature.

Smith's overlapping of nature and artifact results in a precise and objective account of living well. He is not as pluralistic as liberals who believe that a personal belief system must undergird all an individual's values nor is he as historically rooted as conservatives who suggest that traditions define the good life. This quest for objectivity leads to a tension in Smith's work, since living well is both objective and contextual at the same time. The standard for a good quality of life must be adjusted to account for the vicissitudes of any society, but there is still always a right and a wrong way to live properly that is compatible with a given economic culture.

Consider Smith's claim that while a linen shirt is "strictly speaking, not a necessity,...in the greater part of Europe, a credible day-labourer would be ashamed to appear in publick" without one. Smith recognizes that one could survive without proper clothing, but that inappropriate dress would prohibit not just thriving, but subsistence. He is also explicit about the theoretical consequence of this, explaining that necessities mean, "not only those things which nature, but those things which the established rules of decency have rendered necessary..." (*WN* V.ii.k.3, Smith 1976a). Some philosophers might find this redefinition of necessity objectionable – either an object is a necessity for all human beings or it isn't – but this misses Smith's point. Living well is not a transcendent category; it is objectively derived from cultural inquiry (Weinstein 2013).

Smith does not mean to suggest the conservative or relativistic notion that a culture's account of living well cannot be challenged. As alluded to before, *TMS* articulates a sophisticated theory of conscience, a moral psychology that permits an agent to appeal to an imagined impartial spectator who overrides cultural beliefs. This spectator has an eye on progressive history and an empathetic attitude that triangulates personal experience, cultural norms, and critical analysis. (Smith's work predates the term "empathy"; he uses the word "sympathy" instead.) The impartial spectator is both the final arbiter and the justification for individual moral judgment. It considers utilitarian, deontological, virtue-based, intuitionist, and divine arguments and balances them with information supplied by the emotions. Impartial spectators are not perfect. They are only the best a person can do and they must be continually attended to and developed for a person's moral wisdom to improve.

Moral judgments are ultimately individual acts, and Smith is explicit that a person is "by nature, first and principally recommended to his own care." In this case, care is a moral category. As he writes "that great purpose of human life" is "to be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation. . ." (*TMS* I.iii.2.1, Smith 1976b).

To summarize Smith's advice so far: individuals who wish to live well in a commercial society must recognize that they do, in fact, live in a commercial society. Reactionary moral standards would not enable individuals to cultivate the appropriate virtues; it would only make them out of step. Further, they must recognize which specific commercial society they live in. They must be aware of the standards of intercourse, the social and commercial expectations, and the moral norms. Should they challenge these norms, they must do so only after cultivating their sympathy and imagination. Individuals in any society are capable of moral challenge, but the seeds of this challenge exist in the actual experience of those with whom one lives, not in a theoretical decontextualized Utopian system.

The Principles That Motivate People To Live Well

Despite culture difference, there are transcendent human tendencies found in all people regardless of who they are or where and when they live. Most prominent is the unending desire all people have to better their own conditions. According to Smith, this motivation is "the uniform, constant, and uninterrupted" (*WN* II.iii.31, Smith 1976a) and "comes with us from the womb, and never leaves us till we go into the grave" (*WN* II.iii.28, Smith 1976a). It is one of the core principles of human nature. Because all people desire to improve their lives, each will be happier in those communities that maximize their liberty to do so (Weinstein 2013), hence Smith's preference for commercial societies.

Lest this be interpreted as an innate desire for accumulation, Smith offers a story to illustrate that wealth is not the be-all and end-all of life. He describes a "poor man's son" who looks at his father's life and conditions and responds with endless ambition. The son sacrifices and toils for years until he has achieved the

economic level he thinks suitable, and then, finally, only at the end of his life does he reflect on what he has done: "he begins at last to find that wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquility of mind than the tweezer-cases of the lover of toys; and like them too, more troublesome to the person who carries them about with him than all the advantages they can afford him. . ." (*TMS* IV.i.8, Smith 1976b).

The parable of the poor man's son illustrates conflicting advice even though it is contained entirely within the pages of *TMS*. Ambition does indeed better one's condition; it promotes wealth and economic well-being. But ambition also obscures that which is most valuable: happiness, family, morality, and appreciation of what one has. Smith refers to this as nature's "deception," a negative for the individual who succumbs to its lies, but a positive for the general good. It "rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life; which have entirely changed the whole face of the globe, have turned the rude forests of nature into agreeable and fertile plains, and made the trackless and barren ocean a new fund of subsistence, and the great high road of communication to the different nations of the earth" (*TM0S* IV.i.10, Smith 1976b).

For Smith, the virtues and social interaction are the cornerstones of living well. Although the conveniences of life may make goodness and sociality easier to realize, these amenities are not required. Sometimes, in fact, wealth complicates matters, putting the desire for "baubles and trinkets" ahead of moral approval. The lower classes in commercial societies falsely glorify the rich, thinking that they are not just better off but morally better. But Smith advises against this habit writing that "in what constitutes the real happiness of human life. . .In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for" (*TMS* IV.I.10, Smith 1976b). Happiness and economic achievement are not identical, neither are recognition and moral goodness. Smith asks people to seek praiseworthiness rather than praise, confident that wealth is the "most proper" reward for the virtues of "industry, prudence, and circumspection" but that all who are wealthy are not virtuous (Young 1997).

This leads to another tension, the lure of praise over praiseworthiness, of being respected instead of respectable. Smith writes that "two different roads are presented to us," one, "the study of wisdom and the practice of virtue," and the other "the acquisition of wealth and greatness" (*TMS* I.iii.3.2, Smith 1976b). But this too is not such a great conflict since Smith argues that for most people in the middle and lower classes, "the road to virtue and that to fortune, to such fortune, at least, as men in such stations can reasonably acquire, are, happily, in most cases, very nearly the same" (*TMS* I.iii.3.5). It is only for those in "superior positions," or those in "the courts of princes [and] in the drawing-rooms of the great" that "success and preferment depend, not upon the esteem of intelligent and well-informed equals, but upon the fanciful and foolish favour of ignorant,

presumptuous, and proud superiors; flattery and falsehood too often prevail over merit and abilities" (*TMS* I.iii.3.6).

In other words, Smith's advice to the laboring and merchant classes is to trust that virtue and ambition are the same. By pursing the two in tandem, most people, in most situations, as long as they do not reach beyond their capabilities, will achieve the life they desire. For those in positions of great wealth or great authority, however, he presents a graphic and compelling description of corruption, unhappiness, and dishonor, trusting in their ability to learn from his examples.

One shouldn't take his caution too far. It would be absurd to suggest that Smith sees virtue and economics only as competitors. Following Mandeville, he sees nothing wrong with self-interested activity, recognizing the proper allure of profit. His grand goal, the promise of the commercial stage, is "a well-governed society" that results in the "universal opulence which extends itself to the lowest ranks of the people" (*WN* I.i.10). Universal opulence is the condition in which all members of a given society have what they require to live and flourish. But Smith is explicit about distinguishing between necessities, conveniences, and luxuries, insisting that only the first is necessary for living a good life. It is this ordering – the moral obligation to provide the poor with necessities alone and his advice above that the poor and middle classes should not normally expect to achieve greatness – that inspire many of Smith's critics. How upwardly mobile Smith's system is, is itself a matter of debate, a controversy that should not be foreign to any students of justice in a capitalist context.

Smith's advice to those who live in commercial times, then, is to understand that bettering one's own condition is as concerned with the moral and the interpersonal as it is with the economic. We must cultivate those virtues that complete our individuality, but we must also recognize, as emphasized, that individuality is overlapping. Happiness and praiseworthiness are of the utmost importance. They require economic support but not riches, although this is hard to see in the midst of the endless attempts to better oneself. Individuals strive too hard, are too myopic, and sacrifice too much for their goals. If they are not cautious, they will lose so much that the economic success will mean nothing.

What Smith ultimately wants is a self-aware, self-motivated population, striving for economic success by following their own interests while working together in the process. Happiness is dependent on community and institutional conditions, including the following: *a sound mind*, the government has an obligation to create a minimally educated public; *spirituality*, individuals will be more likely to abide by culturally accepted moral rules if they believe that their morality is divinely inspired; *sociality*, people need one another and a strong community in order to live and be happy; *self-determination*, Smith envisions a society in which people are free to pursue their own interests and occupation; *self-governance*, government should be limited to three functions, protecting the society from foreign invasion, protecting individuals from one another, and creating and maintaining public works and public institutions, although what Smith means by public works is quite complicated (*WN* IV.ix.51, Weinstein 2013; Smith 1976a); and *political stability*, an educated people is "more decent and orderly than an ignorant and stupid one"

because they see through "the interested complaints of faction and sedition" and are "less apt to be misled into any wanton or unnecessary opposition to the measures of government" (*WN* V.i.f.61). These terms, while not Smith's own, suggest that he anticipated Martha Nussbaum and Amartya Sen's modern variation of virtue ethics, the capabilities approach.

Conclusion

In short, for Smith, a political society is most stable when everyone lives well and each person abides by the rules of justice. As a result, he advises individuals to be moderate in their religious beliefs, loyal to the state and follow its laws, and caring for others. A commercial society allows individuals to interact well with strangers and friends alike, maximizing the possibility for universal opulence, liberty, praise-worthiness, and, ultimately, happiness. While this, for Smith, is living well in a commercial society, it is a conclusion that individuals must come to on their own. People must take responsibility for their own education, experience, choices, and ambitions. With the requisite skills and economic support, a commercial society allows for a person to be "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" (WN IV.ix.51, Smith 1976a).

References

Smith A (1976a) An inquiry into the nature and causes of the wealth of nations. Liberty Classics, Indianapolis
Smith A (1976b) The theory of moral sentiments. Liberty Classics, Indianapolis
Weinstein JR (2013) Adam Smith's pluralism. Yale University Press, New Haven
Young J (1997) Economics as a moral science: the political economy of Adam Smith. Edward Elger, Cheltenham

Adam Smith: Moral Judgment Versus Moral Theory

Craig Smith

Contents

Abstract

The moral theory that Adam Smith provides us with in his *The Theory of Moral Sentiments* is a masterpiece of analysis. But it is a book with a very specific intention in mind. *The Theory of Moral Sentiments* is not primarily about what we ought to do or how we ought to live. Smith's philosophical project is not intended to provide us with arguments in support of particular principles. It is not a guide to judgment; rather it is a profound analysis of the nature of moral judgment. This approach sets Smith's philosophy in stark contrast to many of the other works of moral philosophy produced by the Enlightenment. Smith, unlike his Enlightenment peers Jeremy Bentham and Immanuel Kant, does not identify a single principle that will allow us to resolve moral questions. Instead he points to how the various aspects of moral experience, including utility and rule-following, come together in our moral experience. This clears the way for Smith's interest in the potentially more flexible virtue ethics approach as demonstrated by his addition of a new Part VI on the character of virtue to the final edition of *The Theory of Moral Sentiments*.

C. Smith (✉)
School of Social and Political Science, University of Glasgow, Glasgow, UK
e-mail: craig.smith@glasgow.ac.uk

Introduction

In recent years, moral philosophers have rediscovered the work of Adam Smith and have begun to take more seriously the approach to moral philosophy that is to be found in his *Theory of Moral Sentiments* (1759) (Darwall 2009; Fleischacker 2003; Sen 2009). Smith's book was widely read and highly influential during his lifetime, but passed out of intellectual fashion in the centuries after his death. One of the reasons that the work passed out of intellectual fashion was that it fell between two divergent trends in the development of moral philosophy. As normative moral philosophy, that part of the discipline concerned with providing us with reasons to act in a particular manner, and empirical moral psychology, that part of the discipline interested in how we think about morality, became distinct fields of intellectual inquiry, Smith's *Theory*, with its focus on observation and explanation of how humans experience moral judgment, was of limited interest to those philosophers whose attention was directed toward the prescriptive identification of how people ought to think about morality (Campbell 2013).

This tension was apparent even during Smith's lifetime. David Hume, Smith's great friend and intellectual inspiration, distinguished between moral philosophy conducted by an "anatomist" or a "painter" (Hume 1976, pp. 620–21, 1975, pp. 5–6; Abramson 2007). What Hume meant was that his approach was an anatomical, analytical inquiry that sought to dissect the phenomenon of moral judgment. He was chiefly concerned with explaining morality rather than in providing arguments in favor of any particular proposition in morals. The other approach, that of the "painter," was the approach of Hume and Smith's immediate predecessor in the Scottish Enlightenment, Francis Hutcheson. Hutcheson, and those influenced by him, saw the role of the professor of moral philosophy to be primarily one of inculcating young students in the principles of how they ought to act by "painting" the beauty of moral behavior.

Smith's Method

Smith wrote his book while he was a professor of moral philosophy at Glasgow. His lectures there would have been expected to involve an element of moral education through "painting," but in the book that emerged from them Smith sets himself the "anatomical" task of examining extant systems of moral philosophy and contrasting them with his own system. What makes his approach so interesting is that it is based on an examination of the failure of other systems to provide an adequate account of the experience of moral judgment. What this means is that these systems – those based on selfishness, benevolence, reason, and the classical virtues – fail in some

important respects to capture the actual experience of moral judgment. Working from this starting point, Smith attempts to build an alternative account that better captures the actual experience of moral judgment. Thus the failings of the more prescriptive moralists lay not so much in their conclusions as in the faulty methodology that they applied to reach them. By focussing on one aspect of moral experience, such as happiness or reason or selfishness, previous philosophers work with a "partial and imperfect view of nature" (Smith 1984, p. 265) leading them to develop a partial understanding of moral experience.

One obvious example of this is Smith's discussion of the place of motive in our moral judgment. If we adopt a moral philosophy that focuses on the benign or malign consequences of our actions (such as utilitarianism), we miss out on a significant part of moral judgment, that part that assesses the motivations of actors. If we focus on outcomes alone, we neglect the fact that we feel that the motivation and intention of the actor is also part of what makes a moral judgment. As a result, a purely consequentialist moral philosophy will have trouble encompassing assessments of the worthiness of individuals in terms of character and motivation.

Smith's project, like that of Hume before him, is based on the view that a successful theory of what we ought to do (a normative theory) must be based on an accurate understanding of human moral psychology. A "rational" system that provides an argument in favor of a particular normative position will fail if that argument is based on a partial understanding of how our moral thought process actually operates. Chief among the failings of the existing systems of moral philosophy that Smith engaged with, and by extension with the systems that succeeded them in the nineteenth century, utilitarianism and rational deontology of a Kantian sort, was that they elevated a concern for principle and a desire to provide an account of how we ought to think about morality above a concern for how moral judgment actually takes place. Smith's point is that the way that we make moral decisions is more psychologically complex than these approaches would suggest.

The failure of previous schools of philosophy is that they provide philosophically sophisticated arguments about what the content of moral judgments ought to be that are divorced from how actual agents make moral decisions. Smith's strategy in highlighting this disconnect between normative moral philosophy and actual moral experience is something that is brought explicitly to the fore by his revision of what becomes Part VII of the final edition of TMS published in 1790. In this section, Smith goes through the various schools of moral philosophy and highlights how each of them are unable to deal with everyday moral issues in a convincing fashion. That these principle-based accounts issue in counterintuitive prescriptions is, in Smith's view, evidence that they provide only a partial examination of moral judgment. Each school, in Smith's view, is subject to a kind of tunnel vision. That is to say that the focus on one right way of thinking about morality, or upon one principle that is supposed to issue in authoritative answers between competing moral views, means that these philosophers are unable to provide an account that captures the true complexity and subtlety of moral judgment. For example, Smith's discussion of authors who base morality on self-love shows how they are forced to

adopt unconvincing positions to reconcile their account with the reality of the experience of sympathy and fellow feeling (Smith 1984, pp. 315–321). Such thinkers are forced to try to reduce our concern for others to a calculation of interest rather than accepting it as a feature of moral experience that must be encompassed with a moral theory on its own terms.

The superiority of Smith's account, in Parts I–V of TMS is that it does precisely that: it looks at different elements of moral experience and attempts to assign them to their proper place in the structure of moral psychology. Each of the potential candidates for a central moral principle – concern for others, self-interest, reason, happiness (utility), and justice (rules) – are discussed in turn as part of an overall account of morality rather than as definitive of the whole of morality. An accurate account of the moral psychology of actual agents addressing concrete examples and struggling to choose the "right" course of action demonstrates that a number of different principles are at work in our thinking about morality. Smith brings these together in a theory that sees moral judgment as driven by our feelings and achieved through imaginative reflection. The approach concentrates on describing how this struggle is undertaken.

At the very start of the book Smith nails his colors to the mast by rejecting the binary systems that reduce morality to selfishness or benevolence. "How selfish soever 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" (Smith 1984, p. 9). Simple observation of how people actually behave and think about morality demonstrates that both of these principles must form a part of an accurate moral theory. Human beings are at times benevolent and are at times self-interested, and similarly they at times regard self-interestedness as the "correct" principle upon which to make decisions, while at other times they clearly regard it as correct to act in a benevolent fashion. Philosophical systems that attempt to reduce morality to either one of these principles will inevitably issue in counterintuitive outcomes when the appropriate motivation or decision principle lies in the other. These systems will then have to invoke convoluted argumentation to preserve their desired principle's relevance. Smith wants to provide us with an account that is able to deal with the issues that this raises in as parsimonious a fashion as possible. The success of his theory will be determined by the extent to which it is both true to our moral experience, and more accurate and theoretically elegant than that of other systems of moral philosophy.

Moral Sentiments

Smith's theory is grounded on the idea of natural sociability realized through the psychological phenomenon of fellow feeling or sympathy. This facet of human psychology provides the basis for Smith's account of how we actually experience morality. Smithian sympathy is "fellow feeling" (Smith 1984, p. 10) with any emotion. As a result it is a feature of human nature, a universal fact of human

psychology. It is not a principle that allows us to prefer one action as more "sympathetic" than others (Berry 1997, p. 157). The use of sympathy also commits Smith to moral sentimentalism. That is to say, to an approach that views humans as emotional and passion driven. Smith regards reason as an inactive tool, an instrument that is used to pursue the actions that our feelings motivate us toward. Moral judgment, on this account, is not to be understood as a detached process of rational argumentation, rather it is an emotional and imaginative experience where we reflect on what to do in the light of past moral judgments.

Philosophical systems that reduce morality to reason are bound to fail on Smith's account for three main reasons: first, reason is the slave of the passions and as such cannot motivate us to action. What Smith means by this is that it is passions that motivate us to action while reason is what we use to work out the best way to achieve what our passions direct us toward. Second, Smith's epistemology rejects the idea of a priori knowledge. He is an empiricist and the result of accepting this on a methodological level is that he is committed to a theory of human psychology and epistemology that sees us as operating on generalization from experience. Given this, the rules of morality that we do in fact recognize are not something that we can have access to in an a priori fashion. We cannot deduce morality from a rational principle and we do not do this. Moral education is a process of acculturation and habituation where people learn from experience and generalize rules of conduct. These rules, like those of science, have their authority from their confirmation by repeated experience. Reason, by this account, is not something separate from the process of induction from experience. As a result, a theory that claims the authority of reason from argumentation from a priori principles is insufficient on both a descriptive and a methodological level. The most obvious examples of such theories in Smith's time were the medieval scholastic and Aristotlean systems. These systems, in Smith's view, were pure sophistry to be dismissed as the evidence of observation told against them. Third, Smith is keenly aware of the epistemic limitations of individual humans. His interest, as he repeatedly states, is in actual judgments by imperfect individuals, and not in the sort of perfect or "God's eye" judgments that reflect perfect knowledge and rationality.

One obvious consequence of this fallibility of moral knowledge is that it might not always be possible to develop precise rules about morality. Smith's attack on the sort of philosopher who attempts to achieve this, the casuists (Smith 1984, pp. 39–40), stresses the point that it is often very difficult to capture all the nuances of a situation in a rule that will apply in all other situations. Smith's point is that there may be certain aspects of human experience that are amenable to formulation in rules, such as the rules of justice concerning property, but these will come nowhere near capturing the totality of circumstances in which people make moral judgments.

Smith's account of sympathetic moral judgment famously describes how we develop an impartial spectator that acts as the voice of conscience in our judgments of self and others. The experience of moral judgment is, according to Smith, the reflection on our moral sentiments through the lens of the impartial spectator who embodies our sense of propriety. One consequence of this is that for Smith the

moral judgments made by individuals are embedded within the societies that produce those individuals (Forman-Barzilai 2010). While Smith appears to operate with a notion of universal moral rules that hold for all of humanity, his approach to social explanation and his account of the diversity of moral beliefs in TMS and in his *Lectures on Jurisprudence* suggest that he is aware of the variation in moral beliefs between different societies. This is not then dealt with from the point of view of one society being "correct" and other societies "wrong." Instead Smith seeks to account for the diversity of moral beliefs by examining the interaction of a universal human nature with different social circumstances and showing how moral beliefs change through time.

Smith's impartial spectator is an internalized imaginative reflection on the information that an individual acquires from his experience of his society. It is impartial in the sense that it checks our natural urge to be partial to ourselves and to excuse, or rationalize, our self-interested action. So while the impartial spectator might allow us to assess our own action and to resist the unfavorable judgment of our peers, it does not do so by invoking a standalone mode of moral reasoning. Instead it represents the imaginative extension of the account of socialization in the theory as a whole.

Rival Accounts

Smith's position here can be generalized to his overall approach to moral philosophy. It stands sharply at odds with that of Immanuel Kant. For Kant, it is possible to reduce morality to a single rational principle of consistency – what he calls the categorical imperative. Using this principle we should be able to decide on the moral value of any potential action by imagining that our decision is a rule that would apply to all people and then assessing whether this is rationally consistent. From Smith's point of view this is both excessively rationalistic and grounded on an impoverished list of features that should be considered when deciding what to do.

Nineteenth-century accounts of the history of philosophy tend to view Smith's theory, together with that of Hume, as a form of proto-utilitarianism. But this reading is a mistake precisely because it looks for a single principle of moral judgment in relation to normative moral philosophy in a work that is engaged on quite another philosophical enterprise. Smith is well aware that utility forms some part of our moral experience, but his conception of its place is not that of an overarching justificatory principle. This cannot be so, as for Smith, there is a serious limitation on the usefulness of utility in accounts of actual moral judgment. And that is that it quite simply fails to account for how we make moral judgments. It was for this reason that Smith criticized Hume's account of the development of justice from a sense of utility allied with sympathy with the public good. For Smith, this account provides an admirable post-hoc reconstruction, or functional explanation, of the role that justice plays in society, but it fails because it gets things the wrong way around. Human beings pass judgment on the moral rightness of an action before they consider the usefulness to the individuals involved or to society at large.

For Smith, utility is "plainly an afterthought" (Smith 1984, p. 20). We decide that an action is worthy of punishment because it is wrong, not because we are conscious of the utility to society of a system of punishment that deters future wrongdoing.

Utility does play a part in Smith's moral philosophy when he argues that we might consider God to operate from some sort of providentially benign motivation in his design of the system of nature. This sort of philosophical reflection on the tendency of the system of nature to promote the happiness of individuals suggests to Smith that the place of utility lies on a level of philosophical reflection detached from ordinary moral judgment. What Tom Campbell has called "contemplative utilitarianism" (Campbell 1971, 2013). Smith seems quite comfortable with utility playing a role in the reflection of philosophers so long as we do not mistake this for the sole valid mode of moral reflection. Smith's near contemporary Jeremy Bentham developed a prescriptive moral theory that saw utility as both a descriptive fact of human psychology and the correct foundation of a system of normative ethics (Bentham 1948). While Bentham was influenced by Smith's economics, he set himself a quite distinct task in his own philosophy and legal theory. Bentham believed that he had identified the single supreme moral principle: the utility principle, or that action is good that produces the greatest happiness for the greatest number as Smith's teacher Francis Hutcheson would have it. The utility principle provides a single moral principle to which we may hope to reduce all other moral considerations. When we talk about rights or about virtues we are, in Bentham's view, making an implicit appeal to utility. As a result, we can reduce all other forms of moral discourse to a utility calculation. Utility trumps right for Bentham, just as right trumps utility for Kant and the deontological rationalists. Smith regards both of these positions as only partially true because he does not regard moral philosophy as being capable of such clean cut decision principles.

Conclusion

It is for this reason that Smith's moral theory is a deeply human and humane approach to morality. It seeks to understand how individuals use imagination and conscience to weigh the options in their judgments. This process has at its foundation the idea that a variety of concerns and principles play a part in how we reach a judgment. The approach accepts that we do in fact reach conclusions and make judgments, but it utterly rejects the idea that a single principle, whether happiness or reason, is in any sense an accurate depiction of this process.

Adam Smith's moral theory differs from that of many Enlightenment moral philosophers because he is more careful than most in distinguishing between descriptive and normative arguments. His concern to account for the reality of moral judgment, and his apparent disinterest in the search for a single principle that will settle moral disputes, marks him out as providing one of the most psychologically sophisticated and comprehensively applicable accounts of morality: an account that is as applicable today as when he first published the *Theory of Moral Sentiments*.

Cross-References

▶ Is Smith a Real Virtue Ethicist?

References

Abramson K (2007) Hume's distinction between philosophical anatomy and painting. Philos Compass 2(5):680–698

Bentham J (1948) An introduction to the principles of morals and legislation. In: Harrison W (ed) A fragment of government and an introduction to the principles of morals and legislation. Basil Blackwell, Oxford, pp 113–435

Berry CJ (1997) Social theory of the Scottish enlightenment. Edinburgh University Press, Edinburgh

Campbell TD (1971) Adam Smith's science of morals. Routledge, London

Campbell TD (2013) Adam Smith: methods, morals, and markets. In: Berry CJ et al (eds) The Oxford handbook of Adam Smith. Oxford University Press, Oxford, pp 559–580

Darwall S (2009) Second person standpoint. Harvard University Press, Cambridge, MA

Fleischacker S (2003) On Adam Smith's wealth of nations: a philosophical companion. Princeton University Press, Princeton

Forman-Barzilai F (2010) Adam Smith and the circles of sympathy: cosmopolitanism and moral theory. Cambridge University Press, Cambridge

Hume D (1975) In: Selby-Bigge LA (rev), Nidditch PH (ed) Enquiries concerning human understanding and concerning the principles of morals. Clarendon, Oxford

Hume D (1976) In: Selby-Bigge LA (rev), Nidditch PH (ed) A treatise of human nature. Clarendon, Oxford

Sen A (2009) The idea of justice. Allen Lane, London

Smith A (1984) In: Raphael DD, Macfie AL (eds) The theory of moral sentiments. Liberty Fund, Indianapolis

Part IV

Catholic Social Teaching

Virtues, Values, and Principles in Catholic Social Teaching

Domènec Melé

Contents

Abstract

Rooted in a tradition of over 2000 years, modern Catholic social teaching (CST) has been developed since the late nineteenth century. CST proposes principles and also criteria and directives, but it is essentially a virtue-based approach, in which virtues are intertwined with principles and with four basic ethical values: love, truthfulness, justice, and freedom. Christian love (charity) is at the heart of CST, animating and inspiring all other virtues and principles. Practical wisdom, the virtue of good judgment, is also crucial to determine the just means of virtues and to apply principles, criteria, and directives correctly in each particular situation.

Keywords

Catholic social teaching • Virtues • Ethical principles • Values • Love • Practical wisdom • Justice • Freedom • Truth

D. Melé (✉)
IESE Business School, University of Navarra, Barcelona, Spain
e-mail: mele@iese.edu

Introduction

Ethics on social issues has been developed by the Christian writers from the very dawn of Christianity (Charles 1998). From the twelfth to the seventeenth centuries, the Catholic moral theology – although not presented as the official doctrine of the Church – made important contributions to ethics in economics and business (Melé 1999, 2013; Wren 2000; Schlag 2013, Azevedo Alves and Moreira 2013). Virtues occupy a central place in the Catholic ethical tradition (see "▶ Virtue Ethics in the Catholic Tradition" by Alford H., this volume).

Since the late nineteenth century, the Roman Catholic Church has presented what is known as modern Catholic social teaching (CST), beginning with Pope Leo XIII (1878–1903), who wrote the encyclical letter *Rerum novarum* on the condition of workers in consequence of the Industrial Revolution and the "laissez-faire" ideology then dominant. This was the first of the Papal encyclical letters – short booklets written in pastoral style – in which, along with other official documents of the Catholic Church, modern CST is contained. These teachings – the beginnings of which can be located several decades before those of the current movement of business ethics (De George 1987: 2001) – have important implications for ethics and spirituality in business (Williams 1997; Melé 2011) and continue to hold validity. Private authors, based on CST, undergo further development beyond the magisterium of the Pope and bishops. This latter is known as "Catholic Social Thought." Here, we only will refer to CST.

Formally, CST is a moral theology (SRS 41) developed or accepted by the magisterium of the Catholic Church (the Pope, as Supreme and Universal Pastor of the Church, and by bishops in communion with the Pope), and as a moral theology, CST finds its essential foundation in the biblical Revelation and in the tradition of the Church interacting with reason and subsequently with philosophy, and this is what provides CST with its own internal logic. Practical experiences and some contributions from the social sciences are also taken into account; thus, faith and reason represent the two cognitive paths of the Church's social doctrine. CST – now a large body of knowledge and an academic discipline – are addressed not only to faithful Catholics but also to every person of good will. The main documents of CST until early this millennium were synthesized in the *Compendium of Social Doctrine of the Church* (CSDC) (2004), an essential reference book which also gives a comprehensive and systematic overview of CST.

Its internal logic gives rationality to CST and, therefore, universal applicability. Faith sheds light on certain aspects of the human being, such as the fullness of meaning of human dignity based on the divine revelation that the human being has been created in the image and likeness of God (Bible, *Genesis* 1:27), and gives deeper knowledge. CST's aim is to draw inspiration and light to understand, judge, and guide human experience and history (CSDC 74–78).

CST proposes a set of permanent principles for reflection, criteria for judgment, and directives for action (OA 4; SRS 3) applicable to particular social and business situations. According to the *Compendium*, the "permanent principles" constitute "the very heart of Catholic social teaching" (CSDC 160). Considering the

importance shown to principles, one might think that CST is essentially a deontological approach. This is not the case if, by a deontologist approach, we understand one which is duty based and excludes the role of virtues or assigns them a secondary role.

The Centrality of Love

The fundamental inspiration of CST is above all "its vital link with the Gospel of the Lord," as Pope John Paul II wrote (SRS 3). Principles, criteria, and directives are only a consequence. This makes sense if we remember that the essence of Christian morality is Jesus Christ Himself, inasmuch as, according to the Bible, every believer is called to be a follower of Christ (cf. Bible, *Acts* 6:1), and Jesus presents himself as "the way." In this line, Pope John Paul II explains: "*Following Christ is thus the essential and primordial foundation of Christian morality*." (VS 19; emphasis in original here and hereafter). More specifically, he added: "Jesus asks us to follow him and to imitate him along the path of love, a love which gives itself completely to the brethren out of love for God: 'This is my commandment, that you love one another as I have loved you' (Bible, *John* 15:12)" (VS 20). Thus, the imitation of the Christ's love becomes central. Such a love is a virtue – a stable disposition of character – which includes all other virtues, as we will discuss below.

However, moral norms are not excluded from Christian morality. Jesus says: "Do not think that I have come to abolish the Law or the Prophets; I have not come to abolish them but to fulfil them" (Bible, *Matthew* 5:17), but adds that all the law and the prophets are reliant on the two commandments *love God* and *love your neighbor* (Ibid 22:37–40). Thus, love is both a crucial virtue and a commandment or principle for good behavior.

If this interpretation is correct, virtues and principle are inseparably united in the very foundation of Christian morality. These biblical writings also include general principles of conduct and specific precepts. In particular, the New Testament encourages virtues, as well as living moved by the Holy Spirit (God), beyond a set of strict norms. In this sense, Christian morality is life in the Spirit, i.e., life in union with Christ. In the New Testament, "human life is much less governed by prescriptions than in the Old Testament. Life in the Spirit leads believers to a freedom and responsibility which surpass the Law" and in order "to apply these to the particular circumstances of individual and communal life, Christians must be able fully to engage their conscience and the power of their reason" (FR 69). This is what occurred in Catholic moral theology throughout history in an attempt to use reason to develop faith to give guidelines for Christian practice.

The Bible itself presents charity closely related with many other virtues and, in a certain sense, at the core of all of them. St. Paul writes: "Love is patient; love is kind; love is not envious or boastful or arrogant or rude. It does not insist on its own way; it is not irritable or resentful; it does not rejoice in wrongdoing, but rejoices in

the truth. It bears all things, believes all things, hopes all things, endures all things" (Bible, *1 Corinthians* 13:4–7).

Outstanding Christian authors such as Augustine of Hippo and Thomas Aquinas stressed the centrality of love in Christian ethics. Aquinas emphasized that charity (love) – understood as friendship of the person with God – underlies all virtues: "no true virtue is possible without charity" (1981, II-II, 23, 7). Augustine, in a more detailed way, explained how love embedded all cardinal virtues (temperance fortitude, justice, and prudence). He wrote:

> For these four virtues (would that all felt their influence in their minds as they have their names in their mouths!), I should have no hesitation in defining them: that temperance is love giving itself entirely to that which is loved; fortitude is love readily bearing all things for the sake of the loved object; justice is love serving only the loved object, and therefore ruling rightly; prudence is love distinguishing with sagacity between what hinders it and what helps it. (1991[388], Chap. XV)

Pope Benedict XVI makes explicit the centrality of love (charity) in CST by saying: "Charity is at the heart of the Church's social doctrine. Every responsibility and every commitment spelled out by that doctrine is derived from charity which, according to the teaching of Jesus, is the synthesis of the entire Law (cf. Bible, *Matthew* 22:36–40)" (CV 2). He adds that charity (love) is not only for interpersonal relationships, but it also embraces all other type of relations among human beings. "It [charity] gives real substance to the personal relationship with God and with neighbour; it is the principle not only of micro-relationships (with friends, with family members or within small groups) but also of macro-relationships (social, economic and political ones)" (CV 2).

Charity as neighborly love can be translated into the managerial and business world as "service," when this service contributes to human flourishing (See "▶ Service in the Catholic Social Tradition: A Crucial Virtue for Business" by Guitián G., this volume; see also Guitián, 2015). In this sense, the *Compendium* affirms that service is "*the sign and expression of love, which is seen in the areas of the family, culture, work, economics and politics according to specific aspects*" (PCJP 2005, n. 551).

Four Key Values: Love, Truth, Justice, and Freedom

CST present four key values: love, truth, justice, and freedom, (CSDC 198–208; PT 45) affirming that social order "must be founded on truth, built on justice and animated by love; in freedom it should grow every day toward a more humane balance" (GS 26). These values can be related with their corresponding virtues.

As noted, love is central, but truth is also a crucial Christian and human value, and truthfulness – which includes love for truth – is its corresponding virtue. Love and truth go together. Love "rejoices in the truth" (Biblia, *1 Corinthians* 13:6), says St. Paul, and in other passage, he adds "do the truth in love" (Biblia, *Ephesians* 4:15). Benedict XVII talked extensively of "love in truth" in one of his encyclicals,

the Latin title of which is precisely *Caritas in veritate* ("Love in truth"). He sees charity as being intertwined with truth: "Truth needs to be sought, found and expressed within the 'economy' of charity, but charity in its turn needs to be understood, confirmed and practiced in the light of truth" (CV 2). Charity itself entails truth, that is, knowing what is really worthy of being loved. "Truth is the light that gives meaning and value to charity (…) Truth frees charity from the constraints of an emotionalism that deprives it of relational and social content, and of a fideism that deprives it of human and universal breathing-space. Without truth, charity degenerates into sentimentality. Love becomes an empty shell, to be filled in an arbitrary way" (CV 3).

Love and truth are presented as crucial for social life, up to the point that Benedict XVI affirms that "*Caritas in veritate* [love in truth] is the principle around which the Church's social doctrine turns, a principle that takes on practical form in the criteria that govern moral action" (CV 6). Through its close link with truth, "charity can be recognized as an authentic expression of humanity and as an element of fundamental importance in human relations, including those of a public nature" (CV 3).

Courage is perhaps required to emphasize the importance of truth in a cultural context in which skepticism and relativism are widespread and in which one might find even an increasing reluctance to acknowledge the existence of any truth. Benedict XVI was aware of this when he wrote this text (CV 3), but he was confident of the capability of human reason, and of course, of faith to grasp the truth in matters crucial for human life, and warned about the risk in a culture from which the truth is excluded. "In a culture without truth, this is the fatal risk facing love. It falls prey to contingent subjective emotions and opinions, the word 'love' is abused and distorted, to the point where it comes to mean the opposite" (CV 3).

The importance of truth appears clearly in the business context when people are manipulated, customers are deceived, or accounts are falsified. People generally react against organizational cultures based on lies and a lack of respect for truth. But, "truth, by enabling men and women to let go of their subjective opinions and impressions, allows them to move beyond cultural and historical limitations and to come together in the assessment of the value and substance of things."

Another crucial value, closely related with both love and truth, is *justice*. As a virtue, Aquinas defined justice as "a habit whereby a man renders to each one his due by a constant and perpetual will" (Aquinas 1981, II-II, 58, 1), and referring to the matter and object of duties (norms), he affirmed that justice is "rendering to each one his right" (Aquinas 1981, II-II, 58, mentioning Isidore of Seville).

Justice, which is crucial for any society, is "the primary way of charity" (CV 6), but charity goes beyond justice; "charity demands justice: recognition and respect for the legitimate rights of individuals and peoples. It strives to build the *earthly city* according to law and justice. On the other hand, charity transcends justice and completes it in the logic of giving and forgiving" (CV 6). While justice promotes relationships of rights and duties, CST holds that justice is not sufficient, it is necessary to achieve "relationships of gratuitousness, mercy, and communion," which are aspects of charity.

Last, but not least, *freedom*. This is a value which includes the recognition that human beings have the capacity of self-determination to act and consequently to be the owner of one's own actions; therefore, each person should be respected as a free and responsible being. CST understands freedom not merely as personal autonomy to make choices whatever they may be, but a responsible self-determination of individuals. Love for freedom – responsible freedom – is the corresponding virtue for this value. As the Compendium explains, "the meaning of freedom must not be restricted, considering it from a purely individualistic perspective and reducing it to the *arbitrary and uncontrolled exercise* of one's own personal autonomy" (CSDC 199).

From a social perspective, and with implications for business organizations, CST emphasizes that economic structures and institutions, being important and often necessary, should be instruments of human freedom, and not stifle it (CV 17).

These four values underscore the unconditional value of each person and his or her calling to integral human development, in which love in truth is central, since a man "cannot fully find himself except through a sincere gift of himself" (GS 24). "The human person cannot find fulfilment in himself, that is, apart from the fact that he exists 'with' others and 'for' others" (CSDC 165).

Such a calling to an integral human development could be related to the inert experience of rejection whatever erodes one's own humanity, such as being cruel or damaging people, and the contrary, i.e., loving your neighbor. According to Benedict XVI, "All people feel the interior impulse to love authentically: love and truth never abandon them completely, because these are the vocation planted by God in the heart and mind of every human person" (CV 1).

Love in trust, accompanied by justice, brings about integral human development when acting with freedom: "Only in freedom can man direct himself toward goodness" (GS 17). Thus, "*human development presupposes the responsible freedom* of the individual and of peoples: no structure can guarantee this development over and above human responsibility" (CV 17).

The four abovementioned values have, in one way or another, underlain CST since Leo XIII, although they were only made explicit by Pope John XXIII in 1963 (PT 45). Likewise, the importance of acquiring and living virtues has been present in CST since its very beginnings, although their intertwining with principles was not always explicitly noted.

Basic CST Principles

Along with virtues and values, CST proposes a set of "permanent principles," which, as noted, constitute the very heart of Catholic social teaching. Among the principles presented by CST, one very basic example is *the principle of human dignity*, which is based on the recognition of and respect for the intrinsic worth of every human being, the awareness of the primacy of each human being over society, and the corresponding duty of respect for every person, which includes not manipulating him or her for ends which are foreign to his or her own development (CSTC 132–3). This principle "is the foundation of all the other principles and

content of the Church's social doctrine" (CSDC 160). It is not based on the second formulation of the Kantian Categorical Imperative, but on the recognition of such dignity as a basic good from both practical reason and Christian faith. In this sense, John Paul II assessed that the main thread, and in a certain sense, the guiding principle of all of the Church's social doctrine, "is a *correct view of the human person* and of his unique value, inasmuch as 'man . . . is the only creature on earth which God willed for itself' (GS 24)" (CA 11).

A second principle is the *principle of the common good*, closely connected with the previous principle of human dignity and with the equality and unity of all persons and the calling to develop or flourish as a human being. Within CST, the common good is understood as "the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfilment" (GS 26). The principle of the common good establishes the duty of organizing social life in accordance with what is good for the whole in order to foster human flourishing within the community (CSDC 164). Every aspect of social life finds its moral legitimacy in the common good (CSDC 165).

The *principle of solidarity* considers the existence of interdependences and social interactions, with the corresponding sense of unity, recognition of the intrinsic worth of each party, and a sense of brotherhood – all of which require awareness of and willingness for the common good. In short, the principle of solidarity can be defined as the obligation of contributing to the common good of the society. This principle is, therefore, contrary to all social or political forms of individualism (cf. CDF 1986, n. 73), including the common good interpreted as a sum of individual interests. It requires people to cultivate a greater awareness that they are debtors of the society of which they have become part (CSDC 195). This debt includes both current and future generations and, subsequently, the duty to contribute to sustainability. However, solidarity is not only about relationships in the society at large – the moral requirement of solidarity is "inherent within all human relationships" (CSDC 193).

In contrast with this principle, which emphasizes human sociability, the *principle of subsidiarity* stresses human freedom by establishing that "a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in the case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good" (CA 48). A consequence of this principle is that "neither the State nor any society must ever substitute itself for the initiative and responsibility of individuals and of intermediate communities at the level on which they can function, nor must they take away the room necessary for their freedom" (CDF, n. 73). This principle, like the previous, is applicable to any society or community including the business firm (Melé 2005).

The *principle of participation* regards the duty and the right to play some part in the ruling of communities to which one belongs, each according to his or her position and role, in order to promote the common good (cf. CCC nn. 1913 and 1916; CSDC 189). Participation may be carried out individually or in association with others, directly or through representation, and often through institutions in

accordance with historical and social contexts (CSDC 189–191). Totalitarian or dictatorial regimes, where the fundamental right to participate in public life is denied at its origin, are contrary to this principle (CSDC 191). In business firms, the principle of participation is understood as promoting "active sharing of all in the administration (. . .) in ways to be properly determined is to be promoted" (GS 68).

It is worth noting that CST principles are not a sort of "mechanical" rule one follows without any deliberation. On the contrary, the principles of the Church's social doctrine are "principles of reflection" (OA 4: CSDC 85, 579) and "must be appreciated in their unity, interrelatedness and articulation;" therefore, "*examining each of these principles individually* must not lead to using them only in part or in an erroneous manner, which would be the case if they were to be invoked in a disjointed and unconnected way with respect to each of the others" (CSDC 162) (emphasis added). This "examining" is precisely the task of a judgment of conscience, which is "a *practical judgment,* a judgment which makes known what man must do or not do, or which assesses an act already performed by him" (VS 59).

Practical wisdom or prudence, defined by Aquinas as "right reason applied to action" (1981, II-II, 47, 2) and in similar terms by Aristotle before him (1980, VI, 5), is crucial for understanding and applying CST principles properly. Practical wisdom, the characteristic virtue of practical reason (1981, II-II, 47, 2), "immediately guides the judgment of conscience" (CCC 1806). On the other hand, practical wisdom also plays an important role in exercising virtues, since it determines the just means of moral virtues and gives them unity (Aquinas 1981, I-II, 65, 2). Practical wisdom is crucial for business leaders (see "▶ Practical Wisdom as the Sine Qua Non Virtue for the Business Leader" by Naughton M., in this volume).

Intertwining of Virtues, Values, and Principles

As we have noted above on the subject of love, virtue and command are interrelated, and virtues and values go together to develop principles, as is the case of *love in truth*, "the principle around which the Church's social doctrine turns" (CV 6), as previously mentioned. In this last section, we will deal with the intertwining of virtues, values, and principles in CST.

First of all, it is necessary to recognize that for a long period, CST placed great emphasis on principles, but virtues were always there although they often remained implicit, with certain noteworthy exceptions. Thus, Leo XIII, Pope from 1878 to 1903, was particularly concerned with principles and standards of justice and the corresponding moral duties, but he also stressed virtues. He reminded us that the Church "calls men to virtue and forms them to its practice" (RN 28) and urged us to fight "to break down courageously every barrier which blocks the way to virtue" (RN 26). At the same time he made clear that virtue is not only a means to fulfill one's duty, but that "the true worth and nobility of man lie in his moral qualities, that is, in virtue" (RN 24).

In a similar vein to Leo XIII, other CST documents stress the importance of virtues for the compliance of duties (e.g., GS 49), but primarily for each person him

or herself (e.g., LE 9). They also state that CST is an "unspent fountain of those virtues which the modern world needs the most" (GS 43) and that the humanism promoted by CST "can become a reality if individual men and women and their communities are able to *cultivate moral and social virtues* in themselves and spread them in society" (CSDC 11; cf. GS 30) (Emphasis added).

Sometimes CST emphasizes the contribution of virtues to economic progress; John Paul II mentioned truthfulness, trustworthiness, and hard work as basic virtues of economic life (CA 27) and praised people's "disciplined work in close collaboration with others that makes possible the creation of ever more extensive *working communities*" and important virtues involved in the business process: "diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible set-backs" (CA 32).

On his part, Pope Benedict XVI stressed the role of virtues in shaping cultures, affirming that "technologically advanced societies must not confuse their own technological development with a presumed cultural superiority, but must rather rediscover within themselves the often-forgotten virtues which made it possible for them to flourish throughout their history" (CV 59). The importance of virtues in management has been highlighted in other *minor* documents, such as speeches of Popes addressed to business people, particularly from Pope John Paul II (1978–2005).

The intertwining of principles and virtues can be found in some CST texts, although given the pastoral style of papal documents, it is generally presented without any further arguments. Thus, Pius XI (1922–1939) spoke of justice – specifically commutative justice in the context of respect for private propriety – as a principle or duty but took justice as a principle derived from its corresponding virtue, since he adds: "the duty of owners to use their property only in a right way does not come under this type of justice, but under other virtues" (QA 47). This approach seems drawn from Thomas Aquinas, who, as noted, relates the virtue of justice with the moral obligation of rendering to each one his right. Actually, Aquinas relates all virtues – not only justice – with principles, as we will discuss in the next section. More recently, and drawing from John Paul II – as we will discuss below –, the *Compendium* sees solidarity as both a social principle and a moral virtue (CDSC 193).

Probably the most explicit text on intertwining principles and virtues is one to be found in the CSDC which suggests a univocal correspondence between principles and values and between values and virtues, after stating that besides the principles, the Church's social doctrine also indicates fundamental values:

> The relationship between principles and values [in CST] is undoubtedly one of reciprocity, in that social values are an expression of appreciation to be attributed to those specific aspects of moral good that these principles foster, serving as points of reference for the proper structuring and ordered leading of life in society. These values require, therefore, both the practice of the fundamental principles of social life and the personal exercise of virtue, hence of those moral attitudes that correspond to these very values. (CSDC 197)

If values are seen as "specific aspects of moral good that these principles foster" and there is correspondence between values and virtues, then virtues and principles are also intertwined. There should be no great surprise in this, since such relations also exist in Aquinas, quite an influential figure in CST (Alford 2013). Aquinas is often known in the context of ethics for his theory of natural law, but his real base is actually on virtues; indeed, his moral treatise (1981, II) is organized around virtues.

More specifically, the principle of human dignity, with its inherent recognition of and respect for the intrinsic worth of every human being, is related with human freedom, which entails self-determination for acting. "Freedom is the highest sign in man of his being made in the divine image and, consequently, is a sign of the sublime dignity of every human person" (CSDC 198; cf. GS 17). Respect is an expression of justice and, ultimately, of love.

The principle of the common good is also a requirement of justice and love. This is explicitly pointed out by Benedict XVI in saying: "To love someone is to desire that person's good and to take effective steps to secure it. Besides the good of the individual, there is a good that is linked to living in society: the common good. It is the good of 'all of us', made up of individuals, families and intermediate groups who together constitute society." Common good is not arbitrary or ideological; it requires inquiring about what is truly good. Responsible freedom is an essential aspect of the common good; in negative terms, a society in which freedom with responsibility is not respected or fostered is not desirable.

The principle of solidarity is directly connected with charity in meso- or macro-relationships. This principle is "a direct demand of human and Christian brotherhood" (CCC 1939). CST explicitly refers to solidarity under two complementary aspects: as a social principle and as a moral virtue. Regarding the latter, John Paul II defined solidarity as "a firm and persevering determination to commit oneself to the common good" (SRS 38).

As noted above, the principle of subsidiarity emphasizes freedom, but also great respect (justice) and love for persons and their integral development. It is by no means a simple guideline for attributing empowerment, but an ethical principle supported by love and freedom and also by the truth about the human person.

The principle of participation refers to the obligation to take part in promoting the common good, each according to his position and role. It is inherent in the dignity of the human person (cf. CCC 1913) and entails recognition of persons as members of a community, not mere passive receptors of orders. CST appeals to the truth about the human being, inasmuch as it affirms that participation is "in full conformity with human nature" (GS 75), with the crucial human features of rationality and freedom. Participation in business enterprises is also promoted since in economic enterprises it is persons who are joined together. "Therefore, with attention to the functions of each – owners or employers, management or labor – and without doing harm to the necessary unity of management, the active sharing of all in the administration and profits of these enterprises in ways to be properly determined is to be promoted" (GS 68).

A philosophical approach to the intertwining between virtues and principles is provided by Aquinas, who affirms that "every virtue is a habit that is the principle of

a good act" (1981, II-II, 58, 1). He connects moral precepts with human goods in the first principle of the natural law: "good is to be done and pursued, and evil is to be avoided" (1981, I-II, 94, 2), and precepts with virtues by saying: "precepts are given about acts of virtues" (1981, II-II, 44, 2).

Conclusion

We have tried to show that in Catholic social teaching, principles and duties are intertwined with values and virtues and the latter are extremely relevant – even more fundamental than duties.

Although historically CST has stressed principles, criteria, and directives, we have argued that this teaching is essentially a virtue-based approach. Christian love (charity) animates and inspires all other virtues and principles. Practical wisdom, the virtue of good judgment, is crucial to determine the just means of virtues and to make sound judgments in each particular situation.

In the following chapters of this section, the reader would find further developments regarding the place of virtues in the Catholic tradition (Alford), the crucial role of practical wisdom in leading organizations (Naughton), and service as a practical expression of Christian love or charity (Guitián). Two more chapters focus, respectively, on CST-based virtues in managing people in organization (Moreno-Salamanca and Melé) and in fostering an integral ecology (Porras).

References

Agostino D'Ippona (1991[388]) De moribus ecclesiae catholicae et the moribus Manichaeorum. De quantitative animae. Commenti di Coyle JK, Decret F, Clerici A, Fortin EL, Vannier MA, Porro P, Balidp G. Edizioni Augustinus, Palermo

Alford H (2013) The influence of Thomistic thought in contemporary business ethics. In: Lüetge C (ed) The handbook of the philosophical foundations of business ethics. Springer, Heidelberg, pp 227–250

Aquinas T (1981[1273]) Summa Theologiae. Burns Oates and Washbourne, Ltd, London

Aristotle (1980) The Nicomachean Ethics. Oxford University Press, Oxford - New York. First published in 1925

Azevedo Alves A, Moreira JM (2013) Business ethics in the school of Salamanca. In: Lüetge C (ed) Handbook of the philosophical foundations of business ethics. Springer, Heidelberg, pp 207–225

Benedict XVI (2009) Encyclical letter 'Caritas in veritate' on love in truth in social issues. Available at: http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html

Catechism of the Catholic Church (2003). Random House, London. Available at: www.vatican.va/archive/ENG0015/_INDEX.HTM

CDF (Congregation for the Doctrine of the Faith) (1986) Instruction 'Libertatis conscientia' on Christian freedom and liberation (March 22). Available at: http://www.vatican.va/roman_curia/congregations/cfaith/documents/rc_con_cfaith_doc_19860322_freedom-liberation_en.html

Charles R (1998) Christian social witness and teaching: the Catholic tradition from genesis to Centesiums annus, vol 2. Gracewind, Herefordshire

George D, Richard T (1987) The status of business ethics: past and future. J Bus Ethics 6:201–211

Guitián G (2015) Service as a bridge between ethical principles and business practice: a Catholic Social Teaching perspective. Journal of Business Ethics 128(1):59–72

John XXIII (1961) Encyclical letter 'Mater et Magistra' on the socio-economic order. Available at: http://www.vatican.va/holy_father/john_xxiii/encyclicals/documents/hf_j-xxiii_enc_15051961_mater_en.html

John XXIII (1963) Encyclical letter 'Pacem in Terra' on the socio-economic order. Available at: http://www.vatican.va/holy_father/john_xxiii/encyclicals/documents/hf_j-xxiii_enc_11041963_pacem_en.html

John Paul II (1981) Encyclical letter 'Laborem execerns' on human work. Available at: http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html

John Paul II (1987) Encyclical letter 'Sollicitudo rei sociialis' on development ethics. Available at: http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html

John Paul II (1991) Encyclical letter 'Centesimus annus' on economic and social ethics. Available at: http://www.vatican.va/edocs/ENG0214/_INDEX.HTM

John Paul II (1993) Encyclical letter 'Veritatis Splendor', on Christian moral. Available at: http://www.vatican.va/edocs/ENG0222/_INDEX.HTM

John Paul II (1998) Encyclical letter 'Fides and Ratio' on the relationship between faith and reason. Available at: http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091998_fides-et-ratio_en.html

Leo XIII (1891) Letter encyclical 'Rerum Novarum.' Available at: http://www.vatican.va/holy_father/leo_xiii/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum_en.html

Melé D (1999) Early business ethics in Spain: the Salamanca School (1526–1614). J Bus Ethics 22:175–189

Melé D (2005) Exploring the principle of subsidiarity in organizational forms. J Bus Ethics 60:293–305

Melé D (2011) Catholic social teaching. In: Bouckaert L, Zsolnai L (eds) The Palgrave handbook of spirituality and business. Palgrave – MacMillan, New York, pp 118–128

Melé D (2013) Scholastic thought and business ethics: an overview. In: Lüetge C (ed) Handbook of the philosophical foundations of business ethics. Springer, Heidelberg, pp 133–158

Paul VI (1967) Encyclical letter 'Populorum Progressio'. Available at: http://www.vatican.va/holy_father/paul_vi/encyclicals/documents/hf_p-vi_enc_26031967_populorum_en.html

Paul VI (1971) Apostolic letter 'Octogesima Adveniens', Available at: http://www.vatican.va/holy_father/paul_vi/apost_letters/documents/hf_p-vi_apl_19710514_octogesima-adveniens_en.html

Pius XI (1931) Encyclical letter 'Quadragesimo anno'. Available at: http://www.vatican.va/holy_father/pius_xi/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno_en.html

PCJP (Pontifical Council for Justice and Peace) (2005) Compendium of the Social Doctrine of the Church. Città del Vaticano: Libreria Editrice Vaticana. Avallabile at: http://www.vatican.va/roman_curia/pontifical_councils/justpeace/documents/rc_pc_justpeace_doc_20060526_compendio-dott-soc_en.html

Schlag M (2013) Economic and business ethics in select Italian scholastics (ca. 1200–1450). In: Lüetge C (ed) Handbook of the philosophical foundations of business ethics. Springer, Heidelberg, pp 178–205

Vatican Council II (1965) Pastoral constitution 'Gaudium et spes'. http://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_const_19651207_gaudium-et-spes_en.html

Williams OF (1997) Catholic social teaching: a moral compass for the next millennium. Rev Bus 19:15–21

Wren DA (2000) Medieval or modern? A scholastic's view of business ethics, circa 1430. J Bus Ethics 28(2):109–119

Virtue Ethics in the Catholic Tradition

Helen Alford

Contents

Abstract

Although virtue ethics predates the beginnings of Christianity, it is largely thanks to the Christian, and especially the Catholic, tradition that virtue ethics has survived and can be revived more generally today. After briefly indicating some of the reasons for this, the metaphysical presuppositions for virtue ethics in the Catholic tradition are examined, using the writings of Thomas Aquinas as the main source because of his wide influence over this tradition as a whole. The nature of virtue is then discussed, including both the classic distinction between the four cardinal virtues and the unity of the virtues in virtuous action. Finally, the relevance of Catholic virtue ethics for business and business ethics is discussed. Its main contribution lies in the integrated philosophy of business that it can offer, providing basic, framework answers to questions like "what is business for?" which, at the same time, allow a great degree of freedom when applying them in practice.

H. Alford (✉)
Faculty of Social Sciences, Pontifical University of St Thomas (The Angelicum), Rome, Italy
e-mail: alford@pust.it

Introduction

The concept of virtue (*arete* in Greek) predates Christianity, although it does not predate Judeo-Christianity, if we may recognize the deep connection between these two traditions. Its long history, however, has been through many travails; in particular, virtue ethics was gradually eclipsed as the modern period arose (in the second half of the eighteenth century) and was largely lost to mainstream ethical thinking. Where it survived, it was in a form that would have been largely unrecognizable to the ancients (Pinckaers 1995). Dierksmeier (2013) argues that Kant has been misinterpreted as focusing on deontology, whereas his more mature thought focuses on virtue; at the same time, the same author recognizes that Kant does start from a different, individualist anthropological viewpoint, thereby creating an important break with earlier virtue thinking, as we will discuss below. It is historically the case that it is largely thanks to the Catholic Christian tradition, marginalized in that same period, that the ancient idea of virtue ethics did not die out completely, being kept alive into our day. Some of the earliest economic treatises coming from Italy, pre-Smith, and rooted in the Catholic tradition were founded on virtue ethics (Bruni and Zamagni 2007; Genovesi 2013), while the Louvain school of economic thought was still actively promoting the connection between the Catholic tradition and economics well into the twentieth century (Almodovar and Teixeira 2008). Flynn (2008) shows how the virtue ethics of a Catholic philosopher from the first half of the twentieth century, Josef Pieper, has precious insights for the formation of business leaders today. Furthermore, the figures who are usually referred to as "rediscovering" virtue ethics in the second half of the twentieth century, Anscombe (1958) and MacIntyre (1985), are both Catholic. It would seem, therefore, that it is largely thanks to the Catholic tradition that virtue ethics has been able to return to a central place in ethical discourse. This would seem to suggest, therefore, that it is not only important for the "mainstream" to return to the early sources in Plato and Aristotle so as to "rediscover" virtue ethics but also to access what has been preserved and developed in a living tradition of thought and action through history, developing and updating what is to be found in the ancient sources (see "▶ Virtues, Values, and Principles in Catholic Social Teaching" by Melé D., this volume). This is all the more clear when it is realized that in the classic Catholic virtue ethics of Aquinas, and the many thinkers who follow him, the content of moral good is not modified by faith, but only illuminated by it. The light of human reason can also lead towards a true evaluation of what is good and true, even if faith can help (Dierksmeier and Celano 2012). If this is true, then the results of Catholic virtue ethics are important for human ethical reflection

in general. Furthermore, Catholic thinking, especially in some of its greatest exponents such as St Thomas Aquinas, has added a great deal to the metaphysical underpinnings of virtue ethics (Dierksmeier and Celano 2012). It is with the metaphysical presuppositions for virtue ethics that we begin, after which we look at how virtue is understood in the Catholic tradition, before turning to its relevance for business and business ethics today.

Metaphysical Presuppositions

The classical Catholic exposition comes from Aquinas (1981), and thus we focus on his approach here. For Aquinas, "being" is the fundamental starting point of philosophy. God is the archetype of all being (uncreated) and the fountainhead of all (created) being. God just "is," fully and completely, as revealed to us in the Hebrew Scriptures when God tells Moses his name: "I Am Who Am" (Ex 3:14) (Aquinas 1981, I, 2,3 & 4,2). God gives being to all that He creates. Unlike God, whose being is fully realized, human beings have "potential," that is, as yet unrealized capacity for being which they can bring into reality by acting (growing, developing, learning, doing). Since God is good, being is good (Aquinas 1981, I, 5,1), so that all that contributes to the life and development of created beings (not just human beings, but all created beings, up to and including the cosmos) is good. The moral philosophy and theology of St Thomas, in which his thinking on the virtues finds its place, start from these fundamental, cosmic affirmations.

The human being comes forth from God (*exitus*) and returns to God (*reditus*). On their journey through life, human beings use their freedom to develop themselves, to bring what is potential within them into being, which is good. Here we touch another crucial point of Aquinas' thinking: morally significant human development (i.e., apart from that which happens physiologically), which is growth in virtue, involves using our freedom to work with the basic, open-ended tendencies of our nature towards full development. These tendencies – Aquinas identifies some, including: towards self-preservation, towards life in society, towards knowledge, and towards reproduction (Aquinas 1981, I, 94,2) – are the foundation of what he called "natural law," using here an understanding of the word "law" that is more like the "laws" of grammar in language or the "laws" of harmony in music than "law" in a positive, juridical sense (McCabe 2003; Pinckaers 1995). Aquinas is also thinking here that, through "natural law," that is, through our working with our natural tendencies towards what is good, we participate in God's eternal law. In this view, human freedom is not limited by God; rather, its expression is a participation in God's divine reign over all He has made. Another element of natural law thinking that has relevance to economics and business is the distinction that the medievals made between "primary" and "secondary" natural law. The "primary" level refers to the human being as he or she could be, fully developed, fully alive; it is a kind of ideal to which to aspire. The "secondary" level, meanwhile, refers to the actual historical conditions of humanity, damaged by original sin, where we are all "on the way" to full development, with our weaknesses, problems, vices and general

limitations. Human beings in the first sense would be able to see that their good depends on the broader common good, and they would naturally establish an economy that is sustainable in every sense (including with the natural environment). They would also see what we can all see in our better moments, but fail to put into practice: that an economy that includes everyone in some way as a participant is the only truly human one. Goods would be available to all and we would all work together for the development and preservation of the patrimony of goods we had received (Utz 1999). Human beings as a whole, however, are not at this level of development, and so we need to create structures for them that help them, in their weakened and limited state, to move towards greater levels of fullness (i.e., towards the kind of person represented by the primary level of natural law). It is in relation to this secondary level of natural law that we can see that it is "natural" for human beings to need systems of private property; without such systems, as we have seen very well in the last century, we lose the incentive to develop the goods of the earth, and we do not take care of those we have received. Systems of private property, therefore, become important to help human beings do what they would spontaneously do if they were able to fully understand and work towards what is good for them. Private property is "natural" to human beings at this secondary level of "natural"; it is a means to help us arrive at what is truly and fully human. As we said, in economic terms, this "fully human" end would mean an economy that is truly based on the common good, and therefore truly sustainable, and one that allows everyone to participate in it (Utz 1999).

The Nature of Virtue

Within this general framework for understanding human life and what is good within it, the idea of virtue finds its place. Aquinas adopts much of what Aristotle says on the subject, although when it comes to deciding how to analyze specific virtues, he uses the Stoic idea of the cardinal virtues, each one directing a basic tendency within the human person towards the good: reason (mind), will, aggressive emotions, and affective emotions (Aquinas 1981, I-II, 61). With this in mind, we may turn to a definition of virtue: an acquired habitual disposition towards the good. Each word is important here. Firstly, it is a characteristic of virtue that it is habitual. Virtues are settled ways of behaving that we have acquired over time through experience and experimentation and, in particular, through learning from others. Other things being equal, it is usually harder for young people to display the same level of virtue as those who are older, since they have not had the time to develop these settled dispositions so completely. Secondly, a virtue is a "disposition," here meaning a way of being, a form that an otherwise unformed tendency within our character has assumed. Another way to understand the idea of disposition is to contrast it to the idea in existentialism that we only live in each moment and that from one moment to the next we may do things that are contradictory, without any sense that there may be a problem with this. Thirdly, a virtue disposes us habitually towards the "good," towards doing what brings the potentiality in our

being, and in the beings around us, into existence. We can see the great difference between this way of thinking about what is the good thing to do and that of utilitarianism or deontology. Whereas in the latter case, doing the right thing is mostly about "knowing (intellectually)" what the right thing is and applying this knowledge impartially in each situation, in the virtue approach, doing the right thing is more a consequence of becoming a fully developed person (integrating knowledge into that); doing the right thing then reinforces the habitual disposition (virtues) towards the good that have gradually been built up over time through many attempts to realize the good across the different situations and circumstances of life.

The four cardinal virtues mentioned above are usually given the names prudence (virtue of the rational mind, which oversees the operation of all the moral virtues), justice (virtue of the will, governing our relation to others, including God), courage or fortitude (virtue of the aggressive emotions), and temperance or moderation (virtue of the affective emotions). However, after the attacks made on prudence by thinkers of the stature of Kant, and the deformation of its meaning in English in general, the term "practical wisdom" is often used instead of prudence. In each case, the idea is that these names refer to an acquired habitual disposition towards the good of the particular power that virtue disposes. Since it refers to our rational capacities, prudence or practical wisdom has a special place among the virtues, in a certain sense "overseeing" the others. It is through a proper use of reason, evaluating the circumstances that we face in each choice or decision we make in relation to what is good (i.e., what leads to the development of living beings, human beings in particular but not exclusively), that we are enabled to start moving towards what is good in general. Our emotions are then important drivers in giving us the "energy" to move towards that good, and the virtues that control them help them to be directed in the way that prudence indicates. Lastly, our will, our capacity to choose the human good and to make that choice come into reality, comes into play, making what the rational capacity and our emotions are leading us towards really happen. As such an account indicates, for Aquinas the virtues are intimately related to each other; in some senses, the distinction between the four cardinal virtues is a helpful tool for analysis, thereby deepening our understanding, but does not represent a distinction that we can push far in practice (Aquinas 1981, I-II, 65). While it does make sense to say that someone could be a good or virtuous politician or businessman, i.e., in that part of his life dedicated to these activities, he displays virtue, while we might not want to say he is a virtuous man *tout court* (perhaps because of weaknesses in his private life, for instance), in any particular set of circumstances, the virtues are operating together, even if they themselves are always developing too. A person fully developed in virtue is able to do what is good as a kind of "second nature," so that we could say that "it comes naturally to them" to do so, like a virtuoso performer is able to play her instrument "naturally" or a great linguist is able to use languages in an effortless way. At the same time, virtue theory is able to incorporate an incomplete development of virtue without collapsing. Some terms have been developed to help us identify various stages in that development: on the way to becoming fully developed (virtuous), a person may

move from being "incontinent," that is, from knowing what is good but not being able to do it in a settled way (distinguishing himself therefore from a "vicious" person), to being "continent" or "self-controlled," and so able to do good in a predictable way, even if still requiring effort and concentration to get there (Moore 2005; Porter 1994). Similarly a person who learns to be virtuous, say, in her family or religious community, may gradually be able to transfer what she has learned in these other areas of her life to her business activity.

Although this part of the discussion is less accessible to a general audience, we would give an incomplete idea of virtue in the Catholic tradition if we neglected to mention the questions of the "theological virtues," "infused virtue," and "grace" (Aquinas 1981, I-II, 62 and 109–114). So far, we have talked about virtue as something that we can develop through habitually trying to bring potential into being (which is good) through using our free capacities to do this. In this sense, the classical Catholic tradition is very clear that what is good for human beings is the same for everyone, since it is based on human nature, on bringing into being the potentialities in that nature. At the same time, we can all recognize the difficulties that we experience in trying to realize the good, and from the Christian point of view, this difficulty comes partly from the presence of "sin" and "sinfulness" in our lives which "cloud" our vision of what is good and also lead us towards doing what is only apparently, not truly good and, therefore, towards "vice" rather than towards "virtue." In the Catholic tradition, therefore, while it is recognized that all human beings have the capacity to identify what is truly good, it is also recognized that sin can block us from seeing it or can block us from being able to achieve it. In order to overcome such a block, we need special help from God which, following St Paul's use of the word, has been called "grace." Christians can be assured that they receive God's grace through prayer, penance, good works, and the "sacraments" (special ritual moments through which God has assured us in Christ that we encounter him and receive his grace), but they also believe that God is completely free to provide help to whomever He wills whenever He chooses. Therefore, we can hope that God's grace works in all people of good will in some way, helping them to discern what is truly good and giving them strength to achieve it. Through grace, we receive guidance as to understanding what is good for us. According to St Thomas, we could arrive at this knowledge ourselves, using the light of our natural reason alone, but it would be much harder for us to do so and we would be more likely to make mistakes, or arrive at conclusions where mistakes are mixed in with truth, and have to learn from painful experiences of trial and error (Dierksmeier and Celano 2012). Secondly, whether we are believers or not, we also receive help from God, through grace, to do what is good. Given human sinfulness, this help or grace is needed by all of us in order to become virtuous, that is, to habitually work towards the good.

Over and beyond the role of grace in helping us to achieve what is good at the natural level, given the brokenness, limitedness, and sinfulness of human beings, what we further receive from "life in Christ" takes us beyond the level of nature to a real participation in God's own life or what we might call a participation in "supernatural" (as opposed to "natural") life. At the level of "supernatural" life, there are particular "theological virtues" which in the Christian tradition have been

identified as faith, hope, and charity (love), as they emerge from the letters of St Paul. Participation in God's divine life is made possible by the same grace that helps us overcome the effects of sin. Grace "sanctifies" (heals and raises up the person to this higher, supernatural level) and also allows the person to participate "freely" or "gratuitously" in bringing others to such a level (hence, St Thomas speaks about "sanctifying" and "gratuitous" grace, Aquinas 1981, I II, 111, a1). A connected idea within the Catholic tradition is that of an "infused" moral virtue. These infused moral virtues, given to us as a gift over and above our own efforts to live virtuously, mirror those that we build up through our habitual attempts to do what is good and do not replace them. They help us in a parallel way to achieve what is good for us, strengthening us in achieving our moral good, as do the theological virtues. A complete presentation of a Catholic understanding of how God helps us to live a fully human life would also include a discussion of the gifts of the Spirit and of the charisms, but here we are focusing on virtue so we only mention them in passing.

Since the nineteenth century, a time when knowledge as a whole was rapidly expanding and the foundations of whole new disciplines such as sociology and psychology were being laid in the Catholic Church, the development of what comes to be called "Catholic social teaching" and "Catholic social thought" takes place in a similar way (see "▶ Virtues, Values, and Principles in Catholic Social Teaching" by Melé D., this volume). In a sense, we can see the development of this body of thought (some of it "official," because it comes from the official "teachers" in the church, the bishops, and, among them, the Pope) as the application of the same moral thinking that is behind the virtue tradition, but in a more complex social environment, where the construction of social systems is no longer based only on traditional forms but is actively under our control. The principles of this social thought that develop, therefore, could perhaps be seen as presuppositions for creating "social virtue," that is, a society that supports the full development of its members in an inclusive and participative way.

Relevance to Business and Business Ethics

As discussed above, much of the thinking on virtue in business is influenced by the Catholic tradition in one way or another. The greatest obvious influence is through the many references in the literature on virtue ethics in business to Aquinas, often alongside Aristotle, but beyond that, many of those working on virtue in ethics in business are either personally inspired by Catholic belief or else part of the Catholic tradition as professors in Catholic universities or use sources coming from the Catholic tradition. In most of the current literature on Catholic virtue ethics and business, there is a close link to Catholic social thought and teaching. Since the literature that could be discussed here is large, the articles and books considered are, where possible, the most recent of their kind or the most recently by the authors discussed. Through their bibliographies, it is therefore possible to arrive at earlier texts, including those by the same authors.

We may identify three main ways in which virtue ethics in the Catholic tradition is important to business: (i) in creating a basic philosophical framework for business, providing answers to basic problems like "what is business for?", "what is a business?", "what idea of the human being do we need when thinking about business?", "how do human beings develop in and through business activity?", and similar kinds of questions (Alford and Naughton 2001; Dierksmeier and Celano 2012; Genovesi 2013; Lutz 2003; Melé 2009; Sison and Frontrodona 2012); (ii) in showing the contribution of Catholic virtue ethics through history to the development of business (Alves and Moreira 2013); and (iii) in providing a basis for practical business initiatives that actively draw on Catholic virtue ethics, such as the "Blueprint for Better Business."

Catholic virtue ethics has been applied to business as a whole in both book-length studies (Alford and Naughton 2001; Melé 2009) and articles (Dierksmeier and Celano 2012; Genovesi 2013; Lutz 2003; Sison and Frontrodona 2012). Sometimes Catholic thinkers have relied more on Aristotle than on explicitly Catholic sources, making clear that their approach is not limited to Catholic believers. However, since other entries in this handbook deal with Aristotle and how his thought is applied today, here we focus on texts which explicitly aim to apply a virtue ethics from the Catholic tradition to business (see "▶ Virtues, Values, and Principles in Catholic Social Teaching" by Melé D., this volume).

Alford and Naughton (2001) use virtue ethics both in the first, general part of their book and the four cardinal virtues to structure in its central section to "engage" Christian social thought with business. In "establishing the engagement," they present the virtues in general in a way that largely follows what has been said above, linking it with a discussion of various dimensions of human development and emphasizing that the virtues develop in community. Taking a classical approach, like Sison and Fontrodona (2012), they see an intimate connection between the common good and virtue, with the two reinforcing each other. In "making the engagement," they suggest how the virtues can be applied to business practice (see "▶ Virtues and Principles in Managing People in the Organization" by Moreno-Salamanca A. and Melé D., this volume) and discuss the role of virtues in managing people within the Catholic Tradition. Melé (2009) does not espouse such an overtly Catholic virtue ethics, but, unlike many other textbooks for teaching business ethics, he does not start with comparing the different ethical theories of utilitarianism, deontology, or rights language and then turning to virtue theory, nor does he set up a series of cases to be analyzed using these different theories (Goodpaster et al. 2005, among others), leaving the reader to decide between them. Instead, he focuses on what needs to be done – what happens in business – and how ethics is a part of this in a culturally diverse world. He then approaches how business and ethics interact at individual, managerial, organizational, and societal levels, with various key issues addressed at each stage. It is instructive to note that virtue ethics is mentioned throughout the book, such that it can be regarded as the underlying ethical approach, although it especially comes to the

fore at the individual and managerial levels, while alternative ethical theories are summarized in an appendix to one of the chapters. The most extensive discussion of the virtues is to be found at the level of managerial ethics, where a whole chapter is devoted to "Human Virtues in Leadership of Organizations."

Lutz (2003) provides a devastating critique of much that has passed for business ethics. According to Lutz, the underlying problem with the discipline is that it tries to "insert" ethics into business theories and disciplines that are profoundly unethical in their basic presuppositions. This hopeless task is like trying to "mix oil and water." Without a realistic "philosophy of business" that gives a proper place to ethics, thereby allowing a mutually beneficial dialogue to take place between the two disciplines, no real progress can be made. He further argues that such a philosophy should start from the virtue of prudence as the fundamental virtue of managerial life and begins to elaborate the beginnings of such a philosophy.

Sison and Fontrodona (2012) offer a magisterial contribution to (Catholic) virtue ethics. They put together an understanding of the firm's common good that draws first on Aristotle and then on the "expansion" that Aquinas and Catholic social thought make of his thought so as "to contribute to the virtue theory approach to business ethics in several ways." These include identifying virtue with the "subjective, nonmaterial dimension of the common good of the firm," thus highlighting its "dominant and teleologically superior position" with regard to the objective and material dimension of the common good. While producing good products and services is clearly valuable, nevertheless, they argue, "these would amount to almost nothing, from the human and ethical perspective, if they were produced in contempt of virtue." Focusing on the common good in its two dimensions allows us to call a firm itself "virtuous," where the organizational environment permits the development of virtue at the personal and communal levels, thereby also benefiting from that development. At the end of their contribution, they suggest that they are extending the ideas on the "common good theory of the firm" proposed by Alford and Naughton (2001), thereby again signaling their closeness to a Catholic virtue ethical approach.

Dierksmeier and Celano (2012) provide another magisterial synthesis of Thomistic virtue ethics in relation to justice, a "relational virtue" that "expresses a communal orientation of the human being" which, when practiced as Aquinas understands it, also leads to "*personal* fulfillment" (italics original) and therefore also benefits companies. Correctly summing up the view of Aquinas on this point, they can say that "[u]nselfish behavior, oriented to the common good, lies . . . in the self-interest of business." Through a very clear and thorough exposition of the natural law basis of Aquinas' theory of virtue, they demonstrate its general applicability to human action which, along with its combination of general norms with a sensitivity to circumstances, makes it especially helpful in a globalized, intercultural context. They are also able to use this approach to justice to make a helpful distinction between CSR activities and philanthropy, the first being a matter of justice, so that "corporations cannot choose whether to be responsible corporate

citizens or not," while the second is one of generosity or charity, going beyond justice, but not substituting for what justice requires. Finding "contemporary resonance" to their discussion in the 2009 encyclical of Pope Benedict XVI, *Caritas in Veritate* (Benedict 2009), they make a persuasive argument that "social justice [is] the global virtue of business."

Flynn (2008) offers a "vision for leadership": "in both religious and nonreligious 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." For Flynn, relying first on Aristotle, but then more extensively on Josef Pieper, the key to a proper virtue ethics for business leaders and workers is to revive a proper understanding of leisure in the good life. He calls for a "new concern for the integral needs of the person" to combat the kinds of ills that afflict our society and argues that Pieper's philosophy "with its triple foci of virtue, leisure, and the human person provides a starting point."

Historical studies, demonstrating how virtue ethics has developed through history in relation to the development of economic systems, are another area where Catholic virtue ethics contributes to business ethics. For instance, Alves and Moreira (2013) discuss the contribution of Domingo de Soto (1495–1560) to virtue ethics on commerce, building on Aquinas and his natural law theory, at the crucial moment of the "discovery" of the "new world." The development of commerce, he argues, can be seen as a good thing because, despite its drawbacks, it is related to a greater level of culture and civilization. In itself, business is not intrinsically good or bad; it depends on how it is carried out. Many aspects of business can become morally dangerous; people may use positions of power against the common good, for instance, yet commerce well done contributes to the common good by transferring goods from where they are in surplus to where they are needed, and can do so more effectively for a large number of different products than any government administration could manage. He also emphasizes that the vices of merchants are not the vices of commerce itself. He develops arguments against monopolistic practices and against the withholding of information when it is of material importance to buyers. Alves and Moreira (2013) also indicate the substantial connections between de Soto's thought and later thinkers, such as Sison and Fontrodona (2012), emphasizing thereby the ongoing, living tradition of thought that continues to update itself in the light of newly emerging issues and problems.

Finally, virtue ethics in a Catholic perspective are also important in several more practical initiatives to support business integrity. These would include the tools created by the Veritas Institute to help businesses ensure that their ethical codes are institutionalized properly and the "Blueprint for Better Business," promoted by the Blueprint Trust, which builds on virtue ethics to help businesses rethink their purpose in relation to promoting human dignity and serving the common good. For more information, see the websites of the Veritas Institute and the Blueprint Trust: http://www.stthomas.edu/centers/veritas/; http://www.blueprintforbusiness. org/.

Conclusion

Catholic virtue ethics, in parallel with virtue ethics in general, has gradually moved from the margins of business ethics towards the mainstream. Nevertheless, both virtue ethics in general and Catholic virtue ethics more specifically are still less developed than they could be in the area of empirical studies (Beadle 2013; Karakas and Sarigollu 2013; Robinson et al. 2013). In the case of Catholic virtue ethics, with its recognition that virtue resides in the person, this may be in part because of the difficulty of using quantitative techniques. From a Catholic perspective, quantitative studies that aim at "measuring" virtuous behavior need always to recognize that what is measured can only constitute proxy variables for virtue itself. Although great steps forward in the measurement of social outcomes, through more advanced social indicators and the use of big data, have been made and will continue to be made, nevertheless, all studies that aim to use measurement in some way will come up against this limit. It will be important that this be kept in mind if the value of virtue ethics itself is not to be lost through an inappropriate use of empirical techniques.

References

Alford H, Naughton M (2001) Managing as if faith mattered: Christian social principles in the modern organization. University of Notre Dame Press, Notre Dame

Almodovar A, Teixeira P (2008) The ascent and decline of Catholic economic thought 1830–1950s. In: Bateman B, Banzhaf H (eds) Keeping faith, losing faith: religious belief and political economy. Duke University Press, Durham

Alves AA, Moreira JM (2013) Virtue and commerce in Domingo de Soto's thought: commercial practices, character and the common good. J Bus Ethics 113:627–638

Anscombe GEM (1958) Modem moral philosophy. Philosophy 33:1–19

Aquinas T (1981) The summa theologica. Benzinger Brothers, New York. Available at http://www.newadvent.org/summa/

Beadle R (2013) Managerial work in a practice-embodying institution: the role of calling, the virtue of constancy. J Bus Ethics 113:679–690

Benedict XVI (2009) Caritas in veritate. Available at http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html

Bruni L, Zamagni S (2007) Civil economy: efficiency, equity, public happiness. Peter Lang, Bern/Oxford

Dierksmeier C (2013) Kant on virtue. J Bus Ethics 113:597–609

Dierksmeier C, Celano A (2012) Thomas Aquinas on justice as a global virtue in business. Bus Ethics Q 22(2):247–272

Flynn G (2008) The virtuous manager: a vision for leadership in business. J Bus Ethics 78:339–372

Genovesi A (2013) Lezioni di economia civile. Vita e Pensiero, Milano

Goodpaster K, Nash L, De Bettignies H (2005) Business ethics: policies and persons. McGraw-Hill/Irwin Professional Publishers, New York

Karakas F, Sarigollu E (2013) The role of leadership in creating virtuous and compassionate organizations: narratives of benevolent leadership in an Anatolian tiger. J Bus Ethics 113:663–678

Lutz D (2003) Beyond business ethics. OIKONOMIA J Ethics Soc Sci 2(2):13–28. Available at http://www.oikonomia.it/index.php/en/oikonomia-2003/giugno-2003

MacIntyre A (1985) After virtue: a study in moral theory, 2nd edn. Duckworth, London

McCabe H (2003) Love, law and language, 2nd edn. Continuum, London

Melé D (2009) Business ethics in action: seeking human excellence in organizations. Palgrave Macmillan, London

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Pinckaers S (1995) The sources of Christian ethics. T&T Clark, Edinburgh

Porter J (1994) The recovery of virtue. SPCK, London

Robinson B, Stey P, Alfano M (2013) Virtue and vice attributions in the business context: an experimental investigation. J Bus Ethics 113:649–661

Sison A, Frontrodona J (2012) The common good in the Aristotelian-Thomistic tradition. Bus Ethics Q 22(2):211–246

Utz AF (1999) Etica economica: filosofia, teologia, sociologia. Edizioni San Paolo, Milan

Service in the Catholic Social Tradition: A Crucial Virtue for Business

Gregorio Guitián

Contents

Abstract

There is an increasing use of the idea of "service" in management and business ethics literature, but the concept of service as a virtue has not been sufficiently analyzed. Catholic social teaching (CST) has developed interesting insights on service, linking it to the exercise of virtue and subsequently to human flourishing. This chapter, drawing from CST, presents service as virtue and focuses principally on service as expressed in working within a business organization. In addition, it considers a set of virtues connected to service, including availability, industriousness, diligence, kindness, and courage. Finally, it examines the relevance of the virtue of service for business, which is threefold: favoring the human flourishing of those who work in business, fostering quality of the work done, and contributing to the ethical quality of human relations involved in business.

G. Guitián (✉)
Department of Moral Theology, School of Theology, University of Navarra, Pamplona, Spain
e-mail: gguitian@unav.es

Introduction

In recent years, concepts related to "service" have entered into the ethical discourse. This is the case of "servant leadership," which is an ethical approach to leadership (Greenleaf 1977; Spears 1995, 2002; Autry 2001; Blanchard and Hodges 2003; Van Dierendonck 2011), among others. According to Greenleaf, who introduced this concept, someone who wishes to guide others in a firm must see himself or herself as, first and foremost, their servant (Greenleaf 1977, p. 13). Similarly, other authors stress the "willingness to serve" as a key competency for managers and the basis, in conjunction with practical wisdom, for the manager's main virtues (Melé 2012, pp. 132–135). In addition, "service-learning" programs are being proposed as a way to teach business ethics and develop the moral character of students and managers alike (Giles and Eyler 1994; Fleckenstein 1997; Godfrey et al. 2005; Steiner and Watson 2006; Vega 2007), and there is even a marketing theory termed "service-dominant logic" (Vargo and Lusch 2004), which several authors believe to have some ethical potential (Vargo and Lusch 2006; Abela and Murphy 2008; Williams and Aitken 2011). Finally, a wide variety of firms have corporate values and mission statements which make reference to an attitude of service. For example, Reell Precision Manufacturing is an experienced firm that specializes in hinges, torques, and other engine parts. As the company puts it, Reell wants "to create a world-class service experience. You can feel it in the quality of our products and technology. You can feel it in every interaction with our design and sales teams" (Round 2010).

In this chapter, we will discuss whether service as a permanent disposition could be considered a virtue. Then we will explore how service is considered in Catholic social teaching (CST). Our conclusion will be that service is a virtue closely related with "love in truth" which is central in CST (Cfr. Benedict XVI 2014, #6; see also "▶ Virtues, Values, and Principles in Catholic Social Teaching" by Melé D., this volume). Furthermore, we will see that there are other virtues encouraged by CST, which can be considered as aspects or requirements of service. We will conclude by discussing the relevance of the virtue of service for business.

Service as a Virtue

Service can have different meanings. Drawing from dictionaries, we can find at least two types:

(a) Satisfying people generally for economic reasons: Service is "an act or a variety of work done for others, especially for pay" (The American Heritage Dictionary of the English Language 2000). It is also said that companies provide goods and

"services," where service is a form of assistance that satisfies a need without requiring the production of material goods (Oxford English Dictionary 1992). Yet, this latter meaning of service is already contained in "work done for others for pay." In this sense, all businesses provide service.

(b) Helping people: This meaning of service comes from the expression "being at someone's service," that is, being "ready to help or be of use" (The American Heritage Dictionary of the English Language 2000). This expression means not just being able to serve – i.e., to "assist" or "promote the interest of" someone (The American Heritage Dictionary of the English Language 2000) – it also includes the attitude of being willing to assist or help someone, i.e., the willingness or desire to assist that person. We call this latter disposition an "attitude of service," and we refer to this second meaning of service as the "ethical" meaning of service. Hence, "service" in its ethical meaning is "an act of assistance" or "help" for the other person which is done with a willingness to assist or help or to promote the interests of that person. This second meaning of service overlaps with the first if it is an act of assistance or benefit for others for economic reasons. Note, however, that while such acts can be ethical, they are not necessarily so – for instance, providing the services of prostitution or heroin to another person with a full attitude of service would not be ethical service nor would it bring about any virtue.

In business, the first meaning is quite common, but there are also companies in which the second meaning is emphasized, though not at the cost of ignoring any positive economic result of helping people. Thus, going back to the Reell example, the company affirms:

> Reell provides more than just parts, we provide solutions. Do you need torsion assisted motion? Greater torque in one direction than the other? Do you have complex part geometries? Reell has experience with all of these and more. (. . .) We change our design so you don't have to change yours. You get the right torque, the right fit and the right function, all with Reell's superior quality and on-time delivery. (. . .) Reell's responsive global customer service and world class manufacturing ensures no-hassle procurement with on-time delivery. (Round Hole 2010)

It seems that, in this context, *service* implies that this company (a) seeks to provide solutions by addressing the needs of individuals and society and (b) has a disposition to assist its clients.

The question which arises is whether such disposition in managers and employees can be considered a virtue. According to its classical meaning, a virtue is a habitual disposition of the will toward ethical good, a disposition which leads a person toward human excellence through good acts (Cfr. Crespo 2008). In other words, a virtue is a good operative habit (Cfr. Thomas Aquinas 1936, I-II, 55.2), which perfects the person. At a first glance, service in its second meaning – as an act of assistance done with a willingness to help others – seems to be ethically good as it is a manifestation of love (understood as willing good for someone) toward others. Yet, as mentioned, not every act of service is ethically good. Service as a

virtue needs some normative criterion which guarantees that the assistance provided is truly ethical. As we have discussed elsewhere (Guitián 2015), CST solves the ethical ambiguity of service by linking service with the principle of human dignity and its ethical ramifications. The assistance provided is not ethical service if it fails to respect the human dignity of the people involved, as is the case of a mafia association, trade in heroin or pornography, or when a trader deceives a client or sets an unjust price. In particular, CST draws two consequences from the principle of human dignity: respecting human rights and not treating anyone as an object to be used, or as a means, or as a thing (Guitián 2015). In summary, the ethical goodness of service ultimately depends on its connection with human dignity, and therefore it can only be a virtue when the assistance provided respects the human dignity of the people affected by the action. This way service becomes a manifestation of love in truth.

Bearing in mind the condition mentioned, we can speak of service as virtue when acts of service so defined become a good habit, i.e., a habit oriented to the human good. In effect, when instilled in the person's character through repetition, service becomes a good operative habit, i.e., a virtue, which can be defined as the habitual disposition to help or assist other people's needs expressed in acts of assistance. Actually, there is unity between a virtue and its corresponding acts, and thus the virtue of service implies the acts through which it is manifested (acts of assistance or help).

The Concept of Service in Catholic Social Teaching

In the Christian tradition, the roots of the concept of service are found in some of Jesus' teachings reported in the New Testament, and CST draws inspiration from these. These teachings reflect the human experience of personal fulfillment and entail a wisdom that all people can understand and experience. Thus, the New Testament presents service as an important expression of the commandment of love (The New American Bible 1971, John 13: 34) and the key to human fulfillment (The New American Bible 1971, John: 13:17). Jesus is portrayed teaching that "anyone among you who aspires to greatness must serve the rest; whoever wants to rank first among you must serve the needs of all," and Jesus views himself as one who "has not come to be served but to serve" (The New American Bible 1971, Mark 10: 43–45). Therefore, the path toward fulfillment depends on the way one relates to others, and Jesus suggests that deeds of service (which entail the attitude of service) are central.

The *Compendium of the Social Doctrine of the Church* (Compendium) devotes a section to "service in the various sectors of social life." This section takes in earlier reflections on service and offers the first synthesis of the concept of service in CST (Pontifical Council «Justice and Peace» 2004, #551–574). Service is described as an "expression and sign of love" that people must personally put into practice by "complying with the different demands of their particular area of work" (Pontifical Council «Justice and Peace» 2004, #551). Service arises from an internal

"commitment" (Vatican Council 1965, #31; Pontifical Council «Justice and Peace» 2004, #552) that requires the internal renewal of oneself (Pius 1931, #127; Pontifical Council «Justice and Peace» 2004, #552) and is directed to "others loved as brothers and sisters" and to "the improvement of structures" (Pontifical Council «Justice and Peace» 2004, #552). The "priority" and "the central and unifying task" of service are "promoting the dignity of every person, the most precious possession of men and women" (John Paul II 1988a, #37; Pontifical Council «Justice and Peace» 2004, #552). In summary, service is an act of assistance to others and the community that stems from an internal commitment to assist or help others through one's area of work. Basically, CST's concept of service coincides with the ethical meaning of service, and, so understood, service may become a virtue through regular practice.

Interestingly, the *Compendium* frames service in the context of human work. Service is indeed particularly expressed in working and also within business organizations. As Pope John Paul II once said, beyond being the source of one's livelihood, work is "a service for brothers which ennobles man" (John Paul 1979). This point would require understanding the "objective" and the "subjective" dimensions of work, introduced by John Paul II himself.

In the encyclical *Laborem exercens* (John Paul II 1981) – the most representative and extensive CST document "on human work" – John Paul II distinguishes (without separating) two dimensions of work: (a) the objective dimension, which is the output of work and the technical resources and instruments necessary for work (John Paul II 1981, #5), and (b) the subjective dimension, which indicates that the person is always the subject of work. Through work, a person not only produces external output (the objective dimension) but also transforms himself or herself, enriching himself or herself as a person (the subjective dimension): "he also achieves fulfillment as a human being and indeed, in a sense, becomes 'more a human being'" (John Paul II 1981, #9). The subjective dimension points to the internal development of the person with regard to skills, virtues, or excellences. Thus, work actions "must all serve to realize his humanity, to fulfill the calling to be a person (. . .). There is no doubt that human work has an ethical value of its own, which clearly and directly remains linked to the fact that the one who carries it out is a person" (John Paul II 1981, #6). For this reason, "the sources of the dignity of work are to be sought primarily in the subjective dimension, not in the objective one" (John Paul II 1981, #6). Consequently, the ultimate ethical value of work is determined by its subjective dimension.

With the relevance of the subjective dimension for human fulfillment in mind, CST suggests ways of working that may help a person to achieve the human excellence merited by his or her intrinsic dignity. In particular, CST places an emphasis on work relationships (Cfr. Benedict XVI 2014, #53; see also "▶ Virtues, Values, and Principles in Catholic Social Teaching" by Melé D., this volume) because they are an important frame for a person's development, including the building of his or her character and virtues. It is here that we find the reference to service as a key for ethical growth and for improving the community in which one works. Reflecting on the work of entrepreneurs, John Paul II states, "your activity

has always a deep dimension of service to individuals and to society, and especially to workers in your companies and to their families" (John Paul 1987, #1; Paul VI 1966; see also: John XXIII 1961, #92; Pontifical Council «Justice and Peace» 2004, #339). Yet the same idea can be applied to all workers in a firm, and thus, addressing the employees of some Italian firms and expressly highlighting "the aspect of service," the Pope states that "our human realizations, even if most sophisticated and complex, are worthy inasmuch as they reveal us as instruments of service to our brothers and sisters" (John Paul 1988b, #7). He is not speaking in terms of economic value; rather, the statement stresses the ethical value of orienting work in business toward others. Finally, working in business as service implies acts of virtue. The attitude of managers who understand their role as related to service demands "constant availability" and the acceptance of "a responsibility that revolves around three main coordinates: the persons who form part of a firm, the society, and the environment" (John Paul 1990, #6). In this sense, the *Compendium* states that "responsible authority also means authority exercised with those virtues that make it possible to put power into practice as service" and lists a number of these virtues, including "patience," "moderation," and "effort to share" (Pontifical Council «Justice and Peace» 2004, #410; John Paul II 1988a, #42).

CST also focuses on the firm as a whole (i.e., the result of the common work of those who constitute it). A business firm is a "community of persons who in various ways are endeavoring to satisfy their basic needs and who form a particular group at the service of the whole of society" (John Paul II 1991, #35; John 1961, #91). Naturally, the specific way in which a firm serves society is through its activity of providing goods and services (Pontifical Council «Justice and Peace» 2004, #338). When practiced ethically, "economic activity is therefore service mutually rendered by the production of goods and services that are useful for the growth of each person" (Pontifical Council «Justice and Peace» 2004, #333).

In conclusion, the CST view of service is linked with the exercise of virtue and so points to the ethical growth and human flourishing of those who put service into practice in their work in business. This last point allows for further understanding of how service can be applied in business practice, and in the next section, we explore this idea in more detail.

Service Entails Other Virtues

According to CST, the attitude of service gives rise to acts of help for others that require the exercise of virtues, so achieving ethical growth. Through virtue, service builds the moral character of the person and forges excellent human relations in economic activity. Analogously, a company can assume a service approach. Although the idea of a "virtuous corporation," understood as a corporation which fosters corporate character and encourages excellence through the incorporation of the virtues of those who represent it or are influential people in the firm (Moore 2002, pp. 29–30, 2005, pp. 663–664; Sison and Fontrodona 2012, p. 230), has not been developed in CST, we can say that a service-based corporation will be a

"virtuous corporation" if the organization fosters the virtue of service among people involved in its activity.

But what does service imply from a practical point of view? To answer this question, we need to remember CST's explanation of the objective and the subjective dimensions of work applied to service. Service has an objective dimension (the act of assistance provided) and a subjective dimension (the personal ethical enrichment of the person who provides service, which is closely related to his or her internal disposition or attitude of service). Then, on the basis of the following CST indications on service and virtues specifically required in a firm, the practice of service demands the exercise of other virtues on the part of those who work in a firm.

Availability (John Paul 1990, #6): The attitude of service implies being available to others in the awareness that one's talents and competence are called to bear fruit for others. Otherwise, it is difficult to really be ready to help or assist others. Being available to others shows respect for them. It is certainly a way of recognizing the dignity of clients or colleagues. Moreover, availability entails a degree of humility, a virtue that is contrary to false pride, which leads one to believe that being available for or serving others is unworthy. Being available to others – in general, serving others – reinforces one's own dignity because it is an act of love that ethically enriches a person.

Industriousness (John Paul II 1991, #32): Understood as hardworking or steady application to perform a task. Industriousness normally implies professionalism. Service must lead the person who serves (and the firm as a whole) to offer the best assistance or work within their abilities (objective dimension of service). A genuine willingness to serve requires that the job should be done well. Thus, industriousness and consequent professionalism result in both the human flourishing (technical and ethical) of the person who serves and the satisfaction of the client or person who benefits from that qualified assistance or work. Professionalism improves both the subjective and objective dimension of service.

Diligence (John Paul II 1991, #32): Service leads an individual to try to perform his or her work with care and without unnecessary delays for clients or colleagues. Diligence facilitates others' work and this is crucial in a firm, which is a participatory environment (i.e., work with others and for others) (John Paul II 1991, #31). Diligence reflects concern for the persons who receive that service, improves the quality of the assistance provided, and contributes to the ethical growth of the person who serves.

Kindness or courtesy (Vatican Council II 1965, #28; Pontifical Council «Justice and Peace» 2004, #43): As an outcome of the attitude of service, the act of assistance should be done with courtesy or kind manners. Kindness also shows respect for the clients' or others' dignity, so ethically enriching the person who provides service. In addition, when others have different views, kindness helps one to understand these.

Courage (John Paul II 1991, #32; Catechism of the Catholic Church 2000, #1808): Experience shows that performing work in business as service is not always an easy task. Due to multiple demands, the behavior and interests of others,

setbacks, and difficult tasks, putting service into practice means overcoming obstacles. Therefore, it is an arduous good that necessitates the exercise of courage. In this sense, courage contributes to the ethical growth of the person who serves by aiding perseverance in good work despite difficulties.

This set of virtues allows us to better appreciate how service can be practiced while working in business. Service enriches the person who serves (subjective dimension) and may also positively inform the quality of the assistance or work done for others (objective dimension) as an output of the virtues exercised. All in all, service itself appears as a virtue connected to the exercise of those other virtues mentioned and is manifested through proper acts of assistance to others when working. Now that we have a more complete account of the ethical richness of service, in the following section, we briefly address the relevance of service for those who work in business and for business firms.

Relevance of Service as Virtue in Business

We have already explained at the end of the first section that, from an ethical point of view, it is necessary for all business firms (and thus for those who make up a firm) to provide ethical service, i.e., assistance which does not harm the dignity of the persons involved (Guitián 2015). On this basis, we now add some remarks:

(a) The impact of service on the ethical character of the person (subjective dimension) depends on the person. The people who form the firm and, analogously, the firm as a whole may internally assume the ethical dimension of service to a greater or lesser degree or not at all. For instance, an individual can provide assistance without willingness to serve or an attitude of service. An example of this is a person who performs his or her job simply to avoid being fired or punished rather than to serve. In principle, this action is not ethically wrong provided it does not harm human dignity. However, in such a case, the person lacks the attitude of service. From the perspective of his or her personal flourishing (the subjective dimension), that person is missing the possibility of receiving significant internal good while performing his or her work, i.e., those virtues involved in the attitude of service which enrich the person and provide meaning. Ultimately, this proposal inspired by CST points to the need to personally (and, analogously, corporately) assume the ethical meaning of service, which includes the virtue of service expressed in its proper acts. In this way, service can improve both the ethical quality of the person who serves and the work that person does for clients, colleagues, other stakeholders, and, thus, society. From the point of view of personal flourishing through work in business, the virtue of service is highly recommendable.

(b) On the basis of not harming other's dignity, a firm may assume and promote motivations other than an attitude of service, such as a "sense of duty," which is not ethically wrong. Yet, if we consider what business firms do – providing assistance to people to meet their needs – then the attitude of service emerges as

being particularly important, given the crucial role that acts of assistance play in business. In effect, clients usually expect to receive adequate assistance in technical and/or human aspects, and a virtue like service with its corresponding acts really focuses on meeting that expectation. For instance, when a firm stresses its commitment to client satisfaction, an attitude of service expressed in some tangible way is necessary to make that commitment real.

(c) Service (with the virtues it implies) is also important from the point of view of human relationships in business. All businesses provide a form of assistance, and the virtue of service, with the other virtues connected to it, helps to ethically orient the array of human relations entailed in that work. In particular, the virtue of service and its corresponding acts of assistance enrich relationships within the firm (e.g., between managers and employees) and between the firm and its clients and society. For instance, an entrepreneur who creates a firm can instill a spirit of service, which can influence employees in their work and in the relationships with clients and other stakeholders. In addition, the exercise of service and the connected virtues of availability, professionalism, diligence, or kindness in those relations contribute to the ethical quality of the company as a whole.

Given that every business seeks to provide some form of assistance to others, the virtue of service appears to be crucial for ethically sound firms, and in fact, it is not difficult to find companies that strive to put service in practice (Guitián 2015, pp. 67–70).

Conclusion

The CST concept of service makes a relevant contribution to the clarification of the idea of service in business. CST adopts the common ethical meaning of service in everyday language. In particular, CST basically understands service as an act of assistance that is done with a desire or willingness to assist or help others (attitude of service) through work. However, CST links service so defined with respect for the human dignity of the people involved. Only thus can service be ethically good and a manifestation of "love in truth." When such acts are repeated, service becomes a virtue, i.e., the habitual disposition to assist or help others that gives rise to acts of assistance or help.

As a virtue, service ensures ethical growth through the exercise of the other virtues connected to it, so building the moral character of the person and, analogously, of the firm. Taking inspiration from specific statements of CST, we have proposed a set of virtues involved in service including availability, industriousness, diligence, kindness, and courage. These virtues specify the way service can be practiced in business and may also positively inform the quality of the work done for others. In addition, service helps to ethically manage those human relationships involved in business.

Finally, service is crucial for business firms. First and foremost, every firm must provide ethical service, i.e., an assistance that does not harm the dignity of the people involved. On this basis, the proposal of service inspired in CST is particularly recommendable for firms as it provides a specific and useful framework for a firm carrying out its work for others with responsibility: the virtue of service facilitates the human flourishing of those involved in the business activity and is mindful of those for whom the work is done. In short, service helps managers and employees to be responsible toward clients, employees, other stakeholders, and society.

References

Abela A, Murphy PE (2008) Marketing with integrity: ethics and the service-dominant logic for marketing. J Acad Mark Sci 36:39–53

Autry J (2001) The servant leader: how to build a creative team, develop great morale, and improve bottom-line performance. Three Rivers Press, New York

Benedict XVI (2014) Encyclical Caritas in veritate, Libreria Editrice Vaticana, Vatican City. Available at: http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html. Accessed 3 Feb 2014

Blanchard KH, Hodges P (2003) Servant leader. Thomas Nelson, Nashville

Catechism of the Catholic Church (2000) 2nd edn. Libreria Editrice Vaticana, Vatican City

Crespo RF (2008) Virtue. In: Kolb RW (ed) Encyclopedia of business ethics and society, vol 5. Sage, Thousand Oaks, pp 2185–2187. See also, Sison A (1992) La virtud: síntesis de tiempo y eternidad. La ética en la escuela de Atenas, Eunsa, Pamplona

Fleckenstein MP (1997) Service learning in business ethics. J Bus Ethics 16:1347–1351

Giles DE, Eyler J (1994) The theoretical roots of service-learning in John Dewey: toward a theory of service-learning. Michigan J Community Serv Learn 1:77–85

Godfrey PC, Illes LM, Berry GR (2005) Creating breadth in business education through service-learning. Acad Manag Learn Educ 4:309–323

Greenleaf RK (1977) Servant leadership. A journey into the nature of legitimate power and greatness. Paulist Press, New York/Mahwah

Guitián G (2015) Service as a bridge between ethical principles and business practice: A Catholic Social Teaching perspective. J Bus Ethics. 128:59–72

John XXIII (1961) Encyclical letter 'Mater et Magistra', Daughters of St. Paul, Boston. Available at: http://www.vatican.va/holy_father/john_xxiii/encyclicals/documents/hf_j-xxiii_enc_15051961_mater_en.html. Accessed 3 Feb 2014

John Paul II (1979) Address to monterrey workers, 31 Jan. Available at: http://www.vatican.va/holy_father/john_paul_ii/speeches/1979/february/documents/hf_jp-ii_spe_19790201_messico-monterrey-lavoratori_en.html. Accessed 3 Feb 2014

John Paul II (1981) Encyclical letter 'Laborem exercens'. Vatican Polyglot Press, Vatican City

John Paul II (1987) Address to the representatives of the business world, 11 Apr. http://www.vatican.va/holy_father/john_paul_ii/speeches/1987/april/documents/hf_jp-ii_spe_19870411_imprenditori-argentini_sp.html. Accessed 3 Feb 2014

John Paul II (1988a) Christifideles laici. Post-synodal apostolic exhortation on the vocation and the mission of the lay faithful in the church and in the world. Libreria Editrice Vaticana, Vatican City

John Paul II (1988b) Discorso al mondo del lavoro. Verona: 17 Aprile 1988. http://www.vatican.va/holy_father/john_paul_ii/speeches/1988/april/documents/hf_jp-ii_spe_19880417_agricenter_it.html. Accessed 3 Feb 2014

John Paul II (1990) Address to the entrepreneurs in Durando, 9 May. http://www.vatican.va/holy_father/john_paul_ii/speeches/1990/may/documents/hf_jp-ii_spe_19900509_imprenditori-durango_sp.html. Accessed 3 Feb 2014

John Paul II (1991) Encyclical letter 'Centesimus annus'. Libreria Editrice Vaticana, Vatican City

Melé D (2012) Management ethics. placing ethics at the core of good management. Palgrave-Macmillan, New York

Moore G (2002) On the implications of the practice-institution distinction: macintyre and the application of modern virtue ethics to business. Bus Ethics Q 12:19–32

Moore G (2005) Corporate character: modem virtue ethics and the virtuous corporation. Bus Ethics Q 15:659–685

Oxford English Dictionary (1992) Oxford University Press, Oxford

Paul VI (1966) Discorso all'Unione Cristiana Imprenditori e Dirigenti, 7 Feb. Available at: http://www.vatican.va/holy_father/paul_vi/speeches/1966/documents/hf_p-vi_spe_19660207_ucid_it.html. Accessed 3 Feb 2014

Pontifical Council «Justice and Peace» (2004) Compendium of the social doctrine of the Church. Libreria Editrice Vaticana, Vatican City. We can also find references to service in a document sponsored by the Pontifical Council «Justice and Peace»: Naughton MJ, Alford H (coord) (2012) The vocation of the business leader. A reflection. Pontifical Council for Justice and Peace, Vatican City

Pius XI (1931) Encyclical letter 'Quadragesimo anno'. St. Paul Editions, Boston. Available at: http://www.vatican.va/holy_father/pius_xi/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno_en.html. Accessed 3 Feb 2014

Round Hole, meet Round Peg: custom engineering from Reell (2010) St. Paul, July 2010. http://www.reell.cn/index.php?page=round-hole-meet-round-peg. Accessed 3 Feb 2014

Sison A, Fontrodona J (2012) The common good of the firm in the Aristotelian-Thomistic tradition. Bus Ethics Q 22:211–246

Spears L (ed) (1995) Reflections on leadership: how Robert K. Greenleaf's theory of servant-leadership influenced today's top management thinkers. Wiley, New York

Spears L (ed) (2002) Focus on leadership: servant-leadership for the 21st century. Wiley, New York

Steiner SD, Watson MA (2006) The service learning component in business education: the values linkage void. Acad Manag Learn Educ 4:422–434

The American heritage dictionary of the English language (2000) Houghton Mifflin Company, Boston

The new American bible (1971) The Catholic Press, Washington, DC

Thomas Aquinas (1936) Summa Theologica (Fathers of the English Dominican Province, Trans), 2nd rev. Bums, Oates & Washboume, London

Van Dierendonck D (2011) Servant leadership: a review and synthesis. J Manag 37:1228–1261

Vargo SL, Lusch RF (2004) Evolving to a new dominant logic for marketing. J Mark 68:1–17. 15

Vargo SL, Lusch RF (2006) Service-dominant logic: what it is, what it is not, what it might be. In: Lusch RF, Vargo SL (eds) The service-dominant logic of marketing: dialog, debate and directions. M.E. Sharpe, Armonk, pp 406–420

Vatican Council II (1965) Pastoral constitution 'Gaudium et spes'. Vatican Polyglot Press, Vatican City. Available at: http://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_cons_19651207_gaudium-et-spes_en.html. Accessed 3 Feb 2014

Vega G (2007) Teaching business ethics through service learning metaprojects. J Manag Educ 31:647–678

Williams J, Aitken R (2011) The service-dominant logic of marketing and marketing ethics. J Bus Ethics 102:439–454

Practical Wisdom as the Sine Qua Non Virtue for the Business Leader

Michael Naughton

Contents

Abstract

Issued in 2012, the Pontifical Council for Justice and Peace produced *The Vocation of the Business Leader* (VBL), a document that synthesizes the contents of the Catholic social tradition in relation to business leaders by framing their responsibilities according to a see, judge, and act framework that reveals what practical wisdom demands in the context of business. The essay surveys the connection between practical wisdom and the see, judge, and act framework in the Catholic social tradition and explains this relationship in light of the contents of the VBL document. By first examining the subjective dimension of work, the dependent relationships between the world, the work, and the worker are magnified. From this perspective, the necessity for practical wisdom in business is evident, yet its applications abstract. What VBL proposes, in light of the see, judge, and act tradition, is a practical approach to serving the common good, making of decisions grounded in well-formed principles, and reciprocating gifts and wisdom, which inevitably defines great business leaders.

M. Naughton (✉)
Department of Catholic Studies, University of St. Thomas, Saint Paul, MN, USA
e-mail: mjnaughton@stthomas.edu

Introduction

In 2012, the Pontifical Council for Justice and Peace (PCJP) issued *The Vocation of the Business Leader* (VBL), a document that synthesizes the contents of Catholic social tradition in relation to the business leader. At the heart of the document is the conviction that the businessperson is called not only to *do* business but also to *be* a particular kind of leader in business. The two convictions, of course, are related. The actions of businesspeople are significant because they engrave a specific character on themselves and their work communities, one that takes them and others somewhere. Too often business, like other forms of work, is viewed as discrete actions – a chronological set of actions that are ultimately located in products, services, policies, structures, etc. Business, however, like any work, must confront what John Paul II in *Laborem exercens* called the "subjective dimension of work" (John Paul II 1981). According to him, work not only impacts the external world but also alters the internal subject – the heart, the soul, and the mind. Human actions at work as well as in life are prime contributors of people's destiny – moving them to a place with implications. In many respects, the subjective impact may last longer than some of the objective changes employees have personally initiated. Yet the subjective dimension of work is not as easily discernible when people are only used to seeing the objective dimension of work. At first sight, the work done in organizations can look as if it involves people merely busy with objects. But upon reflection, as Bernard Lonergan, S.J., explains, "it appears that deeds, decisions, discoveries affect the *subject* more deeply than they affect the *objects* with which they are concerned. They accumulate as dispositions and habits of the subject; they determine him; they make him what he is and what he is to be" (Lonergan 1988).

Two major challenges in describing work today, and in particular business, are not capitulating to the magnification of the objective (technology, profits, operational excellence, globalization, etc.) and the agnosticism of the subjective (Alford and Naughton 2001). Emphasizing the importance of the subjective dimension of work and its relationship to human character is not, however, to underestimate the importance of the objective dimensions. It is precisely this dynamic relationship between the subjective and objective dimensions of work that tells us about how much we relate with the world and how the world relates with us. James Murphy explains that "action is immanent (that is, perfects the self) only because it is transitive (perfects the world); self and world are jointly articulated in the act of labor" (Murphy 1994). Or to put it the other way around, because work is *other*-transforming, it is also *self*-transforming.

This reflection on the subjective and objective dimensions of work serves as one of the operational foundations of why the VBL document places practical wisdom or prudence as the sine qua non virtue of the business leader. No good leader can be defined without it. For the businessperson as well as for any professional, the virtue of practical wisdom is the habit of the mind and heart that takes what is the best within someone and connects it with what is the best to be done in reality. Within the business context, practical wisdom is not about achieving simply one good such as profit, but about achieving a good life overall, ordering profit, wealth, technology, etc., to that end. It is the virtue necessary to build institutions that serve not just the leader's particular good but also the common good, which are the conditions that foster the development of those who are connected with the business.

The VBL document structures its comments according to the virtue of practical wisdom by a see, judge, and act framework that is used throughout the Catholic social tradition. This framework has its intellectual roots in Aquinas' description of prudence and is carried on through movements and teachings throughout history. This chapter will briefly examine this root system, its influence on the Catholic social tradition expressed through its teaching, thought, and practice, and specifically how the VBL document adapted this prudence through the see, judge, and act frame for the business leader.

The Tradition on Prudence as See, Judge, and Act

A tradition is a vehicle to carry ideas from the past into the future. The Catholic social tradition principally does this through its thought, practice, and teachings. The see, judge, and act method was initially articulated by Thomas Aquinas as an expression of *prudentia* (practical wisdom, in its modern translation). Aquinas explains that there are three acts to prudence:

> The first is "to take counsel," which belongs to discovery, for counsel is an act of inquiry, as stated above (I-II, 14, 1). The second act is "to judge of what one has discovered," and this is an act of the speculative reason. But the practical reason, which is directed to action, goes further, and its third act is "to command," which act consists in applying to action the things counselled and judged. And since this act approaches nearer to the end of the practical reason, it follows that it is the chief act of the practical reason, and consequently of prudence. (II-II, q, 47, a. 8)

Aquinas frames therefore the notion of prudence according to three steps. Josef Pieper, one of the preeminent commentators on Aquinas' virtues, denotes the importance of this Thomistic framework of practical wisdom by the following commentary:

1. *Seeing* and *deliberating* of reality clearly: Pieper explains that for Aquinas, "[t]he pre-eminence of prudence means that realization of the good presupposes

knowledge of reality. He alone can do good who knows what things are like and what their situation is" (Pieper 1966, p. 10).

2. *Judgment* according to Universal Principles: Pieper further explains that prudential decisions are fed from two sources, quoting Aquinas: "It is necessary for the prudent man to know both the universal principle of Reason and the singulars with which ethical action is concerned" (Quoted in Pieper 1966, p. 10; Aquinas II, II, 47, 3).

3. *Decision to act*: Pieper concludes that "[t]he special nature of prudence is its concern with the realm of 'ways and means' and down to earth realities," like business (Pieper 1998, p. 11).

Aquinas emphasized that "prudence is not just a quality of mind, but that involves action exercised by the will" (Aquinas 2006). Out of the three main elements, the third is the principal component of prudence because it is the nature of the action that corresponds the most to what *practical* wisdom is for. Prudence, then, is concerned not only with what is right but also that it is done rightly, not only with what is good but also that it is done well.

These insights, drawn from Aquinas, informed the Young Christian Workers through the leadership of Joseph Cardijn, who significantly popularized this understanding of prudence through the framework of "see, judge, and act" (Wendell 1954; Gigacz 2012). The practical and applicable understanding of this virtue helped emphasize a more inductive method, where the situation at hand and its various challenges and opportunities inform how to interpret the principles of the actions that are taken. This constructive method was an attempt to avoid a deductive reasoning of abstract principles that either resulted in unsettled ambiguity or failed to consider the actual context and condition of the situation.

In 1961, the "see, judge, and act" framework entered into the official social teachings of the Catholic Church through John XXIII's encyclical letter *Mater et Magistra* (para. 236) and is later summarized in the *Compendium of Catholic Social Doctrine* in relation to prudence. The *Compendium* states:

> The lay faithful should act according to the dictates of prudence, the virtue that makes it possible to discern the true good in every circumstance and to choose the right means for achieving it. Thanks to this virtue, moral principles are applied correctly to particular cases. We can identify three distinct moments as prudence is exercised to clarify and evaluate situations, to inspire decisions and to prompt action. The first moment is seen in the reflection and consultation by which the question is studied and the necessary opinions sought. The second moment is that of evaluation, as the reality is analyzed and judged in the light of God's plan. The third moment, that of decision, is based on the preceding steps and makes it possible to choose between the different actions that may be taken. (PCJP 2005)

The influence of prudence, or practical wisdom, has undeniably played an integral role in the Catholic social tradition. From its pedagogical expression in the teachings of John XXIII and the *Compendium* to its constructive practices exercised by Young Christian Workers, and philosophical insights in Aquinas' thought, this framework brings a tradition that has the capacity to engage the modern business leader.

Vocation of the Business Leader: Practical Wisdom as See, Judge, and Act

It is out of this tradition that the VBL specifically explains the virtue of practical wisdom for the business leader – the virtue that enables the leader to be wise in the practical affairs of business. The very framework of the document, based on see, judge, and act, assumes that the business leader, precisely to be a good leader, must be one who is practically wise. These stages are not merely chronological, but continually shape and influence the business leader throughout life.

Seeing: VBL describes serious and complicated trends within business and the moral and spiritual issues they present. While it recognizes a wide variety of challenges and opportunities, it focuses on four specifically: globalization, communication technology, financialization, and cultural changes. These challenges and opportunities are some of the most significant for business today. The trends or signs, the document explains, are "a complicated mix of factors" that presents "a complex interplay of light and dark, of good and evil, of truth and falsehood, of opportunities and threats" (PCJP 2012).

While the act of *seeing* seems rather straightforward, we would be naïve to see it as simply a stage independent of judge and act. Seeing presupposes a formation of what the leader has been sensitized to see, especially from one's education as well as from one's family, faith, and larger culture. Alasdair MacIntyre has argued that because so many universities have given up on educating the student with a "habit of mind" in relation to practical wisdom – a habit that helps future leaders to see things in relation to each other, to form judgments about the nature of realities they encounter – universities have, instead, sensitized future professionals to skills and techniques without the capability of evaluating the entirety of the conditions they confront (MacIntyre 2010). Rather than *educating* students as practically wise professionals who can see things whole, university education is increasingly *training* specialized technicians who can only see parts (Pieper 1998). MacIntyre also explains how this narrow training of the modern university is becoming more dangerous because of the larger institutional scale leaders run. He asserts that the remarkable crises of the last decades, including the most recent financial crisis, have been the consequence of the misjudgments of an intellectual elite often trained in the most prestigious universities (MacIntyre 2010). What these leaders lacked was not specialized training, but rather a developed mind in practical wisdom, which would have allowed them to interpret complex and converging realities (Bennis and O'Toole 2005; Khurana 2007).

This attitude in modern universities may also form business professionals to view reality as bifurcated between "fact and value." Business, therefore, becomes about facts and data; if realities within business cannot be measured, they do not exist. Anything that is not verifiable or falsifiable, according to this way of *seeing*, "does not belong to the realm of reason strictly understood. Hence ethics and religion must be assigned to the subjective field, and they remain extraneous to the realm of reason in the strict sense of the word" (Benedict XVI 2011). The challenge of this way of viewing reality is the abstraction of the person from their

social context. No longer are businesspeople seeing employees as mothers and fathers and sons and daughters, but rather they see them as 8-hour units or full-time equivalents (FTEs) having only instrumental value. These leaders, because of the bifurcated way they are seeing, can neither establish a deep and disciplined sensitivity to human suffering nor foster integral human development. Thus, what we are *seeing* is already within the realm of what we are *judging*.

Judging: While seeing finds itself already in the realm of judgment, the key challenge in judging is avoiding a judgmental attitude that results in "crude judgments" that fail to see reality (Midgley 1981). At the center of the VBL document is a re-articulation of the Church's social principles for business leaders to "judge" and discern what is good and not so good in business, premised on an accurate view of the human person (human dignity) and what that means for community life (common good). Catholic social principles help leaders identify, understand, and articulate their business' values and the quality of relationships they should have.

Unfortunately, one of the challenges within the Catholic social tradition is the too-often abstract presentation of these Catholic social principles. This vagueness can lead the tradition into the temptation of moralism, which Joseph Ratzinger (Benedict XVI) describes in the following way: "A morality that believes itself able to dispense with the technical knowledge of economic laws is not morality but moralism. As such it is the antithesis of morality" (Ratzinger 1986, p. 204). More specially, it is the antithesis of practical wisdom, which is the virtue that orders effective means to good ends in changing circumstances. One cannot be practically wise without practicing well what is to be done. What is needed in business and what practical wisdom provides is not only a "maximum of specialized economic understanding, but also a maximum of ethos so that specialized economic understanding may enter the service of the right goals" (Ratzinger 1986, p. 204). Practical wisdom requires that the *ought* of social principles be translated into the realistic and *possible* means of what business can deliver. Practically wise teaching regarding a living wage, for example, always implies a wage that is sustainable for an enterprise; otherwise, one has not a just wage but an unsustainable wage.

VBL attempts to overcome this temptation of moralism by laying out six practical social principles within the Catholic social tradition located in relationship to three institutional goods of business: good goods, good work, and good wealth (see VBL, para. 38–56). *Good goods* are about producing goods that are really good and services that really serve. *Good work* is organizing work so that people develop their gifts and talents. *Good wealth* is creating sustainable wealth so that it can be distributed justly. While full of tension and difficulty, the practically wise businessperson first locates the good business does and then operationalizes these goods within its day-to-day routine. While each of these goods and their corresponding principles, policies, and practices deserve more elaboration, the point is that these goods create the *conditions* for people to flourish in their connection to the work of business. These three goods judge what it means to be a good company. When all three of these goods are present, businesses contribute positively to the social conditions and increase the probability that people will develop. It is precisely this account that in part describes the actions of the practically wise leader.

Acting: It is a truism that what is necessary for right action is *seeing* reality as it is and *judging* with right principles. Therefore, one would think that at this point, the VBL would start listing the practices and policies business leaders should do. However, the VBL draws specifically upon the subjective dimension of work and begins an analysis on *receiving* (in contrast to *achieving)* the good, which has a significant impact on the character of the business leader. In order for businesspeople to develop wisely in their work, something more than work is needed. This approach to leadership is best captured by a Latin phrase, *nemo dat quod non habet*: "nobody gives what he does not have" (see Goodpaster 2007, p. 97). In other words, for people to give rightly in their work and business, they need to first be able to receive rightly. It is this insight that defines most clearly the *wisdom* of the practically wise leader.

A principal challenge for businesspeople is that their "can do" attitude and practical orientation can tempt them to regard "themselves as determining and creating their own principles, not as receiving them" (PCJP 2012, p. 20). It highlights a significant temptation of the business leader which it calls the "quasi-Nietzschean 'superman' complex" (PCJP 2012; see Nietzsche 1998). When business leaders perceive themselves as practical, creative, innovative, and constructive, but neglect the dimension of receiving, they fail *wisdom*, distorting the reality of their place within the world and overestimating their own achievements and work. This is why the document maintains that the person "comes in the profoundest sense to himself not through what he does but through what he accepts," not through what he achieves but what he receives (PCJP 2012; see Ratzinger 1990).

According to VBL, what wise businesspeople desperately need is to first receive – to receive a wisdom that is not just created but participated in. The document writes of this receptivity as "to receive the sacraments, to accept the Scriptures, to honour the Sabbath, to pray, to participate in silence and in other disciplines of the spiritual life. These are not optional actions for a Christian, not mere private acts separated and disconnected from business" (PCJP 2012). The document argues that this receptive orientation is a powerful shift from the overcharged activism that one finds in business. Without a deep well of reflection, contemplation, and prayer, it is hard to see how businesspeople, or any other professionals for that matter, can find wisdom and resist the negative dimensions that come from financialization, technological overload, hyper-competitive situations, and the like.

The second "act" to which the VBL document calls the business leader is to give in a way that responds to what has been received. A business, for example, can only be an authentic community of persons when it *serves* those outside itself, which is the basis of *developing* those within the business in a way that is sustainable (Chimielewski 1992). In particular, the giving of business leaders entails cultivating practices and policies that foster a better world and better leaders. These practices and policies include fair pricing, just compensation, humane job design, responsible environmental practices, socially responsible investment, and so forth. It also requires a prudent application of social principles to hiring, firing, ownership, board governance, employee training, leadership formation, supplier relations, and a host of other issues.

The practical wisdom of the business leader is a formation in this rhythm of human activity as receptivity and giving. From the exchange/equivalence model of business to a relational/gift one, the business leader moves toward ends that have the capacity to make them and their communities good. Benedict XVI explains, "if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. *Without internal forms of solidarity and mutual trust, the market cannot completely fulfill its proper economic function*" (Benedict XVI 2009, para. 35) (Emphasis in the original). What often escapes businesspeople and their consulters is that contracts and incentives cannot exhaust what is exchanged at work. Something more is going on: goods are shared in common, relationships are developing, communities of persons are forming, gifts are given, people are transformed, etc. (see Bruni and Zamagni 2007). Schindler captures the dynamism between receiving and giving when he writes: "When we first experience our being as created, as being gifted life, this *receiving* enables us to see our *doing* and *having* . . . as ways of *giving* which they are meant to be" (Schindler 1996, p. 159).

Conclusion

The VBL document expresses the strong commitment to the virtue of practical wisdom found within the Catholic social tradition. Practical wisdom demands the integration of seeing, judging, and acting well by aiming at good ends, operating with right and effective means, and applying these principals in changing and unique circumstances. One cannot be naïve about the difficulties in creating, sustaining, and growing businesses with this virtue in mind. Such a combination and implementation of see, judge, and act are riddled with tensions and conflicts. A just wage to employees, for example, is often in tension with fair prices to suppliers and customers, especially in an industry with thin profit margins. The challenges posed by such tensions, however, do not justify businesspeople surrendering all tensions to market forces. Business leaders are not simply to be market technicians; rather, they are called to be practically wise – leaders who have the capacity to be wise in practical affairs, which often entails living in the tension and transforming such tensions into robust relationships.

References

Alford H, Naughton M (2001) Managing as if faith mattered: Christian social principles in the modern organization. University of Notre Dame Press, Notre Dame

Aquinas T (2006) Summa theologiae, vol 36: "Prudence" *(2a2ae. 47–56)* (trans: Thomas Gilby OP). Cambridge University Press, Cambridge

Benedict XVI (2009) Caritas in veritate. http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html

Benedict XVI (2011) Speech during a visit to the Federal Parliament in the Reichstag Building. http://www.vatican.va/holy_father/benedict_xvi/speeches/2011/september/documents/hf_ben-xvi_spe_20110922_reichstag-berlin_en.html

Bennis WG, O'Toole J (2005) How business schools lost their way. Harv Bus Rev 83(5):96–104

Bruni L, Zamagni S (2007) Civil economy: efficiency, equity, public happiness. Peter Lang, Oxford

Chimielewski PJ (1992) Bettering our condition. Peter Lang, New York

Gigacz S (2012) Seek, judge, act – the Sertillanges side of the story. http://cardijnresearch.blogspot.com/2012/10/seek-judge-act-sertillanges-side-of.html

Goodpaster KE (2007) Conscience and corporate culture. Blackwell, Oxford

John XXIII (1961) Mater et magistra. http://www.vatican.va/holy_father/john_xxiii/encyclicals/documents/hf_j-xxiii_enc_15051961_mater_en.html

John Paul II (1981) Laborem exercens. http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html

Khurana R (2007) From higher aims to hired hands: the social transformation of American business schools and the unfulfilled promise of management as a profession. Princeton University Press, Princeton

Lonergan B (1988) Existenz and aggiornamento. In: Crowe FE, Doran RM (eds) Collected works of Bernard Lonergan. University of Toronto Press, Toronto

MacIntyre A (2010) The very idea of a university: Aristotle, Newman and Us. New Blackfriars 91:4–19 (First published in The British Journal of Educational Studies, Dec 2009)

Midgley M (1981) Heart and mind: the varieties of moral experience. Routledge, London (see especially Chapter 5, Trying out one's new sword)

Murphy J (1994) A natural law of human labor. Am J Jurisprud 39:71–95

Nietzsche F (1998) Beyond good and evil. Oxford University Press, Oxford

Pieper J (1966) The four cardinal virtues. University of Notre Dame Press, Notre Dame

Pieper J (1998) Leisure the basis of culture. St. Augustine Press, South Bend

Pontifical Council for Justice and Peace (PCJP) (2005) Compendium of the social doctrine of the church. USCCB Publishing, Washington, DC

Pontifical Council for Justice and Peace (PCJP) (2012) Vocation of the business leader: a reflection. http://www.stthomas.edu/media/catholicstudies/center/johnaryaninstitute/publications/publicationpdfs/vocationofthebusinessleaderpdf/PontificalCouncil_4.pdf

Ratzinger J (1986) Church and economy: responsibility for the future of the world economy. Communio 13:199–204

Ratzinger J (1990) Introduction to christianity (trans: Foster JR). Ignatius Press, San Francisco

Schindler D (1996) Christology and the Imago Dei: Interpreting Gaudium et Spes. Communio 23:159

Wendell FN O.P. (1954) The formation of a lay apostle. Rosary Press, Sommerset

Virtues and Principles in Managing People in the Organization

Alejandro Moreno-Salamanca and Domènec Melé

Contents

Abstract

Virtues and principles proposed by Catholic Social Teaching (CST) are particularly significant in managing people in the organization. In this chapter, we review how these virtues and principles apply in six groups of crucial human resources management practices: (1) job design, (2) staffing and recruitment, (3) training and development, (4) benefits and compensation, (5) performance appraisal and promotion, and (6) layoff, downsizing and outplacement. We discuss here how truthfulness, justice, gratuitousness, and other virtues play a great role in conducting these practices ethically and how the principles of respect for human dignity, focus on the common good, solidarity, subsidiarity and participation are relevant too. We also present some insights of CST which seem especially relevant managing people in the organization.

A. Moreno-Salamanca (✉)
INALDE Business School, Universidad de La Sabana, Chía, Cundinamarca, Colombia
e-mail: alejandro.moreno@inalde.edu.co

D. Melé
IESE Business School, University of Navarra, Barcelona, Spain
e-mail: mele@iese.edu

Introduction

In the field of managing people in organizations, often termed *human resource management*, there is an extensive body of literature focused on achieving efficiency and ultimately on creating economic value (Schuler and Jackson 1987; Delaney and Huselid 1996; Huselid 1995; Lepak et al. 2006; Armstrong 2006; Mathis and Jackson 2010; Stewart and Brown 2011). Some authors include comprehensive menus of policies and practices and even typologies (Lengnick-Hall and Lengnick-Hall 1988) and frameworks (Baron and Kreps 1999). Although these proposals are not homogenous, there is no significant difference in what one could call the core Human Resource Management Practices (HRMP), including the following which will be considered in this chapter: job design, staffing and recruitment, training and development, benefits and compensation, performance appraisal and promotion, and layoff, downsizing, and outplacement.

Several authors have identified and discussed relationships between ethics and human resource management (e.g., Greenwood 2002; Gravett 2003; Johnson 2007; Köster 2007) from various ethical perspectives. Here we consider the Catholic Social Teaching (CST), which is not only addressed to Catholic but to all people of "good will." CST shares some features with other approaches, but has its own foundation and internal logics (Melé 2011). The aim of this chapter is to briefly review the above-mentioned Human Resource Management Practices and to link them with virtues and principles presented by CST. We draw on the previous chapters of this section, and, in a certain sense, we continue the task of scholars such as Naughton (1992), Zigarelli (1993), Naughton and Laczniak (1993), Alford and Naughton (2001), Guitián (2009), Kennedy (2010), and Tablan (2015), who have each developed particular aspects related with our topic.

Job Design

Job design refers to the content of a certain work position within an organization, methods of doing the job, proper use of available technology, associated responsibilities, and the formal relationships involved, including the reporting procedures. It has important consequences for productivity, interpersonal and group relations, work-family balance, attitudes, motivation and behavior, satisfaction of social and personal interests, and personal development, including skills, competences, and virtues.

The initial direct focus of job design on productivity has been enriched over time by including other elements, such as consideration of job satisfaction, experiencing the meaningfulness of the work, and a sense of responsibility for the outcomes of work. These factors have an influence on improving quality in production and on

reducing undesirable behaviors such as absenteeism, grievances, and a lack of commitment.

Job design also has important ethical implications related to its contribution to the common good of the firm and therefore entails the virtue of solidarity, which gives one "a firm and persevering determination to commit oneself to the common good" (John Paul II 1987, n. 38). The common good is not in opposition to the individual good; it is the good in which all participate. It includes respect for human dignity and labor rights, which "must be examined in the broad *context of human rights as a whole,* which are connatural with man" (John Paul II 1981, n. 16, emphasis in original), and the development of workers through their job. Regarding the latter, CST emphasizes and gives prominence "to the primacy of man in the production process, *the primacy of man over things* (...) Man, as the subject of work, and independently of the work that he does-man alone is a person" (*Ibidem*, n. 12, emphasis in original). In this line of thought, CST reminds us too that human work proceeds from the person and is also essentially ordered to and has its final goal in the human person (PCJP 2004, n. 272).

On occasion CST has expressed concern about undesirable situations, but it mainly offers positive criteria as a guideline for job design. Thus, considering the working conditions of some factories in the 1930s, Pius XI affirmed that "dead matter comes forth from the factory ennobled, while men there are corrupted and degraded" (1931, n. 135). In positive terms, John Paul II speaks in favor of the moral obligation to link industriousness as a virtue with *the social order of work*, which will enable man to become, in work, "more a human being" and not be degraded by it, not only in terms of the degradation of his or her physical strength, but "especially through damage to the dignity and subjectivity that are proper to him" (1981, n. 9).

Efficiency and personal development are not necessarily opposed. A well-designed position will allow employees not only to contribute efficiently to the process, but also to develop their own potential as human beings and to make good use of their abilities and potential. In other words, the job design should provide the necessary space to allow a person to grow in virtues (Naughton and Laczniak 1993).

Associated with human dignity there are fundamental rights of workers, required by justice, which must be promoted and defended in job design. Such rights include, among many others, the right to rest and the right to a working environment and manufacturing processes which are not harmful to health or moral integrity.

Another aspect of job design which concerns ethics is the promotion of personal initiative, responsibility, and creativity. This is related with the principle of subsidiarity (Melé 2005), according to which, superior institutions or communities must assume an attitude of respect and support lower-order communities, without absorbing them. This entails respect for the freedom and autonomy of the worker and opens the door to human development. Respecting autonomy should be consistent, however, with pursuing the goals of the firm.

Finally, it is worth observing that job design can have an influence on family life (schedules, trips, meetings, etc.). CST defends the position that "the family constitutes one of the most important terms of reference for shaping the social and ethical order of human work" (John Paul II 1981, n. 10). This must include job design.

Guitián (2009) developed the idea that job positions should be designed not only to achieve economic efficiency but also to avoid eroding the family, and even to promote family development. This includes taking into account needs of mothers, considering the human being as a whole, without any fictitious separation of private and professional life.

Staffing and Recruitment

The goal of staffing and recruitment is attracting, selecting, hiring, and retaining the right number of suitable people for the firm and assigning them responsibilities that fit with both the employee profile and the needs of the organization. While recruitment focuses on attracting a suitably qualified set of people to apply for a permanent or temporary post, staffing refers to the process of selecting, deploying and retaining individuals for the organization.

CST reminds us that every phase in the economic cycle inevitably has moral implications and that "every economic decision has a moral consequence" (Benedict XVI 2009, 47; emphasis in original). This includes staffing and recruitment. These processes are not only key for organizational effectiveness, but also for developing a humanizing culture (Melé 2003), that is, a culture of ethical and human quality, since to a great extent both characteristics depend on people who work in the organization and participate in the life of the organization.

Finding, hiring, and retaining the best available qualified candidate for a position, in a timely and effective manner, is a matter of justice related with the common good of the organization. The hidden costs of hiring people that don't fit in the company or the costs of not being able to attract the right candidates could be very high in economic as well as moral terms. Similarly, being able to retain the right people is also a serious responsibility in a competitive market, especially when such people may be not be abundant. Those who manage these processes should act with sense of responsibility seeking the good of the firm, with truthfulness, justice, practical wisdom, and neighborly love.

Truthfulness includes telling the truth about the features of a post and the organization and not creating false expectations in announcements, presentations, and interviews. This should be compatible with stressing the advantages of the vacancy and any attractions of the organization.

Justice entails honoring contracts and showing respect for human dignity and innate rights, being aware that all human beings are worth the same. Justice toward applicants should be embedded in all stages of the process, including tests and interviews. The contracting of someone who is obliged by desperate need to accept any job regardless of the conditions or remuneration on unfair terms would be contrary to justice.

Justice precludes acting with a lack of respect for privacy, asking questions which infringe one's intimacy or are irrelevant for a certain job. The necessary acquisition of information within the selection process needs to be in harmony with the right to privacy of each human being. Staffing and recruitment involves

searching for information about the candidates, but sometimes there is the potential moral risk that companies look for information that is not relevant for the selection process or is of a private character. In some cases, there is information that might even force the candidates to commit immoral actions. Think, for instance, about the possible unintended consequences of asking a candidate to undergo pregnancy testing or supply credit ratings in a country with a high rate of unemployment and poor salary conditions. Furthermore, the speed of technological advances and the increasing availability of information pose challenges, especially in relation to employee privacy and the protection of their data.

Another aspect related with justice is the avoidance of unfair discrimination. Although the selection process is discriminatory per se, only objective criteria such as the nature of the task to be performed or the knowledge required to perform it are criteria to be accepted as fair. It is unfair to apply criteria that are contrary to human rights or alien to the requirements of the job.

Practical wisdom is particularly important in defining and applying selection criteria, which should cover everything considered necessary for the common good of the firm. This includes considering technical preparation, traits of character, intelligence, versatility, and competences, including moral competences.

Neighborly love and even an elemental sense of reciprocity invite managers to apply the "golden rule," to ask themselves if they are applying, reporting, reading, and interpreting the selection tests and interviews in the way they would like others to do to them. Neighborly love also entails acting with kindness with all applicants and particularly with rejected candidates. They expect to know the true reasons why they are not being hired. Neighborly love leads managers to provide these and even to offer rejected candidates some recommendation on how to find a job or company where they might fit well, given their personal characteristics and circumstances.

Training and Development

Training and development, also known as "human resource development" and "learning and development" seeks to better the capacities of employees, individually and in groups, to improve their productivity and the achievements of goals and specific objectives of the firm. These capacities refer to technical skills and other competencies applicable to current or future jobs or activities performed within the organization.

This practice is a tool for managers to increase productivity by developing their employees' technical skills, but it also ought to be a tool to help workers to flourish as human beings. Through this practice, managers can demonstrate, by concrete actions, the value they put on their subordinates as human beings. This entails avoiding considering workers as mere means for efficiency or a mere resource for gains. In this regard, CST reminds us that "business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business" (Benedict XVI, 2009 n. 40).

The acquisition of capacities could be planned, attendance at a short or not so short course or seminar, for example, less planned, or not planned at all, as is the case when learning is produced by working with others and even one's own experiences acquired through doing certain activities. Work itself is a source of training and development. Through work, people not only produce things and transform the environment, but they also transform themselves. The worker learns while working – he or she acquires skills and virtues (or vices). This is part of the "subjective meaning" of work, emphasized by John Paul II in an encyclical devoted to human work (1981, n. 6; see also Tablan 2015). Acting ethically, he or she grows as a human being, which in accordance with CST is a calling. In performing various actions belonging to the work process, "independently of their objective content, these actions must all serve to realize his humanity, to fulfill the calling to be a person that is his by reason of his very humanity" (Ibid).

A real concern for human beings goes beyond the efficiency criteria. If managers decide to care about the human development of their subordinates, they will assume the extremely rewarding challenge of helping their subordinates develop virtues and become better human beings. In this sense, it is worth remembering that managers can facilitate the development of the virtues through role modeling (Moberg 2000). This, and the organizational culture where employees work, may have an influence on the person's behavior and be an aid in acquiring the virtues.

Several virtues are involved in training and development within organizations. Among these are solidarity, expressed as concern for the common good and justice, providing training with equity in accordance with the needs of the company and the capabilities of the employee. Patience and courage in pursuing employees training and development can also be significant virtues. Managers have to pursue efficiency, but also have to be patient if the process takes longer than was wished or if subordinates commit mistakes, and act with courage in demanding personal improvements related with their job.

The virtue of gratuitousness is a great insight for businesspeople, as it persuades managers to use their influence at the service of their collaborators, and encourages managers to serve the development of their subordinates, regardless of the immediate financial return of the investment.

Benefits and Compensation

Benefits and compensation (B&C), also known simply as "remuneration," regards to policies and practices in rewording employees. They could be a fixed monetary reward, which is the base of the salary, and a variable pay generally linked to performance or results, or maybe a discretionary account of money. In some cases employees receive a complementary compensation or benefits, such as medical insurance, children school, car, and so on. Other category of payment is equity-based compensation. It is generally related with global company equity or results and takes the form of shares in the company, share of profits, stock options, etc.

B&C is an important means of attracting and retaining people. It is often the main extrinsic motivation for working and a source of satisfaction or the contrary. As with the other management practices discussed here, this has a significant dimension of justice: "A just wage is the legitimate fruit of work" (Catholic Church 2003, n. 2434).

Justice in the determination of the salary and the remuneration for work is so important that Pope John Paul II wrote: "In the context of the present there is no more important way for securing a just relationship between the worker and the employer than that constituted by remuneration for work" (1981, n. 19).

Natural justice draws a line at which managers should provide a minimum living salary as to support a frugal and well-sustained life according to human dignity (Gregory 1998). "Agreement between the parties is not sufficient to justify morally the amount to be received in wages" (Catholic Church 2003, n. 2434). A wage could be unfair even if employee and employer agree on a certain quantity if the worker is in extreme need and has no choice but to accept the amount offered.

Justice in remuneration should be prudentially determined, i.e., with practical wisdom, by considering both the above-mentioned minimum wage and the worker contribution, along with other relevant socioeconomic elements. Specifically CST provides some criteria for determining a just remuneration: "Remuneration for work should guarantee man the opportunity to provide a dignified livelihood for himself and his family on the material, social, cultural and spiritual level, taking into account the role and the productivity of each, the state of the business, and the common good" (Vatican Council II, *Gaudium et spes*, n. 67, 2; see also Kennedy 2010, pp. 12–14).

In addition to the wage, businesspeople are encouraged to find appropriate forms of participation in profits and even the ownership of the company by workers (Chmielewski 1997). This is recommended by CST: "it is especially desirable today that workers gradually come to share in the ownership of their company, by ways and in the manner that seem most suitable" (John XXIII 1961, n. 77).

There is also an intangible form of B&C. Generally the person who works desires not only due remuneration for his or her work, but to know that through his or her work he or she grows and helps others to grow too. Learning, personal treatment, status, and safety, among others, are also certain compensation. Hence, from the side of managers, virtues like friendship and gratitude can help in making subordinates feel better appreciated. Also, from the side of subordinates, the exercise of virtues like self-discipline and obedience definitely helps in reaching higher levels of personal satisfaction. Both for managers and subordinates, it would furthermore be healthy to exhibit in their actions a genuine spirit of service.

Performance Appraisal and Promotion

A performance appraisal is the way by which the job performance of employees is documented and evaluated. Performance appraisal helps in identifying people suitable for retention and maybe for promotion, and is a key means for career development within the organization.

Financial and accounting indicators tend to be the most common and influential criteria used for performance appraisal and promotion. However, moral behavior and competences, including moral competences, such as integrity and sense of responsibility cannot be put aside. A sound performance appraisal should require, therefore, evaluating both quantitative and qualitative aspects of a manager's or employee's performance, and also their technical and moral performance. The latter could include objective behavior in terms of virtues, including a sense of service and cooperation, justice, loyalty, and others.

Performance appraisal needs solidarity since it is, first of all, for the good of the firm. On their part, employees should keep in mind that they are debtors of the company they belong to. They should be aware that their achievements are not necessarily personal. They are embedded in a social reality, which is conducive to and facilitating of that success.

Justice is also a key virtue for a fair evaluation. This requires acting without favoritism and with truthfulness, which pushes the person to be as objective as possible. The communication of the assessment and the corresponding feedback and informing over new goals should be done with clarity and concern for the other. Sometimes the results of a performance appraisal, which has followed a fair process, are perceived by employees as unfair, merely because of the way they are communicated.

Acting with gratuitousness, trying sincerely to contribute to employee development is desirable and can contribute to increasing the perception of fairness and of having received just treatment. While justice guarantees fair procedures and outcomes, gratuitousness invites one to go beyond justice and therefore increases the likelihood of just decisions being accepted, even if these run against personal desires.

Regarding promotion, justice requires selecting the most appropriate people in terms of competencies required for each position, including technical and moral competences (Melé 2012, Chap. 6). Promotion could also be in reward for a contribution to the firm and other merits, if the employee has the required competences. These criteria are a requirement of two aspects of justice: acting for the common good of the firm and with equity toward people. Unfair discrimination takes place when there is favoritism or equalitarianism, which is not considering a person's competences or merits.

Every decision in this regard sends a clear message to the organization about the type of employee that the company actually values. The CST principles and virtues encourage businesspeople to foster a deeply human model of manager. Consequently, the employees that should be promoted within the business firm are those who strive to acquire and exhibit most of the virtues that we have so far discussed.

Layoff, Downsizing, and Outplacement

These three concepts are related with the termination of employment. *Layoff* refers to a temporary interruption in work, as when factory work cyclically falls off, or a permanent termination of employment of a group of employees by considering that their work in the company is no longer necessary due to a slow-down or some other reason.

Downsizing is a particular form of layoff in which there is an intentional and planned reduction in the size of the workforce in an attempt to cut costs or improve efficiency and/or effectiveness, and to enhance organizational performance or make the company more competitive. Downsizing can be especially important when the organization is over-dimensioned in terms of personnel. Sometimes this practice is used to turn around declining organizations, or in an attempt to become more attractive for acquisition or merger. Downsizing has been used as a strategic tool since the 1980s to cope with competitive environments (Datta et al. 2010).

Outplacement is the process of assisting laid-off employees in their search for new employment opportunities. The company can do this directly or indirectly, for instance, through a specialized agency.

Downsizing brings about positive effects on costs and efficiency and negative effects for both individuals and the organization (Datta et al. 2010; see also Iverson and Zatzick 2011). In a downsizing, a part of the company staff lose their job, and, in addition, damage can occur in the working environment, especially to morale and motivation. There are also losses in human capital in terms of acquired employee expertise, and clients could be lost if they were particularly linked with the laid-off staff.

Due to the negative impact, downsizing ought to involve a just cause and proportion between its positive and negative effects, as required by the double-effect principle generally accepted in the Catholic tradition (Mangan 1949; Warren 1989). It is not enough to simply maximize profits. According to Pope Francis, "the economy can no longer turn to remedies that are a new poison, such as attempting to increase profits by reducing the work force and thereby adding to the ranks of the excluded" (2013, n. 204). Furthermore, the company may have other routes to prosperity than downsizing. Indeed, pursuing the common good and solidarity with those who form part of the company requires looking for alternatives to downsizing. If, ultimately, downsizing is unavoidable for the survival of the company or to maintain a competitive position, then the layoff is acceptable. The Catholic Church teaches that a bad effect – in this case the layoff – is not reprehensible if the agent does not have the possibility to avoid it (cf. Catholic Church 2003, n. 1737).

Managers ought to be truthful about the real economic decision and the real impact of such a decision. Decisions on downsizing and layoff, in general, require *practical wisdom*, which helps one take decisions with realism and a sense of responsibility for the consequences of one's action.

Deciding a downsizing without a proper diagnosis could unnecessarily damage people and produce a high negative impact on the efficiency of the company. Practical wisdom also helps one to foresee possible negative consequences of the dismissal and how to mitigate them in advance. Respect for employees' human dignity, compassion, and solidarity calls for this mitigation. In addition, evaluating properly the negative impact on the company is a requirement of the common good. Selection of people who will be laid off should be carried out with justice and equity.

Outplacement is required by loyalty to employees, who may have been working for long time for the company, and because of a sense of solidarity. A well-designed outplacement is also a way to minimize the undesirable side effects on workers mentioned above.

Conclusion

In contrast with many approaches to HRMP, which only focus on efficiency, CST is extremely concerned with persons, who are much more than mere human resources. Christian thought cares about people's dignity, rights, and human development (or deterioration) reached and acquired through their work within the organization. As we have seen here, these require virtues. Justice and truthfulness are crucial to assure certain minimums, as well as courage in carrying out decisions "which are difficult and painful but necessary, both for the overall working of a business and in meeting possible set-backs." (John Paul II, 1991, n. 32). Other virtues, including sense of service, compassion, loyalty, and gratuitousness, encourage one to go further.

An important final remark, in line with CST, is that both practitioners and scholars should consider the insights offered here as a unity. It is not really feasible to fully practice one virtue or CST principle without considering the others. Consequently, the real challenge is to find imaginative ways to pursue and achieve a real human management, which respects and fosters human dignity and accordingly the integral human development of all members within the organization.

References

Alford HJ, Naughton MJ (2001) Managing as if faith mattered. Christian social principles in the modern organization. Notre Dame University Press, Notre Dame

Armstrong M (ed) (2006) A handbook of human resource management practice. Kogan, London/Philadelphia

Baron JN, Kreps DM (1999) Strategic human resources: frameworks for general managers. Wiley, Nueva York

Benedict XVI (2009) Encyclical letter "Caritas in Veritate". Available at: www.vatican.va

Catholic Church (2003) Catechism of the Catholic Church, 2nd edn. Random House, London

Chmielewski PJ (1997) Workers' participation in the United States: Catholic social teaching and democratic theory. Rev Soc Econ 55(4):487–508

Datta DK, Guthrie JP, Basuil D, Pandey A (2010) Causes and effects of employee downsizing: a review and synthesis. J Manag 36(1):281–348

Delaney JT, Huselid MA (1996) The impact of human resource management practices on perceptions of organizational performance. Acad Manage J 39(4):949–969

Francis (Pope) (2013) Apostolic exhortation Evangelii Gaudium. Available at: www.vatican.va

Gravett L (2003) Human resource management ethics: perspectives for a new millennium. Atomic Dog Publishing, Mason

Greenwood M (2002) Ethics and HRM: a review and conceptual analysis. J Bus Ethics 36(3):261–289

Gregory DL (1998) Catholic social teaching on work. Labor Law J 49(3):912–919

Guitián G (2009) Conciliating work and family: a catholic social teaching perspective. J Bus Ethics 88(3):513–524

Huselid MA (1995) The impact of human resource management practices on turnover, productivity, and corporate financial performance. Acad Manage J 38(3):635–672

Iverson RD, Zatzick CD (2011) The effects of downsizing on labor productivity: the value of showing consideration for employees' morale and welfare in high-performance work systems. Hum Resour Manage 50(1):29–44

John XXIII (1961) Encyclical letter "Mater et Magistra". Available at: www.vatican.va

John Paul II (1981) Encyclical letter "Laborem Exercens"'. Available at: www.vatican.va

John Paul II (1987) Encyclical letter "Sollicitudo Rei Socialis". Available at: www.vatican.va

John Paul II (1991) Encyclical letter "Centesimus annus". Available at: www.vatican.va

Johnson CE (2007) Ethics in the workplace: tools and tactics for organizational transformation. Sage, Thousand Oaks

Kennedy RG (2010) The practice of just compensation. J Relig Bus Ethics 1(1):1. Available at: http://via.library.depaul.edu/jrbe/vol1/iss1/1

Köster M (2007) Ethics in human resource management. GRIN Verlag Gmbh, Nordersdedt

Lengnick-Hall CA, Lengnick-Hall ML (1988) Strategic human resources management: a review of the literature and a proposed typology. Acad Manag Rev 13(3):454–470

Lepak DP, Liao H, Chung Y, Harden EE (2006) A conceptual review of human resource management systems in strategic human resource management research. Res Pers Hum Resour Manag 25(1):217–271

Mangan JT (1949) An historical analysis of the principle of double effect. Theol Stud 10:41–61

Mathis RL, Jackson JH (2010) Human resource management. South-Western Cengage Learning, Mason

Melé D (2003) Organizational humanizing cultures: do they generate social capital? J Bus Ethics 45:3–14

Melé D (2005) Exploring the Principle of Subsidiarity in Organisational Forms. J Bus Ethics 60(3):293–305

Melé D (2011) Catholic social teaching. In: Bouckaert L, Zsolnai L (eds) The Palgrave handbook of spirituality and business. Palgrave-MacMillan, New York, pp 118–128

Melé D (2012) Management ethics: placing ethics at the core of good management. Palgrave MacMillan, New York

Moberg DJ (2000) Role models and moral exemplars: how employees acquire virtues by observing others? Bus Ethics Q 10(3):675–696

Naughton M (1992) The good stewards: practical applications of the papal social vision of work. University Press of America, Lanham

Naughton M, Laczniak GR (1993) A theological context of work from the catholic social encyclical tradition. J Bus Ethics 12(12):981–994

PCJP (Pontifical Council for Justice and Peace) (2004) Compendium of the social doctrine of the Church. Libreria Editrice Vaticana, Vatican City. Available at: www.vatican.va

Pius XI (1931) Encyclical letter "Quadragesimo Anno". Available at: www.vatican.va

Schuler RS, Jackson SE (1987) Linking competitive strategies with human resource management practices. Acad Manag Exec (1987–1989) 1(3):207–219

Stewart GL, Brown KG (2011) Human resource management. Willey, New York

Tablan F (2015) Catholic social teachings: toward a meaningful work. J Bus Ethics 128(2): 291–303

Warren Q (1989) Actions, intentions, and consequences: the doctrine of double effect. Philos Public Aff 16:511–514

Zigarelli MA (1993) Catholic social teaching and the employment relationship: a model for managing human resources in accordance with Vatican doctrine. J Bus Ethics 12(1):75–82

Virtues for an Integral Ecology

Antonio Porras

Contents

Abstract

This chapter, drawing from Catholic social teaching, and particularly from the encyclical letter *Laudao si* by Pope Francis, and the Thomas Aquinas' view of virtue, offers some reflections on the specific virtues needed for environmental ethics and sustainability. Pope Francis proposes a new ecological culture based on solid virtues. Even if virtue of prudence (practical wisdom) is not mentioned in the encyclical letter, it is as *auriga virtutum* (the charioteer of the virtues), the virtue at the center of the Pope's appeal to take care of our common home.

Keywords

Ecology • Humility • Practical wisdom • Sustainable development • Temperance • Ecological virtues

In the last decades there has been a growing concern about the future of our planet, because of the ecological problems that threaten the future of many species and

A. Porras (✉)
Moral Theology Department, Pontifical University of the Holy Cross, Rome, Italy
e-mail: porras@pusc.it

humanity. The international interest to resolve these problems manifests our world's growing awareness about its responsibility to achieve social development in a way which is also harmonious with the planet. Catholic social teaching has been dealing with ecological concern from early 1970s. In 2015, Pope Francis wrote an important document –the encyclical letter *Laudato si'*, through which he participates in the interest for global action and encourages us to face the urgent challenges for the protection of our common home. Part of this challenge includes "the concern to unite the whole human family to seek a sustainable and comprehensive development" (Francis 2015, n. 13). In this document, as we will refer below, he refer to the importance of "ecological virtues". This chapter reviews them along with other virtues developed within the Christian tradition, particularly by Thomas Aquinas (thirteenth century).

All human activities – economics, politics, architecture, engineering, etc. – occur in close relationship with the environment and a people's way of life. Therefore, the exercise of these activities ought to take this relationship into account and endeavor to foster the care and development of the environment. It is important that such care be among the very purposes of those activities. Regarding the relation between the environment and society, Pope Francis reminds us that today's problems need a vision which takes into account every aspect of the global crisis and proposes an *integral ecology* that incorporates also the human and social aspects as part of the environmental care (cf. Francis 2015, n. 137).

The use of the term "integral ecology" is new in the Social Doctrine of the Church, but not in it contents. Paul VI, John Paul II, and Benedict XVI had expressed this concept in different ways. In their teachings, they insist in the intrinsic relationship between the environment and "human ecology" and "social ecology" (cf. John Paul II 1991, n. 38). The environment is not a mere framework for human life. Man's life –and all his activities– develops within the environment, and has consequences on it since they depend upon it. "Experience shows that *disregard for the environment always harms human coexistence*, and vice versa" (Benedict XVI 2007, n. 8). There is a reciprocal influence: the environment offers those elements which make it possible for humanity to exist and to develop, and at the same time, human activity transforms the environment. Benedict XVI expressed this intricate relationship as follows: "The way humanity treats the environment influences the way it treats itself, and vice versa [. . .] Every violation of solidarity and civic friendship harms the environment, just as environmental deterioration in turn upsets relations in society [. . .] Desertification and the decline in productivity in some agricultural areas are also the result of impoverishment and underdevelopment among their inhabitants" (Benedict XVI 2009 n. 51).

The care of the environment needs especially to take care of human kind and foster social relationships. The magnitude of the enterprise needs a new solidarity base upon the "'sense' that the earth is 'our common home' and, in our stewardship and service to all" and that is needed, "to choose the path of dialogue rather than the path of unilateral decisions" (Benedict XVI 2008, n. 8). The only creature on earth capable of understanding the environmental problems and propose solutions is man. "This integral ecology summons every human being and every community to a new

responsibility" and the adequate response to the complex questions of ecology needs "a deeper understanding of the natural law, which places value on the connection between the human person, society, culture, and the equilibrium of the bio-physical sphere in which the human person is incarnate" (International Theological Commission 2009, n. 82).

Sustainable development depends on human freedom. However, human liberty alone does not guarantee the progress of society nor the good use of the environment. We have caused great damage to our fellow men and the environment. In order to bring about the good, it is not enough to set goals. It is also necessary to discern the proper and most efficacious means in order to achieve those goals. This, in turn, implies recognition of the objective order of human nature and of the environment. As Pope Benedict XVI points out: "The Church, for her part, is concerned that the question be approached in a balanced way, with respect for the 'grammar' which the Creator has inscribed in his handiwork by giving man the role of a steward and administrator with responsibility over creation, a role which man must certainly not abuse, but also one which he may not abdicate" (Benedict XVI 2010 n. 13). It is virtuous activity that assures the proper use of freedom, combining a creative use of the intellect with daring and responsibility in order to find the models of fair and sustainable development (cf. Francis 2015, n. 192).

The Global Action that People and the Planet Need has an Ethical Dimension

The high level of international interest on this topic highlights that the environment constitutes part of the "common good". As such, it needs the moral commitment of every human being and, above all, a political organization capable of guaranteeing this collaboration. Global action requires the action not only of individuals. It requires political action at every level: international, national and local.

Pope Francis calls attention to how weak the international political responses have been, due to the many particular interests which prevail over the common good and manipulate the information in order that their projects remain unaffected (cf. Francis 2015, n. 54). As has been pointed out by the Social Doctrine of the Church the heart of the ecological crisis is an anthropological and moral problem, emanating from a mistaken world-vision, which has caused serious detriment to the world around us (cf. John Paul II 1990, n. 6; Francis 2015, n. 101). Irresponsible activity has caused the disorder, which impedes the proper development of persons and environment alike.

For this reason, the Pope reflects on the meaning and purpose of human activity. The solution to the problems cannot be reduced to a technical solution, which could be used for or against humanity and the environment. To rediscover the meaning and purpose of human activity, he poses certain fundamental questions: "What is the purpose of our life in this world? Why are we here? What is the goal of our work and all our efforts? What need does the earth have of us?" (Francis 2015, n. 160).

These fundamental questions naturally lead us to pose moral questions: what is the good to be done? How do we judge if an action suits the environment or damages it? We can answer these questions if we recognize that there is an objective truth written in the nature of each thing. Only a respectful recognition of the order and purpose in nature, a recognition which takes "into account the nature of each being and of its mutual connection in an ordered system" (John Paul II 1987, n. 34), allows us to then determine which actions guarantee the flourishing of the human person and the environment. The challenge of caring for our common home beckons a change in mentality and a renewal of the will to do what is right and to correct those behaviors which prey on true development.

Moral Virtues Caring of Our Common Home

The Holy Father emphasizes that "only by cultivation of sound virtues" (Francis 2015, n. 211) will the new convictions and ways of life which constitute an "ecological citizenship" take root in hearts and minds.

One of the virtues mentioned in the encyclical is humility. By this virtue, one moderates one's estimation of his or her value, capacities and destiny in accord with the truth. By this virtue, a person also recognizes the human responsibility to take care of the environment and society. Paradoxically, true humility helps us avoid the danger of "biocentrism", a mentality which considers the human person "as simply one being among others, the product of chance or physical determinism" (Francis 2015, n. 118), overlooking the fact that man transcends the natural world.

This transcendence is based in our personal identity, by which we are open to, and can enter into relation with, a "you"; as a person we can know, love and enter into dialogue with others and even with God himself. This transcendence constitutes the nobility of the human person and confers meaning and value on all other human capacities. In this way, in the midst of our physical and biological environment, we stand out as transcending it by our capacity for reflection, conversation, interpretation, artistic creativity, and many other facets of the human person. "A correct relationship with the created world demands that we not weaken this social dimension of openness to others, much less the transcendent dimension of our openness to the 'Thou' of God" (Francis 2015, n. 119).

Recognition of man's transcendence of the physical and biological environment does not reduce the environment's value, both in and of itself as well as for man. Neither does it mean that man is its master. It is not man who has made all that exists, nor did he bestow upon himself the qualities by which he transcends other creatures. Man's openness to a divine "You" allows him to recognize a divine project in which "a fragile world, entrusted by God to human care, challenges us to devise intelligent ways of directing, developing and limiting our power" (Francis 2015, n. 78).

The self-knowledge which comes with humility fosters two virtues which also lead us to care for the environment. By gratitude, we cherish the world as a gift of God's love. By liberality or gratuitousness, we place our possessions at the service of others. These virtues foster a spirit of care and a self-sacrifice for others, independent

of further personal gain (cf. Francis 2015, n. 220). These two virtues, which are potential parts of the virtue of justice, manifest a recognition of the inherent value of all creatures and "attune us to the moral imperative of assessing the impact of our every action and personal decision on the world around us" (Francis 2015, n. 208).

With the term "sobriety", Pope Francis refers to the virtue of temperance or moderation in the use of material possessions. This virtue, which presupposes humility, enables a person to put his or her goods at the service of others. A sober person moderates the use of his or her goods in order to serve the needs of each concrete situation in a way harmonious with his comprehensive flourishing as a person (cf. Rodríguez Luño 2008, p. 309). Temperance is essential for achieving an *integral ecology*, because the temperate person will regulate his or her use of the environment. For example, moderation in the consumption of food and drink, moderation in the use of material goods, etc. Temperance is also important because it enables just action: giving each his or her due.

These virtues form the base for a new "ecological citizenship", but on their own, they do not guarantee the solution to the current ecological problems. John Paul II makes references to other virtues that are more related to the solution of the environmental problems, "such as diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary" (John Paul II 1991, n. 32). Pope Benedict XVI insists on the importance of prudence in order to achieve a model of sustainable development capable of ensuring the well-being of all while respecting environmental balances (cf. Benedict XVI 2008, n. 7).

Prudence, the charioteer of the virtues, enables practical reason to discern in every circumstance the true good, to choose the means in pursuing it and, as its proper subject, its effective realization. As Thomas Aquinas points out (Aquinas, II-II, q. 47, a. 8, c.), the specific act of prudence ("practical wisdom" in current terminology) is command, *(imperio,* in the original Latin) but in order do it, it needs a good deliberation about the action to accomplish and judge the means to pursue its aim.

Good Deliberation in Caring for Our Common Home

The challenges we face in the care of the environment require a capacity to seek out and plan the actions to be realized, to examine carefully the various facets of the possible actions and to explore the possibility of new lines of conduct that could guarantee an authentic human, social and environmental development.

This deliberation process stands in need of some intellectual habits such as memory, intellect, docility, etc. Given the fact that *memory* analyzes all the knowledge acquired in the past, we can say that it perfects our knowledge of reality. Thus the importance of considering previous cases when programming a certain action: how, for instance, an identical or similar problem was tackled in the past and what can be learned from its solution. Rather than remaining content with a good experience, it proves more advantageous to know the reasons why an experience

proved favorable to the environment, or, on the contrary, failed to achieve its initial goal.

The *intellect*, or *intelligence*, is the habit that allows us to analyze the present reality and objectively know it, to see and understand the different aspects of the problem at hand with a clear vision of the principles necessary to conduct the reasoning process. Undoubtedly, in order to solve the environmental problems we need a profound knowledge of the environment –attained by means of a thorough scientific investigation In this respect, the virtue of *studiositas*, which can be translate as a diligent study of the reality beyond curiosity, it is linked to temperance, and entails a honest dialogue with other sciences so as to better understand all the elements that intervene in the action. In this way, we end up avoiding a "superficial ecology", which is manipulated by slogans and is incapable of studying the environmental problems and earnestly proposed solutions. Indeed, the complexity of the ecological crisis as well as its multiple causes demands that "no branch of the sciences and no form of wisdom can be left out" (Francis 2015, n. 63). Simultaneously, even though fragmentation of knowledge leads to satisfactory results when concrete applications are required, nevertheless a global view –the existing relationship between realities– is still necessary: "a science which would offer solutions to the great issues would necessarily have to take into account the data generated by other fields of knowledge, including philosophy and social ethics" (Francis 2015, n. 110).

A prudent person readily admits that he does not always have all the information required to discern on how to undertake an action. He or she also knows how to doubt his or her own competence when, with reason, he or she ought to doubt it. In addition, he or she asks for advice from those who are in a condition to give it and he or she gladly accepts the knowledge that others can give him or her through education. *Docility* is the habit through which a person is able to "take advice, sprung not from any vague 'modesty', but simply from the desire for real understanding (which, however, necessarily includes genuine humility)" (Pieper 1966, p. 16). This habit, which gives due importance to other people's knowledge, recognizes the wealth offered by the existence of a diversity of opinions and by different approaches and experiences. It is also highly important for prudence in governance, as it allows all parties to participate in the attainment of the common good.

These habits constitute the first step in obtaining the effective solution to the problems that integral ecology raises: to point out the most efficacious means to obtaining a solution by means of awareness of the factors that intervene in the problem.

Criteria Needed to Judge a Choice for People and Planet

The search for means, to be followed in attaining the objectives for sustainable development, ought to be examined "in order to discern whether or not it will contribute to genuine integral development. What will it accomplish? Why?

Where? When? How? For whom? What are the risks? What are the costs? Who will pay those costs and how? In this discernment, some questions must have higher priority" (Francis 2015, n. 185).

The decision on the means to use for the global action for people and planet should go beyond the technocratic paradigm and materialistic relativism, which simply judges human acts based on achievements, utility and the security to be attained (cf. Francis 2015, n. 105). It is erroneously perceived that every form of gain in power directly leads to progress, improved security, well being and vital energy (cf. Guardini 1998, p. 82). Yet no consideration is given to the moral value of individual human acts. Technological and economic (progress) are not the only parameters to be used in considering the development and growth of their users. Good human acts need to be subjected to a moral judgment on the use of science and technology.

Parameters such as improvement in security, utility, well-being and revenue should be kept in mind yet they should be subordinate to both the individual and the common good. Every human action with regard to the environment is accompanied by other aspects and for this reason it may be necessary to consider a hierarchy of prioritized goods.

An integral ecology, as proposed by Pope Francis, offers a broad perspective. The care for nature and the environment also requires one to value basic human relations and to improve man's social and transcendental dimension. At the same time this improves science, technology and all human activities to care for the environment in order to progress in a manner that is healthier, more human and more social.

Accomplish the Good Action for People and Planet

Sustainable development is not reached only with deliberation about the means and judgment about the actions to accomplish it. An International Agenda to promote a sustainable development signed by all countries, will remain an ideal if it lacks a concrete plan of action. The challenge of looking after the environment demands that concrete actions which foster authentic development of people and the planet are put in place. As the Social Doctrine of the Church has said (cf. John Paul II 1990, n. 6; Francis 2015, n. 211), only providing information and awareness campaigns does not suffice to solve the environmental problems. Neither does the existence of laws and regulations to curb bad conduct nor even the presence of effective means of enforcement. An ecological citizenship capable of commitment to the sustenance of the ecology with long-lasting effects requires each person cultivate habits: a constant and persevering realization of actions for the benefit of the environment. The foregoing reveals the reason why the Pope Francis emphasizes the importance of "little daily actions" in favor of the environment and society.

Authentic development of environment and society depends on the establishment of projects in which concrete action by individuals for the good of the society and environment is possible. The idea that sustainable development will be realized by

invisible forces of the market or technology is irresponsible. The consequent passive attitude would lead one to abandon the duty to contribute, with one's own action, to the common good which includes solving environmental problems.

Every moral decision carries with it a risky element out of which insecurity arises. This insecurity might lead to indecision on the course of action or even paralyze it. In order to arrive at concrete actions for people and the planet some faculties are required to ensure the achievement of the good proposed. These faculties would include *prevision*, *circumspection* and *caution*. As Pieper points out, the first requirement for effective realization of the good is *prevision* "the capacity to estimate, with a sure instinct for the future, whether a particular action will lead to the realization of the goal" (Pieper 1966, p. 18). This faculty allows one to relate something that is distant in time -the aim of the action- with the present circumstances, in order to achieve a given goal. It also takes into consideration the consequences such that counter-productive actions, that might aggravate the problem or even impede its solution in the future, are avoided.

Circumspection improves the choice of the most appropriate means in a particular moment in time and place in order to obtain the desired end. It takes into consideration the circumstances and the different variables of the problem such that the goal is achieved without committing injustice to anyone, or causing another distinct social or environmental problem to arise. Upright ecological behavior requires knowledge of the social and environmental circumstances in which human action takes place. It is not the mere application of some technical solutions that "run the risk of addressing symptoms and not the more serious underlying problems. There is a need to respect the rights of peoples and cultures, and to appreciate that the development of a social group presupposes an historical process which takes place within a cultural context and demands the constant and active involvement of local people from within their proper culture" (Francis 2015, n. 144).

Caution is the ability to anticipate the possible obstacles that can block or disturb the achievement of the aim. The insecurity and risk of the moral decision demands the examination of the progress of moral action. Here the issues that emerge in the latter process are taken into consideration with the aim of proceeding, changing the means or stopping the action if the common good or the environment requires it. "Flexibility" together with resourcefulness (*solertia*, in Latin) are needed to give new answers to new situations. "As life and the world are dynamic realities, so our care for the world must also be flexible and dynamic" (Francis 2015, n. 143). This flexibility does not respond to a lack of fortitude, but to the good that the action aims at: "if objective information suggests that serious and irreversible damage may result, a project should be halted or modified, even in the absence of indisputable proof" (Francis 2015, n. 186).

The care of our common home require efficacious action. For such action, neither is it enough to propose ideals nor speculate about the possible good that could be realized. Efficacious action demands that the different faculties mentioned previously are integrated by the virtue of prudence. This virtue assures the realization of the good and avoids behavior that is harmful for men and the environment. As Benedict XVI points out: "Prudence does not mean failing to accept responsibilities

and postponing decisions; it means being committed to making joint decisions after pondering responsibly the road to be taken, decisions aimed at strengthening that covenant between human beings and the environment, which should mirror the creative love of God, from whom we come and towards whom we are journeying" (Benedict XVI 2008, n. 7).

Integral ecology demands global action for people and planet, and this requires something over and above the contribution of individuals to the common good. In fact it requires organization at the local, national and international levels in order to guarantee the effective realization of this common good. In other words, integral ecology is a call for political prudence in order to direct the appropriate global action for people and planet. Political prudence channels community action towards the effective achievement of the common good. This type of prudence presupposes personal prudence- the person who is not prudent at the personal level can hardly be prudent in the government of a community.

Government of a community also requires "a clear vision of the common good to be promoted and protected, an understanding of social change and its dynamics, fortitude and a spirit of service, a respect for authority and at the same time a great love (something more than respect, which in itself is a lot) of the legitimate personal freedom of all, objectivity and the rejection of all forms of instrumentalization, a sense of law and justice, and a spirit of clemency" (Rodriguez Luño 2008, p. 37).

Government of a community does not replace the personal responsibility of the members of the community, the personal freedom of each one is indispensable to achieve the common good. Therefore, political action cannot attempt to resolve all problems through uniform regulations or technical interventions but must consider "the complexities of local problems which demand the active participation of all members of the community" (Francis 2015, n. 143).

Conclusion

The challenges of the environmental issue require the exercise of many virtues, especially practical wisdom, in order to put on practice the best solutions that guarantee the integral development of humanity and the entire planet. The Social Teaching of the Catholic Church had insisted on the need of many virtues, such as solidarity, practical reason, diligence, industriousness, courage, reliability and fidelity in interpersonal relationships, justice and many others. The integral ecology is a common good, all humanity benefits from a good environment, that requires a huge commitment. The reading of the encyclical letter *Laudato si'*, shows the need of a global action on every level: International, National and Local, and many advices and practical ideas mentioned by Pope Francis presuppose Political Prudence in order to give solutions to the environmental crisis.

The promotion of the common good demands that nobody be excluded and that the value of each individual in the community along with his or her capacities be recognized. It demands also the promotion of personal prudence in order "to instill a greater sense of responsibility, a strong sense of community, a readiness to protect

others, a spirit of creativity and a deep love for the land. They are also concerned about what they will eventually leave to their children and grandchildren" (Francis 2015, n. 179).

The contribution of Pope Francis to the Social Teachings is that he mentions some virtues that are linked more to each person in his relation with God, humanity and the world: humility, gratitude, liberality and temperance. These virtues integrate elemental aspects of our daily life in order to have a good relation with all living creatures and the environment. This daily action will be a good basis to deliberate on the means to give a solution to environmental problems, judge our actions and give us the strength to accomplish what is good here and now for the integral ecology.

References

Aquinas Th, Summa Theologiae, II-II, qq. 47–56. Available in Latin at http://www.corpustho misticum.org/sth3047.html

Benedict XVI (2007) Message for the celebration of the World Day of Peace. Available at http://w2. vatican.va/content/benedict-xvi/en/messages/peace/documents/hf_ben-xvi_mes_20061208_xl-world-day-peace.html

Benedict XVI (2008) Message for the celebration of the World Day of Peace. Available at http://w2. vatican.va/content/benedict-xvi/en/messages/peace/documents/hf_ben-xvi_mes_20071208_xli-world-day-peace.html

Benedict XVI (2009) Encyclical letter *Caritas in veritate*. Available at http://w2.vatican.va/content/ benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html

Benedict XVI (2010) Message for the celebration of the World Day of Peace. Available at http://w2. vatican.va/content/benedict-xvi/en/messages/peace/documents/hf_ben-xvi_mes_20091208_xliii-world-day-peace.html

Francis (2015) Encyclical letter *Laudato si'*. Available at http://w2.vatican.va/content/francesco/en/ encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html

Guardini R (1998) The end of the modern world. ISI Books, Wilmington

International Theological Commission (2009) In search of a Universal Ethic: a new look at the Natural Law. Available at http://www.vatican.va/roman_curia/congregations/cfaith/cti_docu ments/rc_con_cfaith_doc_20090520_legge-naturale_en.html

John Paul II (1987) Encyclical letter *Sollicitudo rei socialis*. Available at http://w2.vatican.va/ content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis. html

John Paul II (1990) Message for the celebration of the World Day of Peace. Available at http://w2. vatican.va/content/john-paul-ii/en/messages/peace/documents/hf_jp-ii_mes_19891208_xxiii-world-day-for-peace.html

John Paul II (1991) Encyclical letter *Centesimus annus*. Available at http://w2.vatican.va/content/ john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html

Pieper J (1966) The four cardinal virtues. University of Notre Dame Press, Notre Dame

Rodríguez Luño A (2008) Scelti in Cristo per essere santi. Edusc, Roma

Part V

New Natural Law Theory

Doing Business: Professional Work and *Eutrapelian* Play

Jude Soo Meng Chua

Contents

Abstract

As a form of professional work, business centers on design activity. Professional/design work should be informed by careful practical reasoning, which identifies basic goods to be sought, guides our quest for these goods, and forbids wrongs. At the same time, the open-endedness in professional/design work means that there will always be playful fluidity when making business-related decisions. At least, this should be the case for a business in its focal sense. But the first practical principles (the natural law) which shape our normative deliberation can also be the subject of reflection leading to metaphysical insights. By excluding the naturalistic evolutionary worldview that cannot consistently be believed when adhering to the first principles of practical reason understood as

J.S.M. Chua (✉)
Nanyang Technological University, Policy and Leadership Studies, National Institute of Education, Singapore, Singapore
e-mail: jude.chua@nie.edu.sg

properly basic beliefs, one uncovers a corollary theistic metaphysics under new natural law. Such a metaphysics consists of an account of a God at play. Business done soundly but playfully can therefore be a participation of God's play, realizing the virtue of *eutrapelia*.

Introduction

As a kind of professional work, business centers on design activity. At the same time, the open-endedness found in professional/design work means that there will always be playful fluidity when making business-related decisions. At least, this should be the case for a business in its focal sense that is guided by the first principles of practical reason or the natural law. Furthermore, the first practical principles which shape our normative deliberation can also be the subject of reflection leading to metaphysical insights. By excluding the naturalistic evolutionary worldview that cannot consistently be believed when adhering to the first principles of practical reason understood as properly basic beliefs, one uncovers a corollary theistic metaphysics. Such a metaphysics consists of an account of a God at play. This leads me to think that business done soundly but playfully can be a participation of God's play, realizing the virtue of *eutrapelia*.

Business as Professional Work

Herbert Simon in his *The Sciences of the Artificial* (3rd Edition, 1996: 111–113) separates the schools that teach what he calls the "analytic sciences" from schools that focus on the professions. The analytic sciences, he says, concern the study of the truth of things, aimed at giving a descriptive account of the world, whereas the professions focus centrally on design, which is the transforming of things or states of affairs into their preferred form (p. 111). In the former one finds, for instance, theoretical physics and history, but in the later one finds job professionals do: architecture, engineering, education, and business. Of course this bifurcation can be contested, and many times these listed activities straddle between these two categories. Still the division between one type activity focused on "what is the case" and another focused on "what ought to be" (ibid: 4–5) is sufficiently accurate for my purpose, which is to begin a discussion about what businesses are, what it means to do business, and, perhaps, what business education should be.

So suppose we say with Simon that business, because a profession, or a kind of professional work, is concerned centrally with design, with the transformation of

things or events in order to arrive at a preferred state of affairs and with what "ought to be" (1996: 111). Then we would say more, as would Simon were he to focus on business. Simon would go on to describe, I suspect, what he thinks is the *careful*, *rigorous* practical logic that should guide designing in such professional work: the attentiveness to bounded rationality which sets limits on the pretension to optimize by a fictional *homo economicus*, the need to satisfice, and the need to search for solutions, etc. (c.f. Simon 1996: 25–30, 115–124). Rather than pick out common attributes of all business/professional/design work, he would selectively focus on what kind of business/professional/design work *he thinks* matters most, among all the activities that can be labeled a "business," namely, businesses guided by professional/design thinking *that employs careful practical thinking* (c.f. Simon 1996: 115; also Finnis 1980: 277–279).

And so would a natural law theory of business, if there were one. Such fully evaluative, methodological *selection* of what to list and examine (Finnis 1980: 4), among the collection of things which can be examined, John Finnis (1980: 9–16; 277) recommends and calls the quest for the "central case" or "focal meaning" (p. 10). While many things can be commonly or ordinarily called a "business" (or a business profession, or business professional work, or business related designing), it would be more fruitful to focus our attention identifying *the* account of "business" that is most significant (c.f. Finnis 1980: 278; Finnis 2003). Or as semioticians might say, one should aim to translate the term "business" significantly (c.f. Chua 2013a), i.e., towards its most significant and critically useful sense, and for two reasons at the least. One: because a theory of business that captures the central and the most significant sense of the term would capture a mature or fully developed or indeed desirable version of a "business," rather than a deviant or borderline version of the same, and naturally, the most fitting reference that the term "business" makes should be to the mature and developed version, rather than something half-baked, if anything so that one can better employ that account to more easily identify its typical meaning (not so much statistically frequent as much as being truer to the very concept) (c.f. Finnis 1980: 14–17). Two: because identifying the focal and hence the most significant meaning gives us an ideal or exemplary instance of its type with all its details with which to criticize peripheral instances and to recommend ways of reforming the latter in the direction of the former (c.f. Finnis 1980: 363–366; Finnis 2003; also see Chua 2004).

But all this begs the question: what counts as making this account of business more significant than another, and so more deservedly focal than another? Quickly some ideas come to mind; already hinted above: what is more mature, more developed, more complete, more careful practically, etc., for instance. Yet these are not much help – "mature" with reference to what? "Developed" in *what* respects? "Complete" as opposed to lacking in *what*? "Careful when thinking practically" about *what* exactly? Of course, "what" stands in not for the trivial but for whatever matters. And until we get down to identifying what matters, or are choice worthy, or are important to seek and to do, then these evaluative criteria are

empty. Perhaps even this is not enough, for the question can be posed: "what matters" *according to who* (c.f. Finnis 1980: 15–18; Chua 2014b) ? Since some are practically unreasonable, their mistaken judgments concerning what is important to seek and do in themselves and by implication in business would not be reliable (c.f. Finnis 1980: 17–18). For the theorist therefore, answering the axiological question regarding what is choice worthy in itself to seek and to do (in business) is the foundational task for developing a focal meaning of business (c.f. Finnis 1980: 3–133; c.f. Chua 2014b)

What Is Choice Worthy?

But what is choice worthy in itself? Call these choice-worthy values "basic goods" (c.f. Finnis 1980: 59). Are there really values that may sensibly be described as a good in itself without reference to their utility for something else and hence are basic goods? Herbert Simon did not think so. Appealing to the so-called "naturalistic fallacy," he insisted that from the mere descriptive account of reality, no normative account of what is good in itself could be derived: no "ought" from mere "is" (Simon 1983: 7; Simon 1997: 68–69). At the end of the day, there are only preferences. At best there are instrumental norms, identifying good means. But no norms are available to pick out good ends. Our ends are our desired preferences. He is wrong. Already there is an inherent tension between what he says and what he does. Consider Simon's commitment to this Humean theory of values is not mere whim; rather there is care to appeal to the conservation of logic which correctly avoids the leap from mere description to prescription. So the denial that there are basic goods is a serious, considered act – aimed at what he thinks is worth communicating, viz., this (to him) truthful piece of knowledge that "there are no basic goods." Yet in his affirmation that there are no basic goods, and hence by implication that truthful knowledge is not a basic good worth seeking, Simon is caught in complete performative self-contradiction, seeking to achieve precisely the basic good of knowledge *seriously*, and it would seem therefore, for its own sake (c.f. Finnis 1980: 73–75). Perhaps he seeks the truth merely because it gives him pleasure, or merely for its usefulness for another preferred objective, and not at all for its own sake? This suggestion would be an insult to his memory, of course, and not quickly available, meaning by elimination that there must be, for Simon, at least the recognition that knowledge is a good in itself. Yet even if Simon would admit this (I doubt he would), we, his audience or readers, would at the least be scandalized that Simon would in principle be willing to abandon the quest for the truth if it did not please him or would be willing to compromise the truth if it did not serve his other aims. We would be ashamed of him and would criticize him. Our reaction signals to ourselves that for us, truthful knowledge is a basic good, and if together with Simon we denied that there were any such basic goods, such denial would be inconsistent with our own performative reaction (c.f. Finnis 1980: 75).

Showing the Many Good Things

If for us truthful knowledge is a basic good, then we might hesitate if invited to sacrifice that for a life of pleasurable illusion, say, by plugging in irreversibly into an "experience machine" (c.f. Finnis 1980: 95–97; Finnis 1983: 37). And it is not just truthful knowledge that is at stake, mind you. A life of illusion does not merely substitute the real, period (and thus, merely the truthful) with the unreal falsehood; it also substitutes a real "*something*" with an unreal simulation of that "*something*:" our friendships, our embodied lives, play, beauty, etc. (Finnis 1983: 41–42). We would need a minute to weigh their worth against a lifetime of pleasure. But not easily, each of these seems to have a value different not only from that of pleasure but also from each other (Finnis 1980: 92–94). Each good has something unique to offer that is desirable in itself. These things have their own incommensurable worth and hence are also basic goods. Someone cheers us on to plug in: "nothing beats all the pleasure you can experience!" But you worry that such a life, for all the pleasure it affords, is futile (c.f. Finnis 1983: 39). And however tempting the offer is, such a worry about the evident futility of a life plugged into an experience machine will not easily go away, if *you* had to choose. No one would seriously do something like this to himself. One ought not to retire oneself to a life of pointlessness. Would you? *Should* you? *Honestly*? You can, of course, logically. Still, it would be "madness" if one did and to be criticized….You are *not* trading off one valuable thing for *another valuable thing*, but for vanity. Already your own ethical insights, a kind of practical rationality different from theoretical rationality, untutored by a grand narrative of final ends or a metaphysics of human nature, show and guide: "pleasure is ultimately worthless, unlike the other basic goods, which ought to be pursued and done, and their opposites avoided" (see Finnis 1981: 266; 1983: 138; George 1992; Grisez et al. 1987).

Intimations of a Vertical Dimension

Recollect: business, being a professional enterprise and hence centrally concerned with design, employs practical thinking to arrive at a preferred state of affairs. But some businesses are guided by *careful* practical thinking. Such careful thinking refers to thinking that is rigorous, but also includes thinking that is not negligent but takes into account all that practical reasoning offers, such as its deliverances of practical reasons showing basic goods worth seeking and doing. Hence, only businesses which import these practical precepts in their deliberation can approach the sense of "business" that is "mature", "developed", "complete"…and thus, *focal*, for instance, as Samuel Gregg's piece demonstrates: a business that not only is cognizant of moral absolutes forbidding wrongs, but at the same time admits of a plurality of ways of doing good, leading to all-rounded human flourishing, which a virtuous life aims to realize (see Gregg's "▶ New Classical Natural Law Theory, Virtue, and the Economy"). Gregg's study also highlights the importance of the virtue of prudence for

realizing such a focal sense of business, alongside an instructive explanation of why new natural law studies in economics, business, and virtue have not been very forthcoming. Equally focal is, it would seem, an enterprise or firm that aims at the common good, attentive to possibility of cultivating the virtue of *phronesis*, and of the good of friendship which Javier Pinto's study suggests (see Pinto's "▶ The Firm and Its Common Good: Cooperation, Virtuous Work, and Friendship"). Specifically, by drawing on Aristotelian and Thomistic resources, Pinto argues that there can be a new natural law theory of a firm in its focal sense that recognizes the firm's potential for cultivating virtuous human development just as it enables the cultivation of friendships while it also achieves utilitarian and coordinated activity.

As can be observed, these commissioned "new natural law studies" (broadly taken) in this section relate business focally understood with the virtues. Of course, there will be remaining issues when using "virtues" so loosely, as Michele Mangini's humbling critical study alerts us when he points out how, under new natural law theory, virtues and its attendant emotional dispositions do not seem to feature significantly when comporting the agent to act as had been traditionally understood in Aristotle and Aquinas, and instead the neo-Kantian emphasis in new natural law theory seems to be on diminishing the role of emotions when it potentially interferes with reason (see Mangini's "▶ What Virtues for Business Ethics?"). For Mangini, this in turn diminishes the potential that new natural law theory and its thin notion of "virtue" can have for informing business ethics, implying therefore – as I see it – the need to welcome *more* and not less work on new natural law theory, business, and a discourse on virtues. And so, when Kevin Jackson (see Jackson's "▶ Cosmopolitan New Natural Law: Discerning Virtue and Responsibilities in Global Economic Governance") thinks through how companies if focal need to be governed and ruled by normative precepts drawn from new natural law theory alongside the rules of international law, he encourages his readers to look to the direction of virtue ethics to complement that line of thought – a recommendation I think well worth considering.

But practical reasoning that belongs to a business in its focal sense also can and should have a "vertical dimension" alongside these "horizontal" implications of careful practical reasoning. And a search for gaps to fill when thinking about work-relating natural law theory and virtue(s) will also need to look there. After all, a rigorous unpacking of the foundational practical principles identifying the good(s) to be sought and done can unfold what is *presupposed of* these precepts, as well as what is implied by these precepts. Put in another way, if we unravel the "natural law" – the term Aquinas reserves for these foundational first principles of practical reason (Finnis 1980: 30)– then we can explore what "background" metaphysical corollaries are entailed when affirming the natural law, just as much as we can draw further implications from the substance of the natural law. Indeed, just as one can move deductively *forwards* from the natural law towards their moral implications (see Finnis 1980: 100–133 for example), so also one can also move *backwards* from the natural law, to understand its ground, leading in turn to further, overarching goal(s). In this way the speculative and the

practical mutually inform each other, neither superordinating the other (contrast Long 2013; Di Blasi 2013).

Metaphysical Exclusion: Naturalistic Evolution

After all, the precepts of natural law are "properly basic beliefs," i.e., beliefs we take to be normatively binding and credible without appeal to further justificatory claims. The natural law is our epistemological starting point. But properly basic beliefs in the form of the natural law cannot cohere with a belief in certain worldviews. Such worldviews would need therefore to be excluded from belief. Naturalistic evolution, which denies a meddling God, coupled with materialism, is one such worldview. Under this worldview, beings are thought to have come to be what they are through (1) random mutation and (2) the survival of that which is most fit to survive on this planet. This would include the human being.

However, were it so, then *firstly*, one could say that our epistemic faculties delivering our properly basic beliefs came to be what they are *because of random mutation*, albeit that these epistemic faculties are those among the mutated possibilities that are most fit to survive. But the fact that our epistemic faculties relevant to these properly basic beliefs came to be what they are through random mutation gives us cause to be skeptical about these properly basic beliefs. They detract from the normative credibility of these basic beliefs, particularly because these properly basic beliefs are ethical precepts, as are the precepts of the natural law. After all, due processes in normative judgments are important, if anything just in order to eliminate arbitrariness. For just as one would reject a judgment in a court of law if such a judgment were made through a throw of dice, one would also not at all take seriously a precept that had its genesis in random mutation. And if under certain circumstances we could accept a judgment or a precept decided by a dice throw, it would only be if it is thought of as "fair" to do so – still, the more foundational principle that "one should be fair" should not, *itself*, be thought of as binding because we threw a dice and the throw decided we should be fair rather than unfair. And while in most circumstances, it would be fallacious to judge the merit of a precept negatively simply by pointing to the unhappy circumstances around which it had its origin because it begs the question whether there are yet *other justificatory reasons to think well of these precepts*, in this case the unhappy manner by which our epistemic faculties had their genesis will be decisive for settling on being skeptical about the normative worth of their deliverances, since if it is true that their genesis is random, then *all* our properly basic beliefs are in fact arbitrary, and so there are *no other* trustworthy justificatory reasons available to evaluate these precepts positively and to salvage them for belief. Thus, we can quite legitimately ask ourselves: Would not our epistemic faculties have developed in a very different way, to yield very different foundational practical precepts, if we were found in another possible world, with a different environment? Is it not mere chance that we ended up with this set of epistemic faculties, and its set of deliverances? If so, why take *this set of principles* so seriously? Or indeed, why take *any set of principles* in any possible world so seriously? In short, naturalistic

evolution as a worldview is at odds with our acceptance of the natural law as a set of properly basic (ethical) beliefs (c.f. Chua 2006; also relevant are Alvin Plantinga (1993; 2011: 317 on "Darwin's Doubt) and Michael Rea (2002) although theirs is a study of speculative reasoning's dubious veracity under naturalistic evolution).

Secondly and from a slightly different direction, there is a good chance that the substance of these properly basic beliefs, viz., the natural law, are what they and prescribe what they prescribe *because these best fit us for survival*, and for no other reasons. If so, then it is highly probable that the dominant thrust of the natural law is aimed at survival, since these precepts have survived. This means that each natural law precept prescribing the choice worthiness of a particular basic good may not in fact be prescribing the good as a *basic* good, as something to be chosen *for its own sake*, but rather *really* always prescribing the good instrumentally for and only for our survival, even if to us it *appears* as if the good is choice worthy for its own sake. Of course, it could also be that these basic goods are both inherently valuable, and hence are *really basic goods*, and also at the same time useful for our survival – but we would not know, would we? All we know is that for any good prescribed as choice worthy, there is a strong possibility that it may not be truly a basic good even if it is presented epistemologically as such, and therefore there is a strong possibility that such a good is in fact merely instrumentally good for survival, as our evolutionary history has evidenced. This immediately detracts from the purported inherent choice worthiness of these goods and hence leaves us skeptical about the existence of any *basic* goods apart from survival, to which all other goods are in fact instrumentally ordered. After all, the goods pointed to as basic, and hence inherently good, could well simply be identified *only* because they are *good for survival*, and not *really* because they really are axiologically choice worthy in themselves. Hence the prescription to seek and promote these, without reference to their usefulness for survival, and hence *as basic goods*, is potentially sham directive. In short, naturalistic evolution as a worldview is deeply inconsistent with the substance of the natural law, which identifies for us a plurality of *basic* goods (also c.f. Plantinga 2011: 314–317 on "Darwin's Doubt").

If the affirmation that there are properly basic beliefs, viz., the natural law prescribing choice-worthy basic goods, is inconsistent with the worldview called naturalistic evolution on these two counts, then the latter is excluded from belief. More generally, any worldview which accepts the *arbitrary genesis* of the natural law *in any way* would be in principle incompatible with the affirmation that there are these properly basic beliefs called the natural law and thus are excluded (c.f. Chua 2006, 2008, 2011).

A Basis for the Many Good Things

These metaphysical exclusions usher us in the direction of that one worldview that can overcome the threat of genetic arbitrariness incompatible with the belief in these properly basic ethical beliefs, thus cohering with the substance of the natural law identifying a plurality of basic goods: the theistic one which accepts an

intelligent designer responsible for our "epistemic capacities essential for and relevant to our grasp of these basic goods" – call these "moral epistemic capacities" for short. Sure, saying that our moral epistemic capacities were intelligently designed (even if employing evolution) rather than randomly what they are merely stalls the charge of genetic arbitrariness, for what if the designer merely came into existence in *our* possible world being and designing the way he did in *this* world, whereas in other possible worlds he would have become and designed quite differently, in which case *his* designs *here* would still be one among other possibilities, and from that point of view, be genetically arbitrary and so on? Yet it is not "turtles all the way down" (c.f. Chua 2006, 2008, 2011).

To successfully forestall any charge of genetic arbitrariness, we must add that such a designer, whom one might call God, must be uncreated, invariant in his nature, and must exist according to his same nature in *all possible worlds* and that he must also have designed the said epistemic capacities relevant to our grasp of these properly basic ethical beliefs in *all possible worlds* so that they do not deliver any precepts that contradict each other across these possible worlds. These attributes nullify the conditions that entertain a charge of genetic arbitrariness. For the charge of arbitrary origins is intelligible a charge if and only if it is possible for the source(s) of the natural law to be other than what they are at any stage, i.e., that there is another possible world in which the "designerly" (c.f. Cross 2001) source(s) of the natural law is other than what it is at any stage – but that possibility is now fully eliminated (c.f. Chua 2006, 2008, 2011).

A God at Play

Thus God, whose nature and commitment to the natural law across all possible worlds does not change, is fully contrasted with the so-called nominalist, post-Scotistic, Ockhamist God of caprice whose emergence historians and theologians point out dissolved ethics and paved the way – indeed by constructing the very conditions and not merely by rolling back religion – for a naturalistic secularism defensive of individualistic liberalism (contrast Long 2013; see Milbank 2006; Coleman 2012; also see Chua 2014a). But if God now grounds the robust normativity of the natural law *qua* properly basic beliefs, then a whole field of intentional possibilities is now opened up before us. Such a new field of intentional possibilities is uncovered by furthering our contemplation of God's nature.

Consider if "God" is uncreated, then "God" had always existed. "God's" essence includes existence, since "God" by definition exists. When we think of all other beings, however, we never necessarily think they exist; hence conceptually, the essence of created beings and their existence are distinct. Conceptually, their existence is not included in their essence. Ontologically, it is also correct to say that their essence and existence are distinct. As established, "God" is invariably what He is in all possible worlds. Perhaps there is a god whose essence also includes existence, but had no part in the intelligent design of our morally relevant epistemic capacities. However only an intelligent designer needs to be posited in the light of

the natural law, as shown above. Therefore such a "god" need not be posited without necessity, and so we can assume that no such gods exist. Again, suppose there be another "god" that was responsible for guiding the evolution of our morally relevant epistemic capacities and whose essence includes existence. Now then, this other "god" would have a nature that was identical to God's or different to God's. The latter is false, since as has been conceded, there should be no variance in the nature of any such "god" responsible for guiding the evolution of our morally relevant epistemic capacities. Hence such an other "god" would need to have a nature similar to God. If so, then such an other "god" would in essence be identical to God and could not be differentiated from God. Such a "god" would be one with God and is God. Therefore, God, whose essence includes existence, is One. It follows that if there is to be any existing intelligent designer whose essence includes existence, it would be the one God. Therefore, apart from God, no other being has existence included in its essence. Thus for all other essences which exist, therefore, their essence and existence are really distinct (c.f. Chua 2011, compare Wippel 1984: 107–132, adapted from Aquinas, *De Ente*, 1968: 55).

Given that all other essences have, each of them, a really distinct existence, then apart from God, all essences, if they exist, must have received existence from another existent essence. Yet no essence apart from God has existence of itself. Therefore all essences ultimately received existence from God, and while they exist, continue to participate of God's existence. God therefore brought forth all essences from nonexistence into existence. Of these existing essences, their manner of existence is always in some sense structured and determined, according to some form, and such determination is according to its essence. However it may exist, its existence is received and made determinate by its essence. For whatever is received is received according to the limiting mode of the receiver. In God, however, his essence (already) includes existence. Since His existence is not apart from his essence, it cannot be said that his existence was received by his essence and limited by such a receptive principle (c.f. Chua 2011; compare Wippel 1984; adapted from Aquinas, *De Ente*, 1968).

Thus, God's existence is unreceived and undetermined by such a really distinct essence. This implies that God's existence and his way of being are not structured, according to a form, or determined by any such a limiting essence. Rather, His being is undetermined – at least with respect to and so free from the particular determination that may have been imposed by the limiting principle in question, in this case the essence. But God is therefore also unlimited and undetermined, period, without qualification. Of course, we still speak of God's *essence*, as if there were a confusingly present essential and hence limiting principle present. However, if God's essence neither receives nor limits God's existence, then such an "essence" is not doing what is to be done by any essential principle, which is to determine God's manner of existing so that he is *what* he is, and so the so-called essence is no essential principle at all. That is, God's essence includes no essential, limiting principle, and hence what is remainder in that concept of God's essence is simply and completely existence. God's essence does not merely include existence. God essence is (simply) existence. And if God's essence is pure existence without any

limiting essential principle, then God's existence is altogether unlimited, since nothing else limits the existence. God is hence, infinite, unlimited existence without qualification (c.f. Chua 2011; compare Wippel 1984; adapted from Aquinas, *De Ente*, 1968). God is *completely* free. God's activities, his consistent choices with respect to his intelligent design of human moral epistemic capacities in all possible worlds, including His act of creation by which all things exist and His generous ongoing sharing of existence by which all creatures continue to exist, are also free (see Rahner 1963). Put in another way, God's creative activities are never necessitated. In short, God plays "....if we ask why God creates, no answer is available other than the one implicitly given by Plato: play – a free but patterned expression of life and activity, meaningful but with no further point" (Finnis 1980: 409).

A Business Professional at Play

Such a metaphysics of a God at play, for some pejoratively "thomistic" (Simon 1997: 87), is nevertheless full of practical potential. Because if God is at play, then it may be said that the man is doing business (in its focal sense) or the businessman participates in God's play (c.f. Finnis 1980: 409–410). Since guided by the natural law to promote and do good through a profitable enterprise, his professional/design choices are (1) aimed at a freely chosen set of goods among a multitude of other possible combination of goods, all of which inter alia rationally incommensurable, and hence playfully chosen if chosen, alongside profit projections (Chua and Oskari 2008) and (2) are underdetermined, and thus are often acts of *determinatio* (Finnis 1980: 284), because of the need to satisfice – with playful style (c.f. Simon 1996: 130–131; see Chua 2013b) – when optimization in complex scenarios is impossible under conditions of bounded rationality (see Simon 1996: 34; also March and Simon 1958: 172 which acknowledges the work of Ludwig von Mises and F. A. Hayek). All this is true particularly if, as Austrian economics tells us, the business man is informed entrepreneurially by price signals from the free market, since competition is exercised in disequilibrium, and hence adjusting decisions while tending towards the optimal are never quite so and are at best satisficing judgments under uncertainty (see de Soto 2008). Or should one insist, as neoclassical economists might that after a while, a competitive price stabilizes when demand and supply achieve equilibrium and businesses simply calibrate themselves optimally (ibid.) – even then the choice itself to *do* business and be a businessman (other than to be an engineer, or doctor, or architect, etc.) and to *remain* a businessman (rather than to do something else, also good), even if merely as an conformingly docile (c.f. Simon 1995: 285) employee of a business organization, is also a free choice before incommensurable options, and thus playful. More so in a free economy when, unlike in centrally planned economies for which there can be an arbitrarily imposed hierarchy of values (c.f. Hayek 1988; 1994), one is free to order these incommensurable goods responsibly. Precisely because of the limits of our rationality, rather than behave as if an omniscient, optimizing, "adult-know-it-all," business professionals are each always like a little child at free, satisficing play.

But if now the businessman participates in God's play, he can welcome that participation and fully intend to realize that participation. Meaning, rather than merely acknowledge that one's business plays are unintended but welcome participations of God's play, one can seek that participation *intentionally*, precisely by instrumentalizing these plays towards the end of sharing in God's own play. Business, for whatever good reason it was done, can now be done over and above these reasons for another overarching reason: to share in God's playfulness (c.f. Finnis 1980: 409–410).

Eutrapelia: A Virtuous "Turning"

To suggest that business can be done to participate in God's play invites further commentary. The act of putting before one's mind the metaphysical proposition that God is at play, adding to that the analogy between divine play and business play, and then setting that analogous relation out before oneself as the overarching welcome achievement of one's business plays – i.e., intending the latter – should not be a goal that is merely optional (c.f. Chua 2011). When one's various business plays, themselves ordered towards good ends in the horizontal, are *further*, all of them, ordered towards one unifying, vertical goal, there is an aesthetic formation, an organizing, ultimate, meaningful end for an otherwise relatively deformed collection of plays. It is more beautiful. But such beauty achieved through the play of business is not achieved *at the expense of* other business-related work, but precisely on that basis of all that. It is the intending of what was originally an unintended side effect, and thus already available for the picking. Like a well-turning, witty person (*eutrapelos*) who grasps the semiotic potential latent in and thus already present in the words to exploit them for amusing turns of phrases (Aquinas 1920: *ST II-II*, q. 168, art. 2, corpus), so also the *eutrapelian* businessman opportunistically attends to unintended consequences different from their original goals in order to "turn" these into new design goals (c.f. Simon 1996: 162–163). To ignore and put to waste this "(al)ready-made" vertical intentionality, therefore, would be practically unreasonable. Therefore it would in fact be ethically obligatory, if such an ultimate end were available, to set that as the final practical end of one's playful, business enterprise. Since playing together is part of friendship, one might speak metaphorically of the quest for and cultivation of God's friendship through business at the risk of philosophical imprecision (c.f. Finnis 1980: 409). Still it will nevertheless be true that one's practical intentionality tends towards – *loves* – God and terminates in God as the final end, if only because one's practical reasoning directs one to "do business. . .in order to share in the play *of God*, period" (c.f. Finnis 1980: 409–410).

But even if it's right to do, such a vertical, practical intentional *eutrapelian* trajectory is not easy to sustain. Rationality's boundaries include the limits of our attention (c.f. Simon *passim*), and the way we too easily focus on the things related to the practical workings in business that draw our attention, and thus, such a

vertical intentionality is easily forgotten. If altogether forgotten, that would be clearly unfortunate: compared to business with the aesthetic orientation, it would be crass and boorish – merely functional, devoid of beautiful form, and poorly designed. But equally unfortunate is a businessman whose mind was so focused on the contemplation of his business as a participation of God's play that with performative self-contradiction he whimsically neglects the serious down-to-earth work needed to *do* the business. For if the *doing of* business and the analogical play in business should languish, then there can be no participation *through business* in God's play, not to mention the lost opportunities to service the common goods that business seriously done can promote (compare Simmons 2013). Between these two extremes is a virtuous mean, of which precise location is hard to pin down, but which is nevertheless approached by habitually fighting off the vicious, dualist extremes at both ends, namely, (1) the secularizing temptation to forget God on the one hand and (2) the temptation to fantasize an incoherent spiritualism hoping to "do God" without doing the things that allow God to be done. In short, business that is beautifully executed sits on a virtuous, *eutrapelian* mean that pursues the horizontal and the vertical in a mutually dependent and integral harmony.

Conclusion

These practical trajectories may not be exclusive to business. More generally then, a reflective professional (c.f. Schön 1983), not necessarily a businessman but who in this case happens to be one and whose thoughts turn on the focal meaning of his professional life by unpacking the natural law that must guide ethically and the grounds of that natural law as well as its implications, soon finds new ways in which one's profession, say, "business," is done and thus discovers new meanings of what it is to be a "businessman." Thus, for instance, business indeed seeks profits and promotes various goods, but should overarchingly aim at an aesthetic, *eutrapelian* participation of God's play. This in turn reflexively opens up for the businessman new ways of being a virtuous (business) professional.

"Business" education which aspires to develop professionals so that they are equipped with the capacities and skills fit for "business" and the virtuous, *eutrapelian* professional life ought, from the point of view of new natural law supplies preparatory courses in a curriculum that not only teaches (natural law) ethics but also metaphysics or natural theology, which will enable the student-professional to unconceal the God that grounds the natural law and whose divine and business plays can and should participate in, and with that knowledge, to "turn" one's professional work into *eutrapelian*, God-loving play (c.f. Chua 2012; Chua 2014a). Such courses in natural theology need not however be the dogmatic imposition of a series of Thomistic theses, but must be complemented by ongoing critical research and retrieving re-articulation of these metaphysical themes, refurbishing over time the inadequacies of arguments put out here in my chapter and elsewhere on behalf of the vertical dimension in business.

References

Aquinas T (1920) Summa Theologia (ST), II-II, q. 168, art. 2, corpus, Fathers of the English Dominican Province (trans), originally published 13th Century, available at: http://www.newadvent.org/summa/3168.htm

Aquinas T (1968) On Being and Essence (De Ente et Essentia) (trans: Maurer A). Pontifical Institute of Medieval Studies, originally published 13th Century, Toronto

Chua SMJ (2004) Positively legal: hart, dworkin and aquinas on law and morality. Angelicum 80:65–83

Chua SMJ (2006) The reason of god: practical reasoning and its anti naturalistic implications. Angelicum 83:21–42

Chua SMJ (2008) God and the taming of wicked problems: some philosophically required frames in policy design. Angelicum 85:815–831

Chua SMJ (2011) Things to do on the play-ground: topics for a catholic science of design. Angelicum 88:557–579

Chua SMJ (2013a) Significal designs: translating for meanings that truly matter. Semiotica 196:353–364

Chua SMJ (2013b) Reorganizing schools as social enterprises: on play schools and gifted education. In: Mooney B, Nowacki M (eds) Aquinas, education and the east. Springer, Netherlands, pp 163–177

Chua J (2014a) Education, relevance and beauty: the spirit of democratic capitalism, orthodoxy, and the business school debate. In: Gregg S (ed) Theologian and philosopher of liberty: essays of evaluation and criticism in honor of Michael Novak. Acton Institute, Michigan, pp 199–218

Chua Soo Meng Jude (2014b; in press) Inclusive design research and design's moral foundations. In: Rodgers P, Yee J (eds) The routledge companion to design research. Routledge, London

Chua SMJ, Oskari J (2008) El don personal en las empresas sanas: racionalidad limitada, valores incommensurables y agencia economica (The personal gift in sound business enterprises: bounded rationality, incommensurable values and economic agency). Revista Empresa y Humanismo XI(1):67–88

Coleman J (2012) Negotiating the medieval in the modern: European citizenship and statecraft. Trans R Hist Soc (Sixth Series) 22:75–93

Di Blasi F (2013) The role of god in the new natural law theory. National Cathol Bioethics Q 13 (1):35–46

Finnis J (1980) Natural law and natural rights. Clarendon, Oxford

Finnis J (1981) Natural law and the 'Is' – 'Ought' question: an invitation to professor veatch. Catholic Lawyer 26:266–277

Finnis J (1983) Fundamentals of ethics. Georgetown University Press, Washington DC

Finnis J (2003) Law and what I truly should decide. Am J Jurisprud 48(1):107–129

George RP (1992) Natural law and human nature. In: George R (ed) Natural law theory. Oxford University Press, New York, pp 31–41

Grisez G, Boyle J, Finnis J (1987) Practical principles, moral truth, and ultimate ends in natural law. Am J Jurisprud 32:99–151

Hayek F (1988) The fatal conceit: the errors of socialism. Chicago University Press, Chicago

Hayek F (1994) The road to serfdom. Chicago University Press, Chicago

Long SA (2013) Fundamental errors of the new natural law theory. National Cathol Bioethics Q 13 (1):105–132

Milbank J (2006) Theology and social theory: beyond secular reason. Routledge, New York

Plantinga A (1993) Warrant and proper function. Oxford University Press, New York

Plantinga A (2011) Where the conflict really lies: science, religion and naturalism. Oxford University Press, New York

Rahner, Hugo SJ (1963) Man at Play or Did You Ever Practise Eutrapelia? (trans: Battershaw B, Quinn E). Compass, London

Rea MC (2002) World without design: the ontological consequences of naturalism. Oxford University Press, New York

Schön D (1983) The reflective practitioner: how professionals think in action. Temple Smith, London

Simmons R (2013) The business of business schools: restoring a focus on competing to win. Capitalism Soc 8(1):2–37

Simon H (1983) Reason in human affairs. Blackwell, Oxford

Simon H (1995) Organizations and markets. J Public Adm Res Theory 5(3):273–294

Simon H (1996) The sciences of the artificial, 3rd edn. MIT Press, Cambridge

Simon H (1997) Administrative behavior, 4th edn. The Free Press, London

Wippel JF (1984) Essence and existence in the De Ente. In: Metaphysical themes in Thomas Aquinas. Catholic University of America Press, Washington, DC, pp 107–132 (Chap. 4)

New Classical Natural Law Theory, Virtue, and the Economy

Samuel Gregg

Contents

Abstract

New classical natural law theory (hereafter NNLT) has enjoyed remarkable success in reinvigorating natural law reasoning and its applicability to many contemporary debates ranging from bioethics and marriage to issues of religious liberty. NNLT's impact upon debates concerning business, the virtues, and the economy has, however, been less noticeable. With this background in mind, this chapter seeks to realize two objectives. First, it explores the reasons why NNLT has been less immediately applied to discussions of business, the economy, and the moral life. The second objective of the chapter is to illustrate how NNLT can help to illuminate the potential for sound moral reasoning, the promotion of virtue, and all-round human flourishing by individuals and groups in the settings of a business.

S. Gregg (✉)
Acton Institute, Grand Rapids, MI, USA
e-mail: sgregg@acton.org

Introduction

Since the publication of John Finnis's *Natural Law and Natural Rights* in 1980, what has come to be known as "new natural law theory" – or, as its proponents prefer, "new classical natural law theory" (hereafter NNLT) – has emerged as a significant force in moral, political, and legal philosophy, especially in the Anglo-Saxon world. Many of its insights have also been applied to specific fields of inquiry ranging from bioethics to religious liberty.

The roots of NNLT are to be found in the publication of Germain Grisez's 1965 interpretative essay on Aquinas's first principle of practical reason (Grisez 1965). This paper, which sought to clarify the meaning of Aquinas's treatment of this subject, outlined the basic premises of NNLT, most notably the claim that the basis of practical reason is to be found in a foundational practical recognition of certain basic or fundamental goods. This was and remains a controversial thesis in broader debates about natural law insofar as NNLT holds that no inference from theoretical truths concerning human nature is necessary or possible.

Since the 1960s, those scholars working in NNLT, such as Grisez, Finnis, Joseph P. Boyle, Robert P. George, Patrick Lee, William E. May, Gerald Bradley, Peter Ryan, S.J., Ryan Anderson, E. Christian Brugger, Christopher Tollefsen, Jude Chua Soo Meng, and Sherif Girgis, have devoted much energy to clarifying disputed points of NNLT in the face of criticisms from others working in different natural law traditions as well as other schools of philosophical thought. But NNLT scholars have also been willing to explicate their ideas "outside" both natural law and Catholic circles and to apply their ideas to many questions that remain heavily disputed in the public square, most notably abortion, euthanasia, and the nature of marriage. Generally, however, NNLT thinking has been applied sporadically to questions that touch upon commerce, business, and economic life more broadly. The first part of this paper sketches some of the reasons for this limited attention. The second, longer part illustrates some ways in which NNLT can illuminate the ways in which human flourishing can occur in business and economic life.

Priorities and Context

Much of the apparent inattention of NNLT scholars to questions of business and human flourishing in the world of commerce may be traced to issues of priorities and context. The theory itself emerged in a period in the midst of widespread revolt against long-established moral norms and legal positions in the realms of sexual ethics and public morality. Its primary exponents were largely focused on providing more rigorous philosophical and legal defenses of established positions on these issues than had hitherto prevailed. Much NNLT scholarship has subsequently focused on specific legal questions concerning these subjects as well as underlying philosophical disputes that underlay these matters. These disputes took NNLT straight into a confrontation with consequentialist reasoning and methodology (Grisez et al. 1990).

Much contemporary economic thought is marked by what might be broadly described as consequentialist premises and methodology. Some might regard this as a primary reason why NNLT scholarship has not entered in specific debates about business and economic affairs. This, however, would be an inaccurate conclusion.

NNLT holds that there is a place for considerations of utility and the *foreseeable* consequences of actions and rules in our decision-making. Its proponents are well aware, for instance, that Aquinas's meditations on property presume we *can* indeed reasonably foresee what will happen when property is owned collectively (Aquinas 1963: II-II, q. 66). Moreover, as Finnis notes, there are many contexts in which we may reasonably calculate, measure, and weigh the consequences and efficiency of alternative choices. An obvious example, Finnis notes, is a market for those things which may legitimately be exchanged and in which a common denominator (i.e., money) allows comparisons of profits, costs, and benefits to occur. The problems start, according to NNLT, when an effort is made to make utility calculations or consequence assessments the primary points of moral reference. Such calculations are, strictly speaking, irrational because they assume the impossible: humans can know and weigh all the known and unknown consequences of particular actions or rules (Finnis 1980: 111–8).

There are, however, two other reasons that help explain the comparative absence of NNLT reflection on business, commerce, and the economy. The first is the insistence of NNLT that, while one may never intentionally choose to violate any of the basic goods (life, practical reasonableness, friendship, marriage and family, beauty, etc.), there is immense room for prudential judgment regarding the doing of good at the level of individuals and communities. On many such matters, as Robert P. George observes, "A number of possible schemes – bearing different and often incommensurable costs and benefits, risks and advantages – are consistent with natural law" (George 1999: 108). In many cases, the legislator cannot, on natural law grounds, identify political or economic arrangements that are uniquely correct. Yet he *can* identify several options that meet the test of right reason, even if some of the options may be incompatible with each other. This is the kind of activity of the practical intellect that Aquinas called *determinatio* (Aquinas 1963: I-II, q. 95, a. 2).

To illustrate the point, George uses the example of building a house (George 1999: 108–109). Assuming the basic criteria of usability and safety are met and certain constructional elements (such as roofs of a certain height) are in place, several acceptable, albeit sometimes incompatible, options exist for building the house.

To a certain extent, the same holds true for individuals and communities. NNLT is decidedly non-relativistic. Happiness is *not* to be found in hedonism or sheer willfulness. Yet each person's and each community's precise way of participating in all the goods at the heart of human flourishing *is* going to be different. It is partly determined by our particular talents, opportunities, and context. The person with great athletic talents has the possibility of being creative in ways that differ from those with a unique instinct for business. The athlete's precise way of participating in the good of creative work is thus different from the businessman. But both are able to realize the good of creative work.

Another reason for NNLT's relative absence of commentary upon human flourishing in the realm of commerce and business is a factor that it tends to share with other schools of natural law. In the realm of economic questions, natural law has long been focused upon issues of justice and wealth distribution rather than the wealth creation that is prioritized in market economies. Whether it is general justice, distributive justice, or commutative justice, natural law reasoning from the time of Aristotle onward has paid particular attention to what people are owed in terms of the distribution of goods in economic life. NNLT theorists have consequently devoted some attention to issues of the size and limits of the welfare state as well as associated issues of redistribution (Boyle 2001). Largely missing, however, is reflection on the manner in which human flourishing occurs *in* life in business and commercial activity in general.

Business and Participation in the Basic Goods

The constellation of factors detailed above helps to explain why NNLT has had little to say on issues of virtue and business. This, however, does not mean that NNLT lacks the potential to say a great deal about this subject.

The first is through attention to the basic goods identified by NNLT and the particular ways in which these goods may be realized in business and commercial activity. Though the particular vocabulary of virtue is not used here, the focus is upon facilitating what NNLT calls "integral human fulfillment" that any virtuous life helps realize. Businesses have many opportunities to create conditions in which the basic goods become realizable in ways that often are specific to commercial activity. This may occur through the manner they serve their customers as well as other individuals and communities but also through the ways they facilitate the flourishing of those people – owners, shareholders, managers, and employees – who are members of a given business organization. Here we will illustrate the point by considering two goods: work (or skillful performance) and friendship.

The good of work/skillful performance reflects the fact that humans attach significance to free choice and action that they do not see in mere passiveness. In this sense, what matters is that the activity is being chosen for its own sake and chosen to be done well rather than simply for the benefits for the company of being a good accountant or manager or janitor or the benefits to customers such as a good product or service. Thus when a person creates a new product or refines an existing service, he does not simply change the material product or aspects of the nature of the service. He also shapes himself interiorly by engaging his reason and free will in an act of self-determination that allows him to participate in the distinctly human good of skillful performance.

Businesses can facilitate participation in this good by producing and selling goods that allow customers to participate in this good. Thus a producer of musical instruments can indirectly provide musicians with the tools they need if they are to engage their love of fine music (here the good of skillful performance intersects with the good of play). Regarding members of the business itself, the company can

facilitate their participation in the good of skillful performance by providing, for instance, its employees with the skills and training they need to perform their work more effectively and efficiently. In many instances, such skillful performance may be encouraged by allowing owners, managers, and employees considerable freedom in how they accomplish their specific tasks.

This example also underscores how businesses can undermine the conditions that facilitate the good of work/skillful performance. A company that produces substandard products and services can negatively affect its clients' ability to perform various actions in a skillful manner. Likewise if a company unduly narrows the scope for initiative on the part of owners, managers, and employees, the conditions for skillful performance may be significantly undermined.

Another example of how business can facilitate our participation in basic goods is to consider the good of friendship. Most of us initially think of friendship as those particularly close relationships we have with a rather small number of people, often over a long period of time, that are not easily replicable. But NNLT also understands friendship in a more broader sense of willing the good of others for their own sake, as an expression of justice, and maintaining healthy relationships with those we encounter in the various settings we find ourselves, whether they be "friends" in the deeper sense of the word or not.

How may this good be affected in the conditions of a business? In a negative sense, it might involve a business seeking to discourage office politics and excessive bureaucratization. These tend to result in people being treated as objects rather than beings who ought to be valued for their own sake, as well as promoting discord and injustice in the organization. From a positive standpoint, facilitating the good of friendship in a company does not mean that everyone has to treat everyone else as if they were their best friend or spouse. Rather it could range from encouraging an atmosphere of teamwork rather than an internal dog-eat-dog culture to employers and employees acting quickly to correct injustices.

In addition to these examples of work/skillful performance and friendship, the very nature of some businesses means that they gravitate toward the promotion of specific fundamental goods. The healthcare industry, for instance, has at its very core a concern with promoting the good of life and health.

Here it is important to say something about how such facilitation of people's participation in the basic goods relates to the question of profit. The realization of profit is central to any private commercial activity. Profit from a NNLT standpoint, however, is an instrumental good. Money and capital are not ends in themselves. For business, the realization of profit is nevertheless an extremely important instrumental good. Just as life cannot be sustained without oxygen, so too private businesses cannot be sustained if they consistently make losses. Profit is the instrumental good that allows businesses to develop and enhance their capacity to facilitate the flourishing of members of the business, their customers, and those more remotely affected by the business's activities.

Lastly, we should recognize that not only can several basic goods be realized through the same action (skillful performance and beauty being good examples) but that these same goods can be pursued alongside the realization of profit. A

company's facilitation of its members' participation in the goods of friendship or skillful performance, for instance, does not imply automatic conflict with seeking to make profit. Naturally, it is always possible for members of a business or a business itself to undermine human flourishing by violating basic goods in seeking to secure a contract, enhance profits, or grow the business. But this is not inevitable.

Business and Wrongdoing

Everyday economic and commercial life by its nature embodies a great deal of legitimate calculation of costs and benefits. Yet there is an enormous potential for such calculation to spill over into the realm of other aspects of commercial life, such as how owners, managers, and employees treat each other.

Further complications arise, however, once we move beyond the "negatives" and toward the affirmative responsibilities associated with the moral life. As NNLT recognizes, when we make a choice for a particular good, such as carrying out our particular responsibilities as an employee or manager, we always have to accept that we will not realize some other basic goods. The business executive may need, for instance, to spend more time apart from their spouse than they would otherwise prefer.

On other occasions, sometimes realizing our responsibilities in business can involve contributing to the wrongdoing of others. A woman, for instance, may work as a driver for a private bus company. Her firm expects her to take the bus passengers along a prescribed bus route. She knows, however, that some of the passengers who regularly take her particular bus route do so in order to visit a brothel. She disapproves of these actions. Yet her work as a bus driver helps to facilitate morally evil acts by these clients.

What is at stake here is the bus driver's responsibility for the bad side effects. In this regard, NNLT's understanding of human action helps us to determine how much she is responsible and whether or not she (and the company) can accept these side effects. It does so by distinguishing (1) whether one is choosing such effects as a means to an end, or (2) intending such effects as our own ends on the one hand, or (3) accepting such bad effects without actually choosing them. NNLT identifies (1) and (2) as unacceptable and immoral. In the case of (3), however, acceptance can sometimes, though not always, be justified.

These distinctions are important because the distinction between intentionally choosing a particular end and/or means on the one hand and simply accepting but without intentionally choosing certain knowable side effects on the other, can be crucial in determining the morality or otherwise of an action. Most of the work undertaken by NNLT in this area has been focused on specific issues of human life, sexual morality, bioethics, capital punishment, and the taking of human life in wartime, with particular attention to nuclear deterrence.

With the exception of some of the cases studied in Grisez's *Difficult Moral Questions* (1997: 447–638), the application of such reasoning to the realm of business has been limited among NNLT scholars. Yet commerce can involve

navigating moral issues that are just as difficult as some of the aforementioned issues. In the case of the bus driver, it allows us to assess whether her act of driving the bus involves (1) a conscious choice of the end of enabling some of her passengers to visit a house of ill repute, (2) a choice to drive the bus as a means that enables her to earn an income and thus support her family while not caring about evil side effects of her choice of means, or (3) a foreseen acceptance – but not the choice – that driving this bus on this particular route is resulting in certain bad side effects.

With regard to the third of these distinctions, NNLT holds that the reasons for accepting such side effects must take into special account fairness in the acceptance of side effects. If, for instance, the bus driver's willingness to accept the negative side effects of driving this particular route flows from the fact that those side effects will be suffered by others (e.g., the prostitutes and their clients) rather than herself, then she is being unfair in accepting those side effects. Here NNLT appeals to the Golden Rule to articulate the norm that should apply: Do unto others as you would have others do unto you.

This reminds us that, from a NNLT standpoint, this question of accepting (or not accepting) bad side effects presumes that we are in fact acting in ways that conforms to the ten requirements of practical reasonableness identified by NNLT, such as following the Golden Rule and having a coherent plan of life. Moreover, even if our choices of ends and means are good in themselves, accepting bad side effects can still be morally problematic. It may well be that the goods chosen by the bus driver (e.g., skillful performance and the lives and health of her family that are sustained by the money she earns from bus driving) and the means (driving the bus and the money earned by doing so) are all perfectly consistent with practical reasoning. But it might also be that she has not paid sufficient attention to the bad effects that are being realized or thinks them insignificant. Perhaps she has not considered asking her employers if she can drive another bus on another route that does not involve accepting such side effects. Has she thought about finding another line of work altogether? Has she asked the company to consider discontinuing this bus route because of this particular problem?

Such situations are in fact very common in business, regardless of one's position in a business or whether the business is privately owned, a private-public partnership, or a government-sponsored enterprise. The advantage of NNLT is that it helps us to think through the nature of our free choices – that which is forming us in the direction of human flourishing or moral disintegration – and *what is happening to us* in the process of making such choices.

Virtue and Community

The question of whether or not a person or a business can accept bad side effects points to the importance of the exercise of prudential judgment. This highlights the significance of the virtue of prudence. The language of virtue does not feature strongly in NNLT writing. Yet the type of reasoning outlined above illustrates that

the habit of prudent decision-making is in fact essential for the practical working out of a NNLT approach to promoting the moral life in business.

In fact, Grisez's discussion of whether or not we can accept bad side effects in given situations (1997: 871–897) *does* stress that developing the virtue of prudence is in fact essential to making the right moral decision when facing any number of difficult moral questions. Moreover, Grisez adds, prudence itself not only pre-supposes experience but also all the other virtues.

Moreover, NNLT underlines in a special way the manner in which anyone working in a business can transform themselves through work, even if the labor concerned is regarded as relatively humble from a social and cultural standpoint and receives a low price in the conditions of a market. NNLT reminds businesses (especially those in management and executive positions) of the *intrinsic worth* of human work.

Evidently there are forms of work (such as being a producer of pornography) that, from a NNLT standpoint, are irredeemable and unable to contribute to human flourishing because the very nature of the work means violation of basic goods. Yet most businesses *are* communities of persons in which human flourishing can occur.

Certainly, from an NNLT perspective, businesses as communities do not instan-tiate goods in the same way as that of, for instance, marriage and family. As Robert G. Kennedy observes:

> We should recall that since a business is a specialized association, the potential common goods (i.e., the goals) that shape the cooperative action of the members of the organization are focused upon specific private goods. That is, the ultimate purpose of a business will be to achieve some concrete goods for particular people. This is in contrast with families and civic communities where the potential common good is the comprehensive well-being of the members as human persons. Businesses, in other words, aim at the satisfaction of particular human needs, not at the entire ensemble of goods that make up a fully satisfactory human life. (2006: 27)

At the same time, the business is a community where many particular basic goods *are* realized. One is the intrinsic good of work. In that sense, business is a form of community that produces not only instrumental goods but which is also capable of facilitating in a particular way the participation of millions of people of the good of work. That is a very important moral validation of business activity.

NNLT thus encourages businesses to think about employment and the work of its many members (not just employees but also managers and owners) in ways that go beyond the production of goods and services and the realization of profit. Of course there are many occasions when a business is perfectly justified in choosing to change its managers or even fire employees. These may be rightly understood as acceptable bad side effects. In some cases, it may actually be the best thing to happen to an employee or manager.

But understanding that work is a good in itself should also encourage businesses not to be flippant about matters of employment and hiring and firing. At the same time, it also reminds employees that even work which is objectively difficult, boring, or highly repetitive can be good work, especially if other members of the

business are helped to see its purpose and significance in the overall workings of the business. The owners and management of a company have, as part of their leadership role, a particular responsibility for initiating, building, and maintaining an environment in which such an understanding of work prevails. But every member of a business can also contribute to the growth of such an environment precisely because work is a basic good for all human beings.

Conclusion

Businesses are settings in which people do seek and engage a variety of goods, both instrumental and fundamental. Obviously any business that wishes to be successful must produce goods and services that meet human needs at a competitive price and in efficient ways. But from a NNLT perspective, the ultimate *legitimacy* of business lies, like any community, in its capacity to promote integral human flourishing. This is of course difficult for any community, even those that in themselves can constitute a participation in one or more of the fundamental goods. But, as Kennedy notes, "The critical point is that nothing more is required to make a business morally legitimate; if a business is doing these things its place in society is justified" (2006: 28).

References

Aquinas T (1963) In: Gilby T O.P. (ed) Summa theologiae. Blackfriars, London

Boyle J (2001) Fairness in holdings: a natural law account of property and welfare rights. Soc Philos Policy 18(1):206–226

Finnis J (1980) Natural law and natural rights. Clarendon Press, Oxford

George RP (1999) In defense of natural law. Clarendon Press, Oxford

Grisez G (1965) The first principle of practical reason: a commentary on the *Summa Theologiae*, 1–2, question 94, article 2. Nat Law Forum 10:168–201

Grisez G (1997) The way of the Lord Jesus: difficult moral questions, vol 3. Franciscan Press, Quincy

Grisez G, Finnis J, Boyle J (1990) Incoherence and consequentialism (or Proportionalism) – a rejoinder. Am Cathol Philos Q 64:271–277

Kennedy RG (2006) The good that business does. Acton Institute, Grand Rapids

The Firm and Its Common Good: Cooperation, Virtuous Work, and Friendship

J. I. Pinto

Contents

Abstract

The aim of this chapter is to introduce a theory of the firm based on the concept of the common good consistent with the moral and political philosophy of John Finnis. Using Finnis' philosophy, it will provide a description of the nature of the firm first as a community of cooperative work geared toward the satisfaction of needs. However, such an account of the firm can be further developed. In fact, using Finnis' interpretation of Aquinas' moral philosophy, one can see human work as a virtue. In addition, the development of productive and cooperative organizations must be oriented toward the satisfaction of needs and the promotion of friendly human relations. In this sense, following Finnis' definition, the firm's common good could be defined as a community of cooperation, of virtuous work, and of friendship.

Keywords

Common good • Nature of the firm • Aristotle • Aquinas • Finnis

J.I. Pinto (✉)
School of Business and Economics, University of los Andes, Las Condes, Santiago, Chile
e-mail: jpinto@uandes.cl

Abbreviations

NE   Aristotle's nichomachean ethics
Pol.   Aristotle's politics
S.Th.   Aquinas' summa theologica

Introduction: Common Good, Not an Empty Concept

Modernity offers an original intellectual project (Toulmin 1990), in which an explanatory dichotomy appears between normative and descriptive theories. The former attempts to account for the way things should be in social and institutional realities. On the other hand, the descriptive sciences are confined to the explanation of facts (MacIntyre 1981). Hence, the project of modern social science explicitly rules out the contribution of classical philosophy – in its normative nature – as a relevant explanatory framework for understanding society (e.g., Max Weber (1940)) or thinks of it as unnecessary for the understanding of human organizations (e.g., Niklas Luhmann, see Moeller 2006).

This separation provides the framework for understanding modern social sciences as well as current formulations of the theory of the firm. These confine themselves to the description of events and their causal relationships so that they can be considered scientific studies (Ghoshal 2005; Victor and Underwood Stephens 1994).

Nevertheless, we argue that a normative theory of the firm employing the concept of the "common good" has a rational foundation and much to offer (Sison and Fontrodona 2012). Following John Finnis, for whom the common good is not an empty concept but a reality realized through practical and tangible organizational aspects when the nature of action has been taken into account, we suggest that the common good can be: (1) the attainment of those material conditions for the development of a joint activity, (2) the coordination of actions so that the result of the joint activity is achieved, (3) the human development of each of the members of the community through one's own action, and finally, (4) one's own personal development (Finnis 1980, p. 154).

In this sense, following Finnis' arguments and its Aristotelian-Thomistic roots, we will provide a description of the firm in terms of common good, i.e., the firm as a community of cooperation, virtuous work, and friendship.

The Firm's Common Good as Cooperation

In the words of Aquinas, man was endowed with reason so that through it, he could satisfy his needs. However, by himself, man cannot secure what is necessary for subsistence and therefore needs the cooperation of others. For this reason, it is natural for everyone to live in society (Aquinas, *De Regno*, I, 1, 2). To this end,

Aristotle explains that all communities, including the political community, have been established for acquiring those things needed for life:

> (...) All communities seem to be part of the political community, since men always associate with each other with something that is good for them in mind and in order to acquire something that is required for life, and political community seems originally to have been established, and endures, for the sake of convenience. (Aristotle, NE, 1160a)

Now, besides a general justification of each community based on the satisfaction of needs, it can also be seen that in Aristotle, there exists a parallel between the type of specific needs that man has, the goods which he aspires to, and the forms of community that both help achieve those goods and meet his needs. According to Aristotle, just as the family arises to meet the most basic needs, the village, which lies between so-called intermediate communities (Smith 1983), takes advantage of the social division of labor to achieve an increased satisfaction of the things required to live (García-Huidobro 2008), i.e., for the satisfaction of non-daily needs (Aristotle, Pol, 1252b) through the activities related with work. This, Aristotle shows, is the relation of cooperation between the doctor and the architect (Aristotle, NE, 1133a). In the same vein, Finnis speaks of a community of neighborhood, which can be in identified generally with a contemporary firm as an intermediate community:

> Things will be better for everyone if there is a division of labour between families, specialization, technology, joint or co-operative enterprises in production and marketing, a market and a medium of exchange, in short, an economy that is more than domestic. And the same goes for other goods participated in by the family. The resources not only of material goods and of technology, but also language, knowledge, or aesthetic experience, of interpersonal concern and religious aspiration, are more ample than any family, they enter into a whole network of associations with their neighbors. Aristotle speaks of this level of association as essentially the community of neighborhood. But neighborhood, we must add, need not to be merely geographical. (Finnis 1980: pp. 145–146)

In this manner, the firm would not be identified as a political or *complete* community, nor with a *quasi-complete* community such as the family (Melé 2012), but rather as an intermediate community (Sison and Fontrodona 2012). Indeed, as an intermediate community, the firm could be identified in the Aristotelian tradition as a different kind of *quasi-complete* community of work in terms of a specialized association, which is not oriented toward the near-complete fulfillment of its members or the rest of the community, but rather toward attaining a limited set of goods (Kennedy 2006). Intermediate communities cannot replace the political community in the achievement of a complete good life (*eudaimonia*), but they provide the political community with some pertinent elements needed for a truly human life. In this sense, intermediate communities have their own interests, but when they are integrated within the political community, those interests can cooperate with the political common good. All communities, Aristotle says, pursue in part what is in their own interest. For example, the crew of a ship seeks what is best for navigation to make money or other similar ends, while soldiers seek what is best for the campaign, aspiring to riches, victory, or

the conquest of a city (Aristotle, NE, 1160a). This means that a firm is incomplete in relation to the complete human goods that are available in the political community and is a social form of cooperation through labor for achieving a specialized and limited kind of good needed for well-being.

Therefore, an incorporation of the above definition allows one to view the firm as a specialized intermediate community defined by the common good that its members pursue though social collaborative action expressed in diverse forms of labor contracts, specialization, technology, marketing, exchange, etc. Here, in the words of Finnis, the common good can be identified using two aspects previously mentioned, namely, a common good in terms of the attainment of material conditions for the development of a joint activity and the coordination of actions so that the result of the joint activity is achieved. In effect, as Finnis explains, a group, whether it be a team, club, society, enterprise, or firm, is said to exist wherever there is, over an appreciable span of time, a coordination of activity by a number of people in the form of interactions and with a view to a shared objective. This objective is what we may call the common good in its cooperative dimension (Finnis 1980: p. 153).

The Firm's Common Good as Virtuous Work

Still, Robert Solomon has said that while a focus for business ethics theory is the individual within the corporation, what is missing from much of business ethics is an adequate account of the personal dimension (Solomon 1992). In this sense, the important thing is that cooperation is not only justified by the utility associated with the satisfaction of extradomestic needs in society. The rationale for cooperation, which naturally includes the need to help one another in society to achieve a good material life, should also include the need to ensure the moral development of the members of society who participate in it by acting. Consider what John Finnis says:

> A human group or community has all the reality of group action, as well as of the group's members' –human persons'– acts and dispositions to act, dispositions which are manifested in the members' readiness to participate in, and emotional responsiveness to, the group's action, for the sake of the good(s) which give(s) point to that action. That is to say, the reality of a group is the reality of an order of human, truly personal acts, an order brought into being and maintained by the choices (and dispositions to choose, and responses to choices) of persons. A group's act is defined by its 'public' proposal -i.e., by the form in which it is proposed to members of the group, for them to participate in or not. Social acts, though irreducible to the acts of people in the acting group, are constituted exclusively by those acts-acts of individual human persons. (Finnis 2002, p. 313)

Building on Finnis, we would argue that moral development within a firm is also a common good and presupposes the possibility of acting in accordance with a personal free choices and rational decisions. This is not opposed to the teaching on the common good explained by Aquinas, for whom the good of the sum leads to the

good of each of its corresponding parts. This means that the good of the community supports the good of each member (Aquinas, S.Th. I-II, q. 92, a. 1, ad, 3).

> He that seeks the good of the many, seeks in consequence his own good, for two reasons. First, because the individual good is impossible without the common good of the family, state, or kingdom (...) [*and*] because, since man is a part of the home and state, he must needs consider what is good for him by being prudent about the good of the many. For the good disposition of parts depends on their relation to the whole (...). (Aquinas, S.Th., II-II q. 47 a. 10 ad.2)

However, in the case of human agency, acting well surely does not merely mean considering the good of the many but is also achieved only when free and rational action can take place, that is to say, when there is virtue in action. For Finnis, in effect, virtue in action is of the permeating extension of practical rationality involved in a personal activity:

> (...) we reach Aquinas' central definition of the human fulfillment which moral and political philosophy identify as here and now the organizing point of individual and social choice, as something attainable (so far as possible in one's circumstances) by one's own or our own actions as we are. It is this: virtue in action. And that means practical reason in action, successfully extending its directiveness to all one's emotional and voluntary dispositions and activity. For virtue is simply the perfection of human capacities involved in action, i.e., the powers of understanding and responding to intelligible goods and of choosing and carrying out one's choices well –a perfection which involves bringing those powers of intelligence, will, and (as sharing in rational choice and action) emotion into co-operative harmony with each other and with the human goods. (Finnis 1998: pp. 107–108)

Now, in the Aristotelian tradition, the actualization of one's potential – the achievement of virtue – implicit in the notion of self-realization, depends upon a dialog between conception and execution (Murphy 1993). Perfective work is a good kind of action when it is reflectively rational when deciding what is worth producing. If this rational action is effectively performed in cooperative labor, in work, we see the opportunity for virtue in action within the firm.

Now this practical rationality virtuously applied to action is understood in the Aristotelian-Thomistic tradition as *phronesis* (in ancient Greek) or *prudentia* (in Latin). The *prudentia* of Thomas Aquinas, or the Aristotelian *phronesis* or practical wisdom, is hence also a common human development or common good within the firm. Why? Because when working, *all* employees improve themselves and grow in the virtue of prudence as when they correctly and rationally cooperate in the organization through deliberate tasks or free choices in their productive activities (Alford and Noughton 2001).

In this way, from the Aristotelian point of view, a firm as an intermediate community would become a good firm when it makes its members morally good while facilitating the participation of laborers in the firm's common good through work (Sison and Fontrodona 2012). When this happens, such moral development

occurs when the same laborers incorporate in their work the virtuous exercise of prudence in their productive activities.

The Firm's Common Good as Friendship

In this way, cooperative activity in a firm or company, while instrumentally furthering common goals – and hence promoting a common good – can be elevated to support the natural ambition that every human being has to grow, develop, and improve morally and virtuously, also a common good. Moreover, this ambition cannot be divorced from an orientation toward promoting the growth, development, and improvement of the *other people* with whom one interacts in family or social spheres.

Now, in this orientation toward others, the necessities of those closest at hand are of greater importance because, as Aristotle explains, it is worse to neglect the needs of a brother than those of a stranger (Aristotle, NE, 1160a). In any event, a company is hence to bring about relations characterized by the common good of friendship. John Finnis says this clearly:

> Confronted by the term "the common good", one is first inclined to think of the utilitarian "greatest good of the greatest number". When one is persuaded that, outside limited technical contexts, the notion is not merely practically unworkable but intrinsically incoherent and senseless (...) one is inclined to think that the reference to the common good must inevitability be empty. [But] in the case of a pair of students (...) their common good (some conception of which could guide their co-ordination of actions) was the ensemble of conditions which would enable each to pursue his or her own objective. In the case of a game (...), the common good for the participants was that there should be a good play of the game, which requires not only a substratum of material conditions but also a certain quality (rule-conformity, sportsmanship, etc.) in the co-ordination itself. In the case of friendship (...), the common good was identified as the self-fulfilment of each of the friends through the sharing of life and affection and activity and material goods (...). Finally, in the case of political community (...) the point of common good as such an all-round association was said to be the securing of the whole ensemble of material and other conditions that tend to favour the realization, by each individual in the community, of his or her personal development." (Finnis 1980: p. 154)

Hence, the firm is a cooperative reality defined by a type of activity or function, namely collaborative work, and understood to exist in order to satisfy daily and non-daily needs, not only to procure what is necessary for the good life but also to facilitate one's own personal development and that of others, especially those closest to oneself. In this manner, good work includes taking care and promoting virtue in others, especially our coworkers (at least within each person's capabilities).

So people in a firm should relate to one another with the intention of seeking not only personal development but also the personal development of others, especially those closest to them. Such relationships in the case of the firm can be understood in terms of a kind of virtue. This social virtue in the Aristotelian and Thomistic tradition is the virtue of friendship (Aquinas, S. TH., I-II, q.4 c.1).

Thereby, social life in a firm includes not only a collaborative element but also friendly relations. This willed relationship is what Aquinas calls *societatis*, and it is itself a basic human good: harmony among persons or friendship (Finnis 1998: pp. 111–112) which is a sharing in goods with another or other persons each for their own sake (Finnis 2011, p. 47). In the interest of promoting the common good based on the development of each member of the community, relationships that entail utility must ultimately be ordered toward friendship. Put in another way, the firm in its focal sense cannot be fully understood unless it is considered as a network of friendships among those who collaborate within the firm and benefit from their productive activities or services.

> There is community in a full sense when (i) A Makes B's well-being and self-constituting participation in human goods one of A's own self-constituting commitments, and (ii) B makes A's well-being likewise one of B's own basic commitments, and (iii) A and B collaborate in pursuance of these commitments. (Finnis 1980: pp. 143–144)

Conclusion

Given what John Finnis has to say about coordinated activity, we have argued that there can be a new natural law theory of the firm with potential for promoting virtue and friendship consistent with Aristotelian and Thomistic insights. Finnis himself, in effect, makes the case for a community of actions that is not merely utilitarian but also virtuous and friendly. John Finnis explains that Aristotle's willingness to call each of these communities *philia* (of friendship) signals the possibility of considering the firm not only as a community of utility or coordination. Rather, the firm, while having utility and coordination, can open up to the possibility of being a community of virtue to the extent that it occasions prudence and a community of the common good of friendship.

> Indeed, the good that is common between friends is not simply the good of successful collaboration or co-operation, nor it is simply the good of two successfully achieved coinciding projects or objectives; it is the common good of self-constitution, self-fulfillment, self-realization. (Finnis 1980: p. 141)

For Aristotle, a thing's nature and its ends are convertible (Aristotle, Pol. 1252b). Thus, the description of the end of a reality is the description of its nature. Therefore, we can say that if the purpose of the firm is the common good, then identifying the common good through practical and tangible organizational aspects reveals the same nature of the firm. This nature of the firm, however, is not given, but must be achieved in the form of efforts made toward the fuller constitution of the institution of business in society. This can be the standard guide for managerial action that seeks not only to start a firm but to perfect it and to achieve a qualitatively superior firm in all the ways that have been described here as constituting its common good. In effect, when the common good of friendship is

achieved, that firm can be qualitatively or morally better, thus contributing to human development or flourishing better through its business activities.

References

Alford HJ,OP, Noughton MJ (2001) Managing as faith mattered: Christian social principles in the modern organization. University of Notre Dame Press, Indiana

Aquinas (1888–1906) Summa Theologica. In: Aquino, Thomae de (ed) Summa theologiae cum supplemento et commentariis Caietani, Opera omnia iussu Leonis XIII P. M. edita, t. 1*/1, Commissio Leonina – J. Vrin, Roma

Aquinas (2002) De Regno. Editorial Tecnos, Madrid, España

Aristotle (1995a) Nicomachean ethics. In: Barnes J (ed) The complete works of Aristotle. Princeton University Press, Princeton

Aristotle (1995b) Politics. In: Barnes J (ed) The complete works of Aristotle. Princeton University Press, Princeton

Finnis J (1980) Natural law and natural rights. Oxford University Press, Oxford

Finnis J (1998) Aquinas. Oxford University Press, New York

Finnis J (2013) Intention and Identity. Collected Essays Volume II, Oxford Universuty Press, UK

Finnis J (2011) Reason in action, collected essays, vol I. Oxford University Press, Oxford

García-Huidobro J (2008) Practical truth and practical falsehood in Thomas Aquinas. In: García AN, Silar M, Torralba JM (eds) Natural law: historical, systematic and juridical approaches. Cambridge Scholars Publishing, Cambridge, UK/Newcastle

Ghoshal S (2005) Bad management theories are destroying good management practices. Acad Manag Learn Educ 4(1):75–91

Kennedy RG (2006) Corporations, common goods, and human persons. Ave Maria L Rev 4:1

MacIntyre A (1981) After virtue: a study in moral theory. University of Notre Dame Press, Indiana

Melé D (2012) The firm as a "community of persons": a pillar of humanistic business ethos. J Bus Ethics 106(1):89–101

Moeller H-G (2006) Luhmann explained: from souls to systems. Open Court Publishing, Chicago

Murphy JB (1993) The moral economy of labor: Aristotelian themes in economic theory. Yale University Press, New Haven/London

Sison AJG, Fontrodona J (2012) The common good of the firm in the Aristotelian-Thomistic tradition. Bus Ethics Q 22(2):211–246

Smith ND (1983) Aristotle's theory of natural slavery. Phoenix 37(2):109–122

Solomon RC (1992) Corporate roles, personal virtues: an Aristotelian approach to business ethics. Bus Ethics Q 2(3):317–339

Toulmin S (1990) Cosmopolis: the hidden agenda of modernity. The University of Chicago Press, Chicago

Victor B, Underwood Stephens C (1994) Business ethics: a synthesis of normative philosophy and empirical social science. Bus Ethics Q 4(2):145–155

Weber M (1940) The Theory of Social and Economic Organization (trans: Henderson AM, Parsons T). Oxford University Press, New York

What Virtues for Business Ethics?

Michele Mangini

Contents

Abstract

An approach founded on virtue ethics has gradually found its way in business ethics (BE). Despite the field be largely dominated by Kantian, utilitarian, and contractualist (Rawlsian) theories, a sound virtue-based understanding of BE takes concepts such as community, excellence, membership, integrity, and *phronesis* as central normative concepts. Natural law thinking is traditionally committed with social problems in general and with economic conduct in particular, following specially Thomistic teaching. However, notwithstanding the weight of virtues for the Aquinas, a relevant part of contemporary Thomistic ethics seems to address the problems of BE only in terms of moral principles. I contend that the list(s) of basic goods propounded by NNLT is not enough to define a satisfactory *ethical* approach – able to show a desirable way of life for the agents – because it remains dominated by *moral* principles – which can only show agents their limits of action with regards to others' freedom. This is especially true for NNLT where the virtue approach is reconceived by theorists such as Finnis and Grisez in terms of modes of pursuing basic goods or "modes

M. Mangini (✉)
Dipartimento di Giurisprudenza, Universita degli Studi di Bari, Bari, Italy
e-mail: michele.mangini@uniba.it

of responsibility" toward integral human fulfillment. With regard to a virtue-based understanding of BE, NNLT emphasis on integral human fulfillment and the modes of responsibility seems to offer only a limited understanding of (business) ethics. It is an understanding in which the "moral burden" of the modes of responsibility hinders the full potentiality of the virtues in the field of business and management. This is so because the understanding of virtues as modes of responsibility prevents their working as modes of *personal development of the agent* within his/her own community of business and, further, prevents someone to work within a business community as an agent who wants to develop his/her talents with a view to the common good of the political community where he/she lives.

Keywords

Virtue • Ethics • Business • New natural law • Community • Flourishing

Introduction

The field of Business Ethics (BE) is generally dominated by utilitarian and contractarian approaches which emphasize in one way or the other the notion of "social responsibility" for all members of a corporation and the notion of "stakeholders" to mark the place of corporate members with regard to the society in which the corporation is located. In contrast with a well-known – sort of cowboy economy – claim according to which "the social responsibility of business is to increase its profits" (Friedman 1993, pp. 162–167), the notions of "social responsibility" and "stakeholders" show an increasing awareness of the ethical import of business.

Those notions represent the most visible signs of the translation of Rawlsian contractualism into BE terms. While, on the one hand, social responsibility stands for the requirements of justice over economic activity, on the other hand, the notion of stakeholders conveys the idea that all affected citizens should have their share in distributing a set of common resources – insofar as they also have to sustain common burdens. However, the core of Rawlsian (Kantian) and utilitarian approaches to BE develops *moral constraints* to business activities but neglects the other side of ethics, that is, agents' well-being. Following a well-established literature (Williams 1985, p. 6), I take "ethics" as what favors individual character and, thus, all that promotes human development.

Traditionally, Aristotelian ethics of virtues has been taken to have such a perfectionist import, proposing a model of agent's well-being (or "the good life") which goes well beyond Rawlsian and utilitarian moral principles. Robert Solomon has developed more than others the "Aristotelian approach to business" whose advantage with regard to "moral" approaches is twofold: first, it stresses the human development of agents working in business; second, it stresses that the working place is part of one's life as much as an economic activity is part of the community in which we live our daily life (Solomon 1993).

In my view not only does a virtue-based perfectionist approach – developed along lines similar to Solomon's theory – have much to offer to BE, but also it can work as a common ground for a natural law BE with the concept of virtues at its center. The latter is an approach which deserves all of our attention insofar as it is possible to identify an area of overlapping between such a virtue-based natural law ethics and a virtue-based liberal perfectionism. On the one hand, the overlapping entails a fertile alliance between natural law theory and liberal perfectionism both in general theoretical terms and in terms of applied ethics. On the other hand, following an ancient tradition, I take a certain kind of virtue ethics as the truest and most fruitful interpretation of Thomistic ethics in the field of BE (Mangini 2010).

However, not all Thomistic ethics is a virtue-based ethics. As we shall see, the school of new natural law theory (NNLT) holds an ethics based on a list of basic goods in which the virtues have only a marginal role. I shall not insist so much on this claim being an incorrect interpretation of Thomism as on its offering a weaker contribution to BE because it drives out the perfectionist potential of virtues to the life of the agent.

I should now sketch our agenda according to the following steps: (1) a brief picture of a virtue-based BE according to Solomon's views which, at the same time, can be agreeable to natural law Thomism; (2) the specificity of NNLT with regard to orthodox Thomistic natural law; (3) the marginal role of the virtues within NNLT; and (4) finally, the doubtful adequacy of the central concept of NNLT, "integral human fulfillment" within applied ethics, such as BE. On this last step, I shall conclude by claiming that the ethical potentials of NNLT within BE is greatly reduced by its neglecting the combined work of *phronesis* and the virtues for all choices relevant to the individual good life.

Virtue-Based Business Ethics

If "business is business," only special rules and values govern business activities: they are presumably rules and values different from those governing the overall society. That famous slogan was coined to justify the lack of interest and involvement in socially valuable activities often shown by managers and businessmen in general. The reaction to such an approach from certain theoretical quarters was that of emphasizing social responsibility and the notion of "stakeholders" which, as we already saw, wins the day on the grounds of contractualist foundations. Contractualist theories founded on the aforementioned notions represent a moral progress over strictly rationalistic game theories where a Hobbesian ethical individualism is most straightforward. However, my assumption is that all approaches based on social responsibility and the notion of stakeholders are genetically flawed by "ethical individualism" that induces to neglect the values of social harmony and the inclusion of business values within the values of a community (Bowie 1999; Evan and Freeman 1993, pp. 97–106).

In my view Robert Solomon has depicted in *Ethics and Excellence* an appealing picture of business from an Aristotelian perspective in which the basic flaws of ethical individualism in the area of business find plausible solutions (Solomon 1993, pp. 22–64). Further, these solutions seem to gesture explicitly toward an ethical picture in which the good life of the agent is taken into consideration as much as his moral conduct. As already mentioned, I locate the strength of an Aristotelian approach to BE at least partly in the attention for the agent's good life (or "well-being").

In order to describe an Aristotelian virtue-based approach to BE, I follow Solomon's lead in focusing on a few central concepts (Solomon 1993, p. 101 ff.). First of all, the idea of business as a social practice drives out the understanding of market as a radically "free" area where all kinds of conduct are possible, while, on the contrary, "requires a complex ongoing system of (qualified) mutual trust and shared understanding" (Solomon 1993, p. 119). The purpose of business is not self-enclosed, as it usually happens with games but open toward society, its well functioning, and its progress. Second, a social practice such as business takes place within a community, not in an empty space where *individuals* are totally free to relate to each other in any way they choose. The Aristotelian approach takes the identities and meanings of people as citizens to be constituted within communities where people live and work – such as the corporations. The integration of someone within the corporation where she works is very important to judge the quality of her life because this depends to a large extent on reciprocal relations of respect and trust (or, rather, disrespect and distrust) of people working (and living) together. In turn, what we do on the working place affects our experience of citizens of the political community.

Third, an Aristotelian approach to business holds obviously at its center the idea of "excellence" as being necessarily constituted by cooperation and competition rather than the obsessive competition that seems to push many people in business activities. At a first level, on this view, excellence can be interpreted as an ideal of meritocracy in which personal responsibility is strictly interconnected with collective responsibility because every achievement is, to some extent, the result of a cooperative effort. At a second and more important level, however, excellence can be translated in terms of classical virtues such as honesty, courage, friendliness, etc. These virtues are important and worthy in business insofar as they are important in living a meaningful and fulfilling life. It is the case of emphasizing how the virtues in the Aristotelian perspective do not have only a moral thrust but give also a basic contribution to the agent's good life through their exercise in business. I want to emphasize that, despite the well-spread relativistic idea according to which virtues are context-bound, depending on particular roles and circumstances, classical Aristotelian (and Thomistic) virtues have a universalistic force and appeal that only requires to be fitted and interpreted in different cultural contexts (Nussbaum 1988, pp. 32–53). Insofar as business is seen as a central activity in the community life, we shall find in business reflexes of general virtues such as courage, generosity, temperance, justice, and so on. These classical virtues can be taken as a core

conception – not exclusive of other, more specific virtues – for BE. They also represent a common ground for a Thomistic, virtue-based approach to BE.

The Virtues of Thomistic Ethics and BE

Any attempt at describing Thomistic ethics in a summary would be overambitious and doomed to failure. Our aim here is only that of emphasizing the importance of virtues within Thomistic ethics in order to define a parallel which can be of use also to BE. A few sketchy considerations are in place.

First, the Thomistic conception of the good life – imperfect *beatitudo* or *felicitas* – develops as exercise of virtues within a naturalistic conception of well-being. It is to stress how we are discussing only the Aquinas' conception of imperfect beatitude, setting aside the notion of perfect beatitude as contemplation of God which does not depend on human capacities but transcends them completely. On the contrary, imperfect beatitude is natural for us, human beings with our natural principles of operation. Basic forms of well-being are realized through the activation of desires, passions, and the will which lead us to pursue natural goods within the rails of reason. According to the Aquinas – who goes along with Aristotle on this issue – moral virtues enter the picture to perfect the appetitive capacities of will and passions. For example, the virtue of temperance regulates and perfects the unavoidable sphere of human conduct in which human beings are subject to the appetites for food, drink, and sexual satisfaction.

Second, although an ethics of virtues is central to Thomistic ethics, the Aquinas interprets and applies the virtues within a framework of natural law which contributes to define what is good and virtuous. In turn, natural law participates in eternal law (Stone 2000, p. 126). This is to say that Thomistic ethics cannot be collapsed on the ethics of virtues because its theological content goes partly beyond natural law founded on terrestrial *recta ratio*. However, so far as we are concerned, the general principles of natural law and eternal law have to be translated and applied in terms of virtues: "the virtues are nothing other than ordered ways of pursuing, preserving and enjoying the functional capacities proper to the human creature" (Porter 2005, p. 171).

So far, according to the interpretation we are following, the virtues seem to have in Thomistic natural law a position very similar to the position they have in Aristotelian ethics. Thus, their potentialities of performance in BE follow Solomon's account. But I believe that, in order to render more completely the core of Thomism in BE, we should introduce a third point. I want to emphasize sketchily two important principles whose reflexes affect BE. In the first place, I would locate the "personality principle" according to which "the person is the kind of good which does not admit of use and cannot be treated as an object of use and as such the means to an end" (Wojtyla 1993, p. 41). This principle entails a loving care for the individual and her well-being. In turn, the principle entails also respect for people and for the dignity of human persons – overcoming, as it is well known, cultural boundaries. In BE the personalist principle has immediate consequences because

the duty of respect for every person prohibits poor working conditions, exploitation and manipulation, child labor, sexual harassment, and so on. It also insists on truthfulness in terms of honoring one's word (promises and agreements), not making false promises, etc. (Melè 2009, p. 237).

In the second place, the thrust of the virtues within Thomistic ethics cannot be grasped entirely without a proper understanding of the "common good principle" (CGP). In the natural law tradition, it can be partly described in terms of the working of virtues, so the CGP is surely an issue relevant to the ethics of virtues. In searching for the boundaries of the concept of "common good," one has to consider the social dimension of the human being. People belonging to the same community are united by common goods that are often shared. Common goods can be described by different categories such as the sociocultural values of a community (e.g., respect for human dignity and human rights), institutional conditions for human development (e.g., good systems of education and health care), economic conditions that allow people to enjoy a reasonable well-being, and, finally, environmental conditions such as clean air and water (Melè 2009, p. 236). The basic contents of the common good are summarized by Finnis who says that the common good includes "such an ensemble of conditions which enhance the opportunity of flourishing for all members of a community" (Finnis 1980, p. 165).

How should we interpret the common good within BE? Taking distance from individualistic approaches which define business responsibility on the grounds of social contracts (Donaldson and Dunfee 1999) and remaining close to Solomon's virtue-based approach to BE, we should recall the centrality of the concept of "community." This approach does not stress only the importance of the political community but also underlines the place of the corporation as a community whose purpose is not that of making money but that of serving the needs of society while making money. More in detail, we might say that a business firm contributes to the common good of society through activities such as offering goods and services, creating and distributing economic value, etc. Finally, in focusing on the interconnections between the common good and the virtues within business activity, we should notice how the manager should act with a sense of "stewardship" toward natural resources to be used with regard for others and with a view to the common good.

The Contribution of NNLT to Thomistic Ethics

At this point it seems well founded to say that a virtue-based account of BE unites both Aristotelians and Thomists. As we already noticed, we should point out that there is more to Thomistic ethics than the virtues: the importance of precepts with regard to the functioning of virtues (Aquinas II–II, 44, 2, 1) and the relation of participation of natural law into eternal law can hardly be overestimated. However, the exercise of the virtues within a corporation, according to these natural law accounts, is conducive both to the success of the corporation as a community and to the flourishing of the society where the corporation is located.

Our account of virtue-based natural law – within and without BE – tells only half of the story, though traditional natural law theory nowadays has to confront the attack of a lively competitor from within: the so called New Natural Law Theory (NNLT) school which gathers among its supporters Germain Grisez, John Finnis, James Boyle, and Robert George. Their contributions to traditional natural law theory and, in particular, their interpretation of Thomism are controversial. The overview of the main issues of the dispute would lead us astray, toward metaphysical and epistemological questions. So, we shall keep within the rails of two single questions: can also NNLT offer its contribution to a virtue-based BE? If not, how should people acting in business orient their choices, according to the NNLT approach? The answers to these questions require as first step a brief summary of some of the main claims of NNLT in order to describe its ethical background. This summary will be sketchy and incomplete but it makes sense for us to the extent that it is conducive to our understanding of the NNLT position with regard to the virtues.

The first point which distinguishes NNLT from the natural law tradition is its rejection of the primacy of the speculative over the practical. In a nutshell, this is to say that, according to NNLT, practical reasoning acts on the grounds of desires to which no prior speculative knowledge is necessary. According to Finnis, the first principles of natural law are *per se nota* and indemonstrable. "They are not inferred from speculative principles. They are inferred from facts" (Finnis 1980, p. 33). Finnis takes the Aquinas to hold that practical reasoning begins from one's inclinations, with no regard of psychological, anthropological, or metaphysical observations about human nature. So, NNLT's refusal to admit that natural teleology is normative for moral judgment entails that the order of precepts follows the order of inclinations which does *not* follow the order of ends: according to some critics, NNLT is thus doomed to deontology and casuistry (Long 2013, p. 111).

The rejection of the primacy of the speculative over the practical can be also described in terms of the Humean supposition that an "ought" cannot be derived from an "is." This is to say that there is no possibility of deriving from knowledge of facts normative considerations guiding practical choices. Aquinas' conception of an "accidental" distinction between practical and speculative knowledge is contrasted by Hume's logical distinction between "ought" and "is." It is necessary now to point out how this position of NNLT, on the one hand, inclines toward a deontological normative ethics, while, on the other hand, precludes any influence of natural ends over human choices.

The rejection of the idea of an ordering of nature toward ends leads us to the second point of basic difference between NNLT and the tradition of natural law that we want to emphasize: the incommensurability of basic goods. As it is well known, NNLT authors hold that there are certain basic goods – for example, Finnis' list includes "life, practical reasonableness, religion, play, knowledge, aesthetic experience and sociability" – that are not ordered among one another hierarchically. The technical word "incommensurability" is used to signify that basic goods are not parts of the whole of the good life, so they cannot be compared in relation to the whole nor can any basic good be taken as naturally nobler than others. It is worth

emphasizing that, on this view, there can be no idea of the "good life" to which basic goods can be ordered, so that we cannot even say that wisdom is nobler than life, because it makes sense to say that we live in order to achieve wisdom but not the opposite.

The outcome of such a view is that of establishing that there is no morally significant order prior to choice. Such a radical rejection of all natural teleology has been charged from within the Catholic tradition with an incapability of providing an integrally Catholic account of moral life (Long 2013, p. 116). We will not pursue this issue here but will try to check how these views reflect onto the NNLT view on the virtues.

What Place for Virtues in NNLT?

It is now time to introduce the NNLT views on the virtues, keeping in mind that our standpoint of observation and evaluation about the role and import of the virtues in BE is roughly that already described as Solomon's Aristotelian approach. However, in my reading, a further point, not thoroughly emphasized by Solomon, needs to be recalled: the perfectionist force of the virtues in defining the good life of people also through the exercise of their roles in business communities. With regard to the position of the virtues within NNLT, I may anticipate that their reductivist understanding keeps the virtues in a secondary position, with little or no relevance for the life of the agent.

It would not be fair to hold that NNLT denies any need for the virtues in the moral life because they do discuss the issue (Grisez et al. 1987, pp. 129–33). However, "they do not continue the Thomistic tradition regarding the cardinal virtues of prudence, justice, fortitude and temperance and the way in which Aquinas related these virtues to specific powers of the human person [. . .] and the way in which they name and consider virtues seems to be extraordinary flexible and ad hoc" (May 2004, p. 153).

Two particular views on the virtues by NNLT authors are worth mentioning with greater detail. First, Finnis considers, besides basic goods, countless aspects of human self-determination and self-realization, such as courage, generosity, moderation, gentleness, and so on. These are not basic values but *ways* or *modes* of pursuing the basic values (Finnis 1980, pp. 90–91). No special consideration is given to the issue of the virtues and their weight in the moral tradition. However, in interpreting the Thomistic view on the virtues, Finnis recognizes that the good of virtue is a *bonum rationis*, an intelligible good that a reasonable person wants to choose and put into practice. Excellence and strength of character – Finnis holds in commenting on Aquinas – entail a disposition to act with intelligent love in pursuing fundamental human goods (Finnis 1998, pp. 83–84). On the one hand, I take his interpretation to give special emphasis to practical reasonableness rather than to the single moral virtues as spheres of balance for specific wholes of desires and reasons. On the other hand, Finnis does not stress at all the role of the virtues with regard to the good life of the agent.

Second, Grisez's understanding of the virtues is flawed, in my view, by reductivism in a way similar to Finnis', although his position is more nuanced. He starts his discussion about modes of responsibility and the virtues by acknowledging that "much that Scripture and Christian teaching say about morality is cast in the language of the virtues" (Grisez 1983, pp. 192). In order to grasp Grisez's conception about the virtues, our first step must be that of starting from the Thomistic first principle of practical reasoning: "the good is to be done and pursued and the bad is to be avoided" (Thomas Aquinas (1981[1273]) I–II, q. 94, a.2). From this very general principle, he derives the first principle of morality: "in voluntarily acting for human goods and avoiding what is opposed to them, one ought to choose and otherwise will those and only those possibilities whose willing is compatible with a will towards integral human fulfilment" (Grisez 1983, p. 184). Integral human fulfillment (IHF) is not individualistic satisfaction of desires but the realization of all the human goods in the whole community. It is an ideal corresponding to "total human responsibility," and thus, it is much more moralized than the Aristotelian ideal of *eudaimonia*.

The first principle of morality is obviously too general to provide practical guidance. It needs specifications that can have a clear bearing on possible choices. Grisez calls these specifications "modes of responsibility," taking them as intermediate principles which stand midway between the first principle and the very specific norms which direct choices. Specifying the primary moral principle, the modes of responsibility exclude immoral actions whose willing is inconsistent with a will toward IHF. The modes of responsibility can be better described as moral principles, such as the principle of impartiality which requires one not to favor oneself and one's dearest over others. Grisez lists the principle of impartiality as his fifth mode of responsibility, according to which "one should not, in response to different feelings toward different persons, willingly proceed with a preference for anyone unless the preference is required by intelligible goods themselves" (Grisez 1983, p. 211).

In the case of this mode of responsibility, as in the case of the other six modes, there is a relation with the virtues. In general, "virtues are aspects of personality as a whole when all the other dimensions of the self are integrated with morally good commitments" (Grisez 1983, p. 192). Insofar as the virtues embody the modes of responsibility, these shape the existential self of a good person and his personality: a good character embodies and expresses the modes. In particular, the fifth mode of responsibility corresponds to "fairness" as an aspect of justice (Grisez 1983, p. 212).

Now, we do not have room enough here to describe in detail each mode of responsibility but it is possible to identify two general features. The first has been mentioned already: being moral principles, the modes of responsibility cannot express aspects of the good life of the agent. They are not aspects of the agent's excellence as the virtues are traditionally considered in the Aristotelian approach. Rather than being traits of character built from within, the modes of responsibility – and, so, the virtues – appear as moral principles that descend on the agent from without. This point brings us closer to the second general feature I want to point out:

almost all modes of responsibility seem to be built mainly to curb emotions and sentiments which may hinder or damage the pursuit of basic goods. For example, consider also the sixth mode: "one should not choose on the basis of emotions which bear upon empirical aspects of intelligible goods (or bads) in a way which interferes with a more perfect sharing in the good or avoidance of the bad" (Grisez 1983, p. 214). The general thrust of the modes of responsibility with regard to emotions seems to conflict with a deep-seated Aristotelian idea according to which the expression of emotions constitutes an important moral value and correct emotional responses contribute to the agent's good life.

Conclusion

Previous considerations about the role of the virtues within NNLT are enough to sketch a picture which might work also in the applied domain of BE. Insofar as the virtues are conceived as modes of responsibility, they work as moral principles in a Kantian-like way, imposing (self-)constraints on individual choices. Whatever the role one may take in a business activity, her choices will be limited by the application of the modes of responsibility. But would this go to the disadvantage of the agent's self-fulfillment? We need to look more carefully at the notion of IHF to check its potentiality toward human self-realization or self-fulfillment. My claim is that IHF, though an appealing moral ideal for Christian believers, is weak from the point of view of virtue ethics because it embodies a conception of the virtues (modes of responsibility) not conducive to the good life of the agent.

In order to have a better grasp of Grisez's conception of IHF, we should consider – besides what was already emphasized – that IHF "like the ideal of perfect love, [...] is something toward which one can work but which one can never reach by human effort" (Grisez 1983, p. 186). Grisez answers explicitly to the question about how to achieve IHF that "integral human fulfillment will be realized by God's action; human persons can pursue it as a real goal only insofar as they can cooperate with God by a life of faith in Jesus" (Grisez 1983, p. 222). Human moral effort by itself can only gesture in the direction of IHF but not achieve it. So, the ideal proposed by NNLT seems to fare much beyond the level of the human good life, at least as it depends on God's action.

To the extent that that ideal is out of reach of human moral effort, it can be of little use in applied ethics such as BE for all those who do not have a strong Christian faith. They have to confront acquisitive desires characteristic of business activity with modes of responsibility, while leaving no room to a "reasonable" understanding of personal well-being. From this point of view, I see a strong divergence between what is morally good and what is good for the agent. By contrast, the Thomistic account of imperfect beatitude and the role of the virtues within it shows a better compatibility between what is good for the agent and what is good for others. This is to say that the agent who operates in business activity does not have to choose between a moral action and an action which is good for her

because, for example, being honest when it occurs is both a morally correct choice and conducive to the good life.

Such a divergence in the ideal is in line with the interpretation of the virtues in terms of modes of responsibility: the eight modes of responsibility shape the life of a good person toward IHF, taken in the moralized and transcendent sense already described. If the modes of responsibility are moral principles, as Grisez states, they cannot describe aspects of the good life of the agent.

Finally, a last consideration is necessary to emphasize that the crucial virtue in the classical account of virtue ethics – and important also for Solomon's account of BE – is *phronesis* (practical wisdom). As it well known, the Aristotelian conception of *phronesis* entails an empathetic appreciation of other people's situations, a capacity of perceiving the salient features of a situation and an emotional appreciation of the situation. By contrast, Grisez takes the virtuous disposition of practical wisdom – among others – to correspond to the sixth mode of responsibility: "one should not choose on the basis of emotions which bear upon empirical aspects of intelligible goods (or bads) in a way which interferes with a more perfect sharing in the good or avoidance of the bad" (Grisez 1983, p. 214).

It is quite clear that while *phronesis* presents features that fit choice with the variability of human experience in business, as in other contexts, by contrast, the sixth mode shows much less adaptability and understanding of what is of value also in terms of emotions. A reasonable choice of what is best for the agent and his corporation may also entail an emotional perception of the situation.

Cross-References

▶ Aristotle's Virtue Ethics and Virtuous Business
▶ New Classical Natural Law Theory, Virtue, and the Economy
▶ Virtue Ethics in the Catholic Tradition

References

Bowie N (1999) Business ethics. A kantian perspective. Blackwell, Oxford
Donaldson T, Dunfee W (1999) Ties that bind: a social contract approach to business ethics. Harvard Business School Press, Boston
Evan WE, Freeman RE (1993) A stakeholder theory of modern corporation: kantian capitalism. In: Beauchamp T, Bowie N (eds) Ethical theory and business. Prentice Hall, Englewood Cliffs
Finnis J (1980) Natural law, natural rights. Clarendon Press, Oxford
Finnis J (1998) Aquinas. Moral, political and legal theory. Oxford University Press, Oxford
Friedman M (1993) The social responsibility of business is to increase its profits. In: White T (ed) Business ethics. A philosophical reader. MacMillan, New York
Grisez G (1983) The way of lord Jesus. Christian moral principles, vol I. Franciscan Press, Quinci
Grisez G, Finnis J, Boyle J (1987) Practical principles, moral truth and ultimate ends. Am J Juris 32:99–152
Long S (2013) Fundamental errors of the new natural law theory. Natl Catholic Bioethics Q (Spring):105–131

Mangini M (2010) Virtues, perfectionism and natural law. Eur J Leg Stud 3:99–127

May WE (2004) Contemporary perspectives in thomistic natural law. In: Goyette J, Latkovic MS, Myers RS (eds) ST. Thomas Aquinas and the natural law tradition. Catholic University of America Press, Washington

Melè D (2009) Integrating personalism into virtue-based ethics: the personalist and the common good principle. J Bus Ethics 88:227–244

Nussbaum M (1988) Non-relative virtues. In: Midwest studies in philosophy, vol XIII. Notre Dame University Press, Notre Dame

Porter J (2005) Nature as reason. Eerdmans, Grand Rapids

Solomon R (1993) Ethics and excellence. Oxford University Press, Oxford

Stone MFW (2000) The angelic doctor and the stagirite: Thomas Aquinas and contemporary aristotelian ethics. Proc Aristot Soc 101:97–128

Thomas the Aquinas (1981[1273]) Summa theologica (trans). Fathers of the English Dominican Province, Burns and Oates and Washbourne, London

Williams B (1985) Ethics and the limits of philosophy. Harvard University Press, Cambridge, MA

Wojtyla K (1993[1960]) Love and responsibility (trans: Willetts HT). Ignatius Press, San Francisco

Cosmopolitan New Natural Law: Discerning Virtue and Responsibilities in Global Economic Governance

Kevin T. Jackson

Contents

Abstract

This chapter argues that new natural law theory largely neglects the task of coming to terms with the legitimacy of global economic governance schemes. Such schemes call into question traditional ways of thinking about virtues and responsibilities of economic actors on the world stage. Accordingly, I draw upon key concepts of new natural law to posit a normative justificatory foundation for soft law in the global context grounded in a noninstrumental regulative conception of rule of law, human rights, and the global common good. It is argued that, when understood as a legitimating force behind emergent soft law standards of corporate social responsibility, respect for international rule of law enables persons and companies to become virtuous, helping us understand what it means for a business person or a company to be virtuous in a globalization context.

K.T. Jackson (✉)
Gabelli School of Business, Fordham University, New York, NY, USA
e-mail: kjackson@fordham.edu

Introduction

The new natural law theory has largely bypassed the task of addressing itself to
global economic governance schemes. Such schemes engage concepts like
"international rule of law" and "global common good," which are important
notions presupposed in any meaningful talk of "justice" and "human rights" or
the "virtuous" pursuit of human flourishing. In the context of globalization,
justice, virtue, and human rights are all necessary to check abuses deriving
from excessive gain-seeking behavior and other unbalanced and unsustainable
business tendencies of economic actors. While informal reputational rewards and
penalties often play an important role as substitutes for formal state sanctions, of
greater need than these is intrinsic motivation to comply with soft law norms that
are taking center stage in global economic governance. The cultivation of
intrinsic motivation, which extends beyond law into the arena of virtue, should
be considered a common objective that economic participants should strive
toward in the field of civil regulations – dealing with sustainability broadly
understood – and human rights. This involves acknowledging the noncoercive
power of implicit or explicit principles, norms, rules, and decision-making pro-
cedures around which actors' expectations converge in the field of international
corporate social responsibility.

As will be argued, there are conceptual as well as practical interplays between
virtue and the rule of law. Particularly with regard to global governance régimes,
some of the component ideas presupposed by rule of law need to be analyzed,
without which much of what gets said about virtue remains opaque. Hence, this
chapter concerns virtue in international business in that the discussion helps us
utilize new natural law theory to unpack, and so grasp better, key notions that relate
with "virtue" – neighboring concepts, such as "rule of law" and "common good" –
that in turn make intelligible any analysis of virtues in regard to global economic
governance.

Seeking Justification for Global Economic Governance

It is helpful to consider the challenges that emerging global governance schemes
present to traditional ways of thinking about the legal and moral responsibilities,
and as well the transnational civic virtues, of economic actors on the world stage.

First, the traditional role of "hard" public international law (Chinkin 2000) is
met by the emergence of "soft law": informal regulatory régimes and civil society

arrangements (Hall and Biersteker 2002). As the private sector is taking on more of a public character, private authorities are coming to occupy a more auspicious place in transnational economic regulation.

Second, in a departure from public international law's traditional primary concern with procedural justice in political and economic affairs, the emergence of global governance régimes, which aim to engage nongovernmental actors in the creation of public value (Donahue 2004), is ushering in new pathways for bringing pressing issues of sustainability, corporate social responsibility, human rights, and matters of structural justice to bear on international economic affairs (Young 2006).

Third, in contradistinction from traditional domestic legal régimes, whose norms are enforced through centralized systems of sanctions, emergent "soft law" norms of "transnational new governance" (Abbott and Snidal 2009) rely on decentralized enforcement mechanisms.

The enforcement and governance of soft law does not rest on traditional institutions of public authority. Although corporate governance traditionally has been shaped by substantive law instituted by state authority, today's transnational businesses perform tasks within new confederations of authorities. Spheres of authority once restricted to government are now shared with a multiplicity of non-state delegations.

Fourth, there have been significant changes in the past several decades in how business is conducted (Cassel 2001). With the advent of policies such as deregulation, liberalization, and privatization, and their propagation across the planet in the 1980s and 1990s, changes came about in the structure and the size of the global marketplace, together with a shift in power relations in the global political economy (Mathews 1997).

Within this dynamic, states are relinquishing some of their power in both domestic and international spheres. It is against this backdrop that the efficacy of states as exclusive guardians of fundamental rights has been called into question (Arat 2006). Further, calls for expanding responsibility for sustainability and human rights to non-state participants and into the private domain have intensified (Clapham 2006; Alston 2005).

It remains unclear how and to what extent a broadening of such responsibilities into the private arena can and should occur. Traditionally states were taken to be the only entities to which an international legal personality could be ascribed, rendering them the sole addressees of international law. States were traditionally seen as the exclusive bearers of direct international legal obligations. However, in the new global governance frame of reference, non-state institutions carry both direct and indirect responsibilities for international human rights, which are distinctively moral and juridical concepts resting at the core of the rule of law (Alvarez 2011), and various soft law initiatives. By extension, in shouldering human rights duties and assuming soft law obligations, non-state economic actors are possessors of whatever virtues (law abidance, temperance, justice, courage, civility, and so on) that become engaged in carrying out those international responsibilities.

Globalizing New Natural Law Theory

New natural law theory sees law as essentially connected to human nature and therefore as universal (Ryan 2006). According to new natural law theory, morality is in turn tied to our human nature as rational beings. Since reason can discover valid moral principles by examining the nature of humanity in society, the content of human-made positive law cannot gain legitimacy except by way of some reference to natural law. Seen in this way, new natural law provides a deeper standpoint from which to comprehend international soft law, its relation to morality, and the influence legal compliance has on the moral character of business enterprises and business people that run them.

Interplay Between Rule of Law and Virtue

Aquinas demonstrates concern for a dynamic that is of great significance for understanding the legitimacy of global governance: the complex interplay between law and virtue (Aquinas 1265).

This is an especially important consideration for global governance because we cannot look to traditional sources of external motivations – sanctions. Instead, there is a pronounced need for some account of the intrinsic motivation of economic actors to follow soft law. Virtue ethics is the logical place to look for that.

Aquinas expounded and further developed Aristotle's virtue ethics. Both thinkers held that human well-being is necessarily related to a person's purpose or end. Aquinas, however, contributed the notion of a supernatural end to Aristotle's naturalistic conception, according to which one attains virtue and *eudaimonia* through the fulfillment of one's natural capacities.

For Aquinas, human nature alone does not embody its own aspirations. Accordingly, Aquinas was concerned with both a person's natural end and his supernatural end, rendering Aristotelian ethics incomplete in his conception. Thus, Aquinas held that human perfection is necessarily the work of two societies – one concerned with temporal good and the other with transcendent good.

Recognizing the limits of positive law in producing virtuous people – and for the contemporary global context, this theory applies to virtuous companies as well – Aquinas' teaching that law should not directly mandate the exercise of all the virtues, nor directly prohibit the exercise of every vice is apt. True virtue entails exercising reason and free will to make the right choices. The central practical challenge of an individual's moral life is to decide what to do in the inimitable circumstances in which each distinct person finds himself.

The normative principles connected to fundamental aspects of human well-being guide our practical reason, informing our moral deliberation about how we should act. Logically speaking, such foundational principles of practical reflection entail norms that lead us to pursue some options while requiring that we abandon others. How does this approach apply in the global economic governance context of rendering business decisions that involve a competition between self-interested

conduct (profit maximization) and conduct consistent with human rights and other standards aimed at the common good?

In its broader sense, "corporate governance" concerns decisions made by a firm's executives, along with the impact that these decisions have on an array of stakeholders. Considering the contemporary context of global economic governance and taking corporate governance in this wider sense, one must include principles that steer economic decision-making toward human well-being and those that demand respect for rights people possess simply by virtue of their humanity – human rights.

Let us specify a set of such general principles for international business enterprises:

- Virtuous business enterprises choose and act in ways compatible with a will toward integral human fulfillment (Grisez et al. 1987).
- Virtuous business enterprises respect rights people have according to their humanity – human rights.
- The various economic systems at all levels – national, regional, and global – exist to serve humanity, not vice versa; meeting the needs and wants of the human body and spirit is the ultimate purpose of an economic system (US Catholic Bishops 1986).
- Justice, virtue, and human rights are necessary to check a multitude of vices that derive from excessive gain-seeking behavior and other unbalanced business tendencies.

Drawing upon a conception of a higher moral law provides a means of calling attention to objective principles of right action for business. The above list of principles for virtuous business enterprises begins with what is, from a logical standpoint, the initial as well as the most abstract moral precept.

This precept asserts that one ought to choose and act in harmony with a will aimed at overall human fulfillment. This is followed by a principle concerning respect for human rights, which – as a corrective to positivist and pragmatist conceptions – counts businesses as shouldering genuine moral obligations correlative to those rights alongside individuals, NGOs, governments, and any other organizations that can be counted as moral actors.

The conception of human rights advanced here follows from a certain conception of human dignity. According to this view, our natural capacities for reason and the existential freedom that we possess are fundamental to our dignity as human beings. Human rights serve to safeguard and to further advance that dignity. The basic goods of our human nature are the goods that a rational creature enjoys (Finnis 2011).

The rule of law ideal asserts the primacy of law over the arbitrary exercise of political or economic power by using law to tame power. It values the protections of the citizen from the arbitrary actions of the government or business enterprises by making all of them and their relationships subject to impersonal and impartial law. The rule of law ideal also maintains the primacy of universalism over particularism

through the principle of equality in law, whereby individuals coming before the law – whether in public or in private institutional contexts – are treated as individuals, divorced from their social characteristics.

In the context of globalization, a normative commitment to the rule of law implies a commitment to the principle of business and economic relations being governed by legitimate law, not brute power. It also implies a willingness to accept the limitations and constraints of working within the law, in specific instances if necessary, against individual notions of just or illegitimate outcome. Fidelity to global economic governance régimes, international laws, and institutions must be required of and demonstrated not only by all states but also by virtuous corporations and other economic participants exercising virtue.

Picking and choosing norms and laws for instrumental aims or in a display of unbridled discretionism is incompatible with using those norms and laws to urge compliance by others. Logic dictates that the right to demand respect for the rule of law should only be given to those corporations, states, and organizations who, in exercising moral virtue, seek to uphold the rule of law ideal themselves.

Rule of law obtains only where actions – including not only those acts of sovereign states and their agents but also those of diverse economic actors in international institutions – are constrained by the regulative idea of law. This argument returns us to the exceedingly challenging question of what law is. For the instant purposes, it is useful to clarify the function of international law, which involves three points.

First, international law's function is to attain an end state – the global common good – desired by those whose conduct is governed by the authority of that law. Second, international law functions to bring about justice within a wide array of instances of human, state, and institutional interaction. Arguably, one persistent threat is the detachment of this key function of international law from the noninstrumental concept of law. As a consequence, this view instead considers law purely as an instrument for policy, used to impose the will of the more powerful components of the international order (whether sovereign states, powerful multi-national corporations, the ultra-rich, etc.). Third, international law functions to resolve transnational political, economic, and social conflicts. It does this by establishing coherent boundaries as to what conduct people, states, and institutions can expect from one another. In this way, international law continually evolves in providing ways to establish a state of equilibrium in response to deviations from the norms that have been established.

The rule of law is guaranteed in the international context only if those harmed by noncompliance possess some means of redress against those who have broken the rules. Here, the violation of law is conceived as an abuse of power. While the "vertical" sovereign abuse of power has traditionally been a central focus of rule of law conceptions, the idea of the rule of law need not be restricted to vertical sovereign abuse of power, but expanded to encompass other "horizontal" abuses of power as well. After all, in civil activities, one private party sues another where the gravamen of complaint is that they, as a coequal citizen, have broken the law.

One benefit of conceiving of the rule of law this way is that it avoids the problem of granting states a "monopoly" to handle the enforcement of law. Whereas the idea of separation of powers has proved an effective balance to overconcentration of sovereign power, expanding the rule of law to other forms of governance provides new avenues for separation of power to gain currency in the global context.

Rule of law envisions a state of affairs where law as a system of norms is deployed in a way that justifies its existence and authority over a community of persons (Fox-Decent 2005). The rule of law is opposed to arbitrary use of power, whether that power is state or non-state; it entails that some measure of certainty obtains in society whether in the short or long term; it is a system of general norms that enables people to foresee how they will interact, or choose not to interact, with other citizens and with institutions public and private.

Rule of law is not an all-or-nothing idea. Emerging global governance devices, such as public-private collaboration, that blur traditional distinctions sanctified under "hard" public international law categorizations, are not in themselves necessarily good or bad. In each case it is necessary to scrutinize: Is a given collaborative governance arrangement in practice a form of corporatocracy or crony capitalism? Do checks and balances exist to restrain despotism in private and nongovernmental forms? Are NGOs in their efforts to criticize corporate policies themselves being held accountable for virtuous behavior?

Taking a Noninstrumental Standpoint

According to Brian Tamanaha, the noninstrumental conception of law holds that "the content of law is, in some sense, given; that law is immanent; that the process of law-making is not a matter of creation but one of discovery; that law is not the product of human will; that law has a kind of autonomy and internal integrity; that law is, in some sense, objectively determined" (Tamanaha 2006).

This perspective contrasts sharply with legal pragmatism which sees legal legitimacy as coming entirely from its ability to serve social purposes. On such an account, whether one is considering a domestic or international context, all that law ever amounts to is policy. The instrumental view conceives of the nature of law as a decision process, not as a coherent system of rules. To the extent law engages rules, it does so only to promote the utilitarian objective of generating desired outcomes. The authority of such norms derives from their effectiveness in realizing such outcomes. By contrast, noninstrumental norms are those which ought to be respected for their own sake, apart from some desired result or strategy.

An example of a nonstrategic norm at the heart of the rule of law and human rights is one prescribing that citizens are related to each other as moral equals. Likewise, the familiar requirements of the rule of law which curb arbitrariness and discretionism, such as *nullum crimen*, *nulla poena sine praevia lege poenali*, and the demand that laws be published, nonretroactive, clear, ascertainable, and so on, are all of a noninstrumental character.

The existence of nonstrategic norms enables one to distinguish between just and unjust uses of force or coercion. In this sense, while they are similar to moral principles, they are nevertheless internal to law. It should be noted that the rule of law applied to the global realm finds legitimation on the basis of universal ideas such as Kant's concept of a human person as a member of a universal legal and moral community and the notion of cosmopolitan democracy.

Beyond Legality Toward Legitimacy

Since no international government exists to enforce them, the compliance of corporations, IGOs, NGOs, and states with global soft law norms is a function of the legitimacy of those rules as perceived by the norm-conforming participants. That is, they are regarded as proper or appropriate by the actors to whom they are addressed within the governance scheme.

If the source of legitimacy is institutions (either formal organizations or recurring and stable patterns of behavior), then those institutions indicate the existence of an international authority, even in the absence of world régimes government. What might lead one to suppose that global economic governance régimes generate not simply soft law policies or purely discretionary and unenforceable norms, but morally grounded obligations, specifically for non-state actors such as corporations? After all, conceiving of corporations as juridical agents capable of exercising virtue and hence accountable under the rule of law and human rights is a relatively new idea.

Another way to frame this question is to query: how does the position of business enterprises, as private entities, compare to that of states, as public entities? If states have rule of law obligations, and if states are bound to protect human rights, do private corporations have these kinds of duties, and the moral dispositions to follow them, as well? Are the sorts of characteristics that lead one to attribute responsibility for upholding the rule of law and human rights to states, and that lead states to assume that responsibility, similar in morally relevant ways to the characteristics that business enterprises have?

Discourse about the international legal obligations that states have often neglects to acknowledge that many obligations, such as human rights obligations, while today reflected in positive international law, actually stem from deeper normative or moral roots. In addition, they are in significant respects voluntary, a characteristic often passed over by positivist views. A signal of their voluntary nature is the reality that while legal experts currently refer to the international legal obligations of states, most of these obligations arise from voluntary agreements, such as treaties and conventions, and in fact rely upon the willing participation of a state for their implementation.

This means that the obligation of states to respect and uphold the rule of law is predominantly a moral obligation that, over time, has come to be seen as something apt to gain legitimacy by being accorded legal status. It should be noted that the decision to extend legal status to international human rights was not something that

was itself legally mandated. The Universal Declaration of Human Rights was an initiative voluntarily proposed and adopted by the states that endorsed it as an international legal instrument. An ongoing exercise of virtue is necessary to keep human rights and rule of law engaged in international economic relations.

Global Common Good

It is important to consider the relation between the rule of law and the multiplicity of "publics" that are relevant to the idea of a common public justification that would be aimed at the common good. In global economic governance, a substantial part of the process of rulemaking connected with sustainability and human rights standards is quite remote from any strictly democratic process. The idea of the rule of law, however, presupposes the existence of some group of persons – some public, that is – in whose name the law stands. According to the rule of law, legal norms must be representative of the entire society and be addressed to issues of concern to society per se, as opposed to merely pertaining to matters of personal interest to people or groups that create the rules.

Because the aspect of public legitimacy is related to the democratic process of law-making, there are of course limits to this being realized at the international level. After all, there is no global democracy in place in our world. Although there is a tendency of global economic governance to extend the range of actors involved in formulating rules, there appears to be no immediate likelihood that transnational governance will institute processes that closely resemble democratic procedures within states.

As more and more régimes sector-based and non-state agents assume roles in global economic governance régimes, the question naturally arises whether such parties are authentic representatives of the public. Also, we may wonder whether it makes sense to speak of a decision, along with the rules and principles upon which it is rendered, as standing in the name of an entire community when its actual audience may be narrower.

Accordingly, there is a need for new natural law qua cosmopolitan jurisprudence to provide an account of the common good in global society as an anchor for legitimacy. Against the backdrops of pluralism and individualism across many cultures, it seems difficult to discern a shared notion of the common good (Novak 1989).

Nevertheless, new natural law provides a starting point for a transcultural idea of the common good. By indicating the basis of what it is to be human, new natural law holds promise for carving out space within which to find common ground. Under the new natural law conception, human rights are moral rights that all human beings possess in virtue of being human.

The natural capacities for reason and the freedom and autonomy that we possess are fundamental with respect to our dignity as human beings. Human rights safeguard and advance that dignity. Human rights command respect and protection

for the most basic and urgent claims on the moral spectrum. They correlate to similarly urgent moral obligations.

Seeking to understand the concept of the common good, one faces a variety of meanings associated with the term. For purposes of the present discussion, the common good is more than the competing interests of individuals and various cultures and more than the composite interests of special interest groups such as NGOs. It is the good we have in common – communal conditions necessary for virtuous pursuit of human fulfillment, flourishing, and perfection by all in society.

The common good is the aggregation of collaborative initiatives and shared restraints by which society helps everyone achieve what in the end only each individual can accomplish for herself: shaping a good will and constituting an authentically human self by freely choosing to actualize that good every time one is given the chance and responsibility to do so (Pope John Paul II 1998).

Conclusion

This chapter has argued that, in the context of contemporary global economic governance, the rule of law plays an important role in helping persons and companies in exercising virtue. International rule of law can assist non-virtuous economic actors in becoming as virtuous as they may become. By grasping international rule of law and its connection to soft law, human rights, legitimacy, and the global common good, we more fully understand what it means for a business person or a company to be virtuous from the standpoint of transnational new governance. Insofar as corporations and business people respect the international rule of law presupposed by global economic governance and corporate social responsibility norms out of a sense that it is right to do so, not out of avoidance of government sanctions or in pursuit of power politics, then their disposition toward compliance with soft law is congruent with the exercise of moral virtue.

References

Abbott K, Snidal D (2009) Strengthening international regulation through transnational new governance: overcoming the orchestration deficit. Vand J Transnat'l L 42:501

Alston P (2005) Non-state actors and human rights. Oxford University Press, Oxford

Alvarez J (2011) The return of the state. Minn J Int'l L 20:258–262

Aquinas T (1265/1989) Summa theologiae. In: McDermott T (ed) Christian Classics, Notre Dame

Arat ZK (2006) Looking beyond the state but not ignoring it: a framework of analysis for non-state actors and human rights. In: Andreopoulos G, Arat ZK, Juviler P (eds) Non-state actors in the human rights universe. Kumarian Press, Bloomfield, pp 4–6

Cassel D (2001) Human rights and business responsibilities in the global marketplace. Bus Ethics Q 11:265–266

Chinkin C (2000) Normative development in the international legal system. In: Shelton D (ed) Commitment and compliance. Oxford University Press, Oxford

Clapham A (2006) Human rights obligations of non-state actors. Oxford University Press, Oxford

Donahue J (2004) On collaborative governance. John F Kennedy School of Gov't working paper no 2

Finnis J (2011) Natural law and natural rights, 2nd edn, Clarendon Law Series. Oxford University Press, Oxford

Fox-Decent E (2005) The fiduciary nature of state legal authority. Queen's LJ 31:270–271

Grisez G et al (1987) Practical principles, moral truth, and ultimate ends. Am J Juris 32:131–133

Hall R, Biersteker T (2002) The emergence of private authority in the international system. In: Hall R, Biersteker T (eds) The emergence of private authority in global governance. Cambridge University Press, Cambridge

Mathews J (1997) Power shift. Foreign Aff (Jan–Feb) 50–66

Novak M (1989) Free persons and the common good. Madison Books, New York

Pope John Paul II (1998) Encyclical letter: fides et ratio 13

Ryan K (2006) Lex et ratio: we hold these truths. Vt BJ 31(4):9–12

Tamanaha B (2006) Law as a means to an end: threat to the rule of law. Cambridge University Press, Cambridge

US Catholic Bishops (1986) Economic justice for all: pastoral letter on catholic social teaching and the US economy National Conference of Catholic Bishops. Washington, DC

Young I (2006) Responsibility and global justice: a social connection model. Soc Phil & Pol'y 23(1):102–114

Part VI

Feminist Ethics and Ethics of Care

Third Wave Feminism, Ethics of Care, and Corporate Governance: The Case of Gender Quotas on Corporate Boards

John Dobson, Nicolette Gorospe, and Seung-yeon Sunny Jeong

Contents

J. Dobson (✉) • N. Gorospe • S.-y.S. Jeong
College of Business, California Polytechnic State University–San Luis Obispo, San Luis Obispo,
CA, USA
e-mail: jdobson@calpoly.edu; ngorospe@calpoly.edu; ssjeong@calpoly.edu

Abstract

Third wave feminism radically redefines the notion of ethics and its relation to gender. Within third wave feminism, the traditional notion of the "feminine" as captured by virtue ethics or an ethics of care disappears, to be replaced by a concept of fluid gender defined in terms primarily of power relations. In this chapter, we apply this notion of "defeminized" feminism to corporate governance, specifically the question of whether to impose gender quotas on corporate boards. We argue that gender quotas do not serve the interests of women: lack of diversity on corporate boards is at root an issue of power, not gender inequities, and should be addressed as such. We suggest alternatives to improving gender diversity.

Keywords

Feminism • Third wave feminism • Corporate governance • Gender diversity • Boards of directors • Gender quotas

Introduction

Notions of feminism have evolved significantly over the past century. Scholars and historians have broken the history of feminism into what they call "waves" to help identify the different movements and ideologies present within feminism. Nevertheless, a lot of criticism exists against understanding the history of feminism through a wave approach because it "downplay[s] the importance of individual and small-scale collective actions" (Mann and Huffman 2005, p. 58). In addition, the wave approach tends to focus on common themes to unify each wave, thus marginalizing the members and diversity that actually exists within the different waves of feminism (Mann and Huffman 2005, p. 58). However, the present third wave has helped to rid feminism of its rigidity, thus being increasingly accepting of the differences by including more than just "women" in this new wave.

We are in the midst, and possibly the later years, of what is referred to as the third wave of feminism, and even now, people have trouble identifying what exactly it is. When Jennifer Baumgardner, coauthor of *Manifesta: Young Women, Feminism, and the Future*, is asked about defining third wave feminism, she states: "This insistence on definitions is really frustrating because feminism gets backed into a corner. People keep insisting on defining and defining and defining and making a smaller and smaller definition – and it's just lazy thinking on their part. Feminism is something individual to each feminist" (Straus 2000). Literature seeks to define and distinguish each new wave from the last, but feminism would be better understood as a cycle that learns and pulls from the preceding waves' ideologies.

In this chapter, we investigate the implications of third wave feminism for the imposition of gender quotas on corporate boards of directors. These quotas have already been imposed in some European countries, and there is discussion of imposing them within the USA. We argue, however, that there are better alternatives to encouraging true "third wave" diversity on corporate boards.

Feminism's Three Waves

"The ideas of feminism were alive and well long before the 'first wave' but had not been organized into an identifiable movement until the mid-nineteenth century" (Kinser 2004, p. 127). In regard to the waves of feminism, feminist upsurge was initiated by women who felt alienated in their attempts to function politically in major reform movements due to being women and not men (DuBois 1971). Women found themselves at a disadvantage and unable to have any say or power in the political decisions of their day. Subsequently, the first wave and beginning of American feminism formally began at the first women's rights convention in Seneca Falls in 1848, which was organized by abolitionists Lucretia Mott and Elizabeth Cady Stanton. Stanton drafted the Declaration of Sentiments and declared that "all men and women had been created equal" thus paving the way for the feminist movements to follow (Rampton 2008).

After continual efforts to achieve some level of gender equality through the mid-nineteenth to early twentieth century, the first wave of feminism came to a stop when women finally won the right to vote in 1920. The second wave of feminism did not emerge for another 40 years, but it is not to say that women stopped seeking and advocating feminism during the gap between the first and second wave; they just never materialized into a mass movement. However, it is important to note that the "African American women's movement within the abolitionist movements preceded the convention by about fifteen years... and its outcomes points to a major problem with the wave metaphor in discussing women's movement; it highlights white women's movement and ignores that of women of color" (Kinser 2004, p. 128).

Even into the second wave, poor women and women of color were marginalized in their efforts because their feminist goals and strategies differed from their middle- and upper-class white feminist counterparts (Harnois 2008, p. 122). The second wave of feminism began in the early to mid-1960s with the eruption of the Vietnam War, as the motivation for battle came under attack by millions of Americans in widespread public marches and protests (Kinser 2004, p. 129). Again, women found their efforts in social activist work to be secondary status, and thus saw gender equality as connected to the struggle for socialism (Snyder 2008, p. 181). Meanwhile, earlier in 1963, Betty Friedan wrote her revolutionary book titled, *The Feminine Mystique*, which argued that women had an essential desire to exercise self-determination in a period where cultural norms of femininity had placed women alongside their husbands as housewives (Snyder-Hall 2010, p. 256). "...*The Feminine Mystique* spoke volumes about the lives that middle- and upper-class women were leading. Her arguments affirmed their malaise and motivated them to cure it by moving out of private and into public space, where no such malaise plagued men" (Kinser 2004, p. 129). The second wave of feminism encompassed a variety of issues, but essentially focused on the notion of the "personal is political."

The second wave of feminism's focus on women's rights and liberation established itself by pulling ideas out of the first wave of feminism, thus, linking

and positioning itself within a bigger revolution after the term "second wave feminism" was coined by Marsha Lear (Kinser 2004, p. 129). The 1960s and 1980s sought to expand their goals in eliminating gender inequalities and was partly successful when President John F. Kennedy signed into law the Equal Pay Act of 1963 to help alleviate and abolish the ongoing gender pay gap. Unfortunately, the second wave of feminism began to lose ground in the 1970s as a result of the "sex wars," in which the radical feminists questioned ideas of pornography and prostitution, and scrutinized heterosexual desire as keeping women tied to men (Snyder-Hall 2010, pp. 257–258). Although this narrow and dogmatic approach undermined and weakened support for feminism, second wave feminism continued through the 1980s, until the third wave took hold.

The Transition from Second to Third Wave Feminism

The shift from second to third wave feminism happened sometime in the 1980s or 1990s, with the term "third wave" being used in discussions and writings about interactions between feminism and racism (Kinser 2004, p. 130). Similar to how the African-American women's efforts were downplayed in the first wave of feminism, "the minority leaders rarely receive the attribution they deserve for their contributions that were so central to second wave thought and to various evolutions into a third wave" (Kinser 2004, p. 130). Nevertheless, the feminists of color were deeply welcomed and acknowledged in the third wave, which aligned with the wave's ideology of being more inclusive and racially diverse. Some historians believe that extracting the feminists of color from their second wave "makes the second wave whiter than it was," thus denying their importance in the second wave (Snyder-Hall 2010, p. 256). Likewise, Astrid Henry, author of *Not My Mother's Sister: Generational Conflict and Third-Wave Feminism*, points out, that move "enables younger feminists to present their wave as more progressive and inclusive than that of their second-wave predecessors," which allows them "to position themselves as superior to the feminists of the past in their seeming ability to make their feminism anti-racist from its inception" (Henry 2006, p. 12; Snyder 2008, p. 180).

Third Wave Feminism: The Faceless Wave

In 1992, Rebecca Walker initiated the third wave of feminism declaring, "I am the Third Wave" (Walker 2006a, p. 5). This new wave of feminism seeks to look past the differences over sexual issues by empowering and educating the young women to focus on their original goal of gender equality. "Third wave feminism is pluralistic and begins with the assumptions that women do not share a common gender identity or set of experiences and that they often interpret similar experiences differently. It seeks to avoid exclusions based on race, ethnicity, religion, sexual orientation, gender identity, and so forth" (Snyder-Hall 2010, p. 259).

The scope of third wave feminism has been made broad to be all-encompassing, but this new wave feels a sense of entitlement for equality that their mothers had to fight for. "Oftentimes, third-wave feminism seems to have morphed into being all about choice with little examination of how chosen desires are constructed or recognition of how an aggregation of individual choices can have a negative impact on gender relations at large" (Snyder 2008, p. 189; Wood 2006). The concept of choice is a key part of third wave feminism, but also stands in the way of feminism's true goal of gender equality when some women are excusing some or all of their actions as being feminist, solely based on the power of choice. Nevertheless, third wave feminism rejects judgment, and thus reinforces the idea that the feminist experience is different for everyone.

Whereas the first wave of feminism can be defined as a unified group seeking to achieve gender equality inflicted by political frustration and alienation in social activism, the third wave can be seen as a coalition of individuals "work[ing] together to address issues of shared concern" (Snyder-Hall 2010, p. 260). "Given its basic assumptions, third-wave feminism will probably never produce the kind of collective social movement that existed in the second wave. Because it strives to be inclusive of all, collective action constitutes one of its biggest challenges" (Snyder-Hall 2010, p. 260). Despite the efforts of feminism and the "wave" metaphor, feminism is still open to a lot of criticism, with focus on its rigid and marginalized waves. Many feminist activists actually reject the wave metaphor, and Catherine Harnois, author of *Re-presenting Feminisms: Past, Present, and Future*, believes that "third wave feminism might be better understood as an identity, rather than as a distinct theoretical perspective, age group, or cohort," in addition to believing that "feminist scholarship itself (re)produces the very differences it aims to understand" (Harnois 2008, pp. 120–121). Nevertheless, the third wave of feminism has empowered individual women to grow their presence as they enter the corporate world with and without gender quotas.

What Is Corporate Governance?

Corporate governance is a system that allows businesses to police themselves. It forces businesses to operate with goodwill and fairness towards it stakeholders. These stakeholders include shareholders, management, customers, government, and communities. Corporate governance is used as a way to uncover the reckless actions of business that might affect stakeholders in the future. Thus, corporate governance is a transparency tool that can be used to educate society about the contributions of corporations towards stakeholders.

The History of Corporate Governance

In what seems like a new movement due to recent financial scandals, the term "corporate governance" according to Brian R. Cheffins' *The History of Corporate*

Governance, actually "extends back at least to the formation of the East India Company, the Hudson Bay Company, the Levant Company and other major charter companies launched in the 16th and 17th century". In addition, "in the early 1930s the thorny questions of how to run a business in the interest of those who are affected by its performance has occupied the minds of business practitioners and scholars alike" (Cragg and Matten 2011, p. 1). Though corporate governance was established in the 1930s, it was not until the 1970s when it was acknowledged by the government. It was during this time the Securities and Exchange Commission created federal agencies that established auditing committees within organizations. Then the 1980s was the time when shareholders started to take on corporate governance roles because of their stakes within the company. It was also during the 1990s that companies restructured themselves to eliminate inferior CEOs, rewarded based on performance, and gave employees a chance to invest into their own companies using stock options. This was the time when employees were motivated into caring about the success of their businesses, much like the compensation system corporations are still operating with today.

Dodd-Frank Act and Sarbanes-Oxley Act of 2002

Corporate governance has created laws such as the Dodd-Frank Act and the Sarbanes-Oxley Act of 2002 as a way to keep a close eye on corporations. The Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly referred to as the Dodd Frank Act, was created in response to the economic crisis of 2008 to monitor firms that are "too big to fail." It prevents these same firms from using tax dollars as a way to solve their business problems. It essentially eliminates the power of corporations to take on risks that could lead to their own demise. Similarly, the Sarbanes-Oxley Act of 2002 was created to protect stakeholders from being tricked into investing towards companies who perform fraudulent accounting activities. The Sarbanes-Oxley Act was established after the downfall of Enron and WorldCom, the same companies who tricked hundreds of people in investing large sums of money based on falsified financial statements and reports. With the creation of these laws, society is able to demand transparency to gain access to important business operations.

Stockholder Theory Versus Stakeholder Theory

When talking about corporate governance, the difference between stockholder and stakeholder theory has to be discussed in order to clarify between past and present theories. The first theory to emerge was the stockholder theory. The stockholder theory suggests that the sole purpose of business is to regulate practices and policies to achieve profit maximization. On the other hand, the stakeholder theory hints that those who control businesses are obligated to make decisions in order to benefit society as a whole. Such examples of stakeholder theory include:

environmental policies, labor laws, charities, community involvement, etc. As Cragg and Matten argue,

> If banks and other companies are so important that they are deemed "too big to fail" and must be rescued by the injections of large amounts of public financial resources—in whose interest should they be run? If the public's stake and interest warrants large amounts of financial support, why is it then that on paper these entities are still largely only responsible to their "owners" or shareholders? Why do most corporate governance mechanisms, including the remuneration system of executives or dominance of shareholder's versus consumers' interests, reflect a bias, which is so obviously out of tune with what seems to be the economic reality? (Cragg and Matten 2011, p. 3)

As pointed out by Cragg and Matten, if big businesses are using public resources to help themselves, when should the stockholder theory stop dominating over the stakeholder theory? The authors are trying to challenge and prompt businesses in creating a system similar to the stakeholder theory that takes into account the effects of decisions upon those who are affected by the business.

Benefits of Corporate Governance and Ethics

There are both internal and external benefits of corporate governance. Corporate governance is a program that can "reduce litigation costs, maintain a positive corporate image, build shareholder confidence and gain loyalty, commitment and respect of the firm's stakeholders" (Amin 2014, p. 3). Internally, businesses are able to build monetary and intrinsic value through their goodwill. Externally, society will be confident that businesses that affect their daily lives are operating with the communities' welfare in mind. Similarly, corporate governance is inspiring businesses to look internally and observe its current ethical codes. Today, more and more people are beginning to question companies about ethical business practices, whether it is following labor laws or how much environmental damage a business is creating. In reality, there is an increasing amount of people who prefer spending a few extra dollars purchasing products from an ethically sound company. "The major goal of these ethical standards is to motivate business and market participants to adhere, in both letter and spirit, to the laws and regulations concerned with business and professional practice" (Amin 2014, p. 3). By operating ethically, businesses are able to put their best foot forward, perhaps capturing a more ethically conscious market along the way.

Tone at the Top

Inevitably, it is mainly the choice of corporate leaders to follow ethical business practices. This is why it is not surprising that ethics begins at the top. It is often the ethical work of directors that trickle down and influence the rest of the company. "They [directors] are subject to formal expectations concerning their knowledge

and their responsibilities to others. In that sense, they are similar to doctors, lawyers and accountants who are subject to professionally prescribed ethical responsibilities" (Schwartz et al. 2005, p. 86). Directors are primary leaders of their employees by setting a "tone at the top." They have the power to influence others that success comes with taking the right steps. Like training wheels, ethical codes force people to make the right decisions, slowly removing each training wheel as each good-willed decision comes automatically and subconsciously. Ultimately, corporate governance and ethics brings to light the question of the business practices regarding support for the feminist movement.

Diversity, Fairness, Ethics of Care: Enacting Norway's Gender Quota Law

Through the opposing goals and realities of diversity and fairness within the business world, society is continuing to struggle with gender inequality. Even though we are seeing a period in time where powerful women are emerging: Meg Whiteman of Hewlett-Packard, Indra K. Nooyi of Pepsico, and Marissa Mayer of Yahoo, we still find that "only 23 women lead companies in the Standard & Poor's 500 stock index" (Sorkin 2015, p. 1). With increasing focus on the underrepresentation of women in boards, Norway enacted the Quota Law in 2003. Norway has designed the Quota Law to minimize gender inequality in boards despite increasing education advancements of women (Sweigart 2012, p. 82A). It requires "all state-owned and publicly traded limited liabilities companies to allocate a minimum number of seats to each gender, based on the total number of seats available. The goal of the Norwegian government was to reach 40 % of women in boardroom seats within a given number of years" (Lansing and Chandra 2012, p. 5). From 2003 to 2006, Norway's Quota Law was primarily voluntary, but became mandatory in 2006 in order to achieve the desired 40 % by 2008 (Sweigart 2012, p. 83A). Norway's goal was to create an opportunity for qualified women to achieve boardroom positions that men often dominated. After Norway's initiative, several countries like Belgium, France, Spain, Iceland, Italy, the Netherlands, and Malaysia have followed in implementing similar types of quotas for women.

In regard to the main benefits of diversity and equality, *Initiative to Place Women on Corporate Boards of Directors – A Global Snapshot,* states that the presence of women on boards "will increase function in a more diverse world. Their governance and the makeup of their boards should reflect this, including more women and persons of color as directors" (Branson 2012, p. 4). With increasing diversity around the world, the same author adds that "men and women have the same right to employment opportunities, promotion, and equal treatment in respect of work for equal value" (Branson 2012, p. 4). However, even with increasing protests of gender inequality as it pertains to income and job status, reality cannot be underplayed. Corporations are still seeing a majority of male executives being placed on board seats instead of women.

With equality and fairness, each gender still has various strengths and weaknesses unique to each other. In *Corporate Governance and Ethics: A Feminist Perspective*, Silke Machold, Pervaiz K. Ahmed, and Stuart S. Farquhar suggest that "moral reason and moral development of females was not 'lower' than that of males, it was simply different. Whilst male participants in the studies emphasized the importance of individual autonomy and rights of the self and others, female participants constructed their moral reasoning around notions of connectedness and caring of people they were close to" (Machold et al. 2007, p. 669). Ethics of care suggests difference in how men and women are hardwired, but does not assume that one gender is better than the other, just unique. "On average, women appear to place more importance on feeling that their job has a clear value to society" (Newlands 2015, p. 1). It is suggested that women thrive in dealing with business matters as it pertains to creating long-lasting relationships, "because of women's orientation towards supporting and maintaining relationships. . . This orientation would be expected to aid in the formulation of strategy and in decisions made regarding policies of the firm, especially those related to social responsibilities" (Galbreath 2011, pp. 22–23). This conclusion suggests that there is value in having women on boards because they are more socially sensitive to goodwill practices versus men whose strengths are linked in the traditional aspects of business (Galbreath 2011, pp. 22–23).

Other Programs to Promote Gender Equality in the Workplace

In addition to the arguments against the establishment of gender quotas, companies such as Morgan Stanley and Deutsch Bank have created programs that help women reenter the workplace. More often, women leave work entirely or take maternity leave to nurture and care for their growing families. To provide a painless transition back into the workplace, "Morgan Stanley also has coaching and support systems for returnees and their managers to help women manage maternity leave. It helps to build confidence after childbirth and provides mentoring" (Sullivan 2015, p. 3). Women who work in the financial sector tend to miss developments and promotions when they take time off (Sullivan 2015, p. 3). By developing "family-friendly" programs, both women and men can be able to transition back into work as quickly and stress free as possible. In *Gender Quotas on Boardroom and Representation in Europe*, Anita Fichtl mentions "the focus should be on their [company] expansion combined with the introduction of more flexible hours and links to other local childcare offerings." The restructuring of companies to be more family friendly would enable mothers to keep moving up in their careers without having to sacrifice more time off work. By creating programs to help women transition from motherhood to the corporate world, companies could eventually decrease the possibility of women trading their successful future careers in fear of not being able to juggle their workload and family duties.

Arguing Against Gender Quotas

Although it could be argued that the inequality between genders has decreased due to the passage of gender quota, studies by Douglas Branson show mixed results. Branson argues that –

> at least six reasons exist for increases or upticks of women on corporate boards where they have occurred around the world: (1) quota laws; (2) certificate and pledge programs; (3) softlaw "comply or explain" requirements of stock exchanges; (4) mentoring/sponsorship programs; (5) renewed pressure by institutional investors; and (6) hard law, governmental agency requirements for plenary disclosure. (Branson 2012, p. 6)

It seems that more than half of these policies force the hand of corporations to increase the number of women representation on corporate boards. This evidence creates an illusion of the positive byproduct of gender quotas where there are none. Similarly, there have been suspicions as it pertains to inexperienced women being hired to fill vacant positions, "the gender quota has led to large numbers of inexperienced women being appointed to boards, which has seriously damaged the firms' stock performance" (Wang and Kelan 2013, p. 451). Also, the quota system "diminishes the achievement of women who already hold seats in corporate boardrooms" (Lansing and Chandra 2012, p. 4). This sense of betrayal could lead to tokenism, an idea that is brought forth if women are simply hired to fill the quota. Tokenism exists when others question one's placement in the board due to quotas. Essentially, the token will become socially isolated from the group and will become more cautious in advancing their career (Sweigart 2012, p. 94A). Because of counterintuitive effects from gender quotas, groups against quota reform have been gaining presence.

Moreover, with the establishment of quotas, companies are restructuring to avoid implementing the quota system. "Norway quotas apply only to publicly listed companies, and it remains unlikely that the quotas will ever be mandatory for private enterprises. In fact, as the deadline for implementing the Norway quotas loomed, over 100 companies transformed from publicly held companies to privately held companies" (Sweigart 2012, p. 104A). By implementing quotas upon publicly held companies, it forces them to build up a wall that could possibly hurt current and future female employees, moving backwards instead of promoting the advancement of the careers of women.

The Passage of Germany's Quota Law

Following in Norway's footsteps, Germany recently passed a law that requires some European companies to place 30% of women in supervisory seats beginning 2016. This passage has forced a spotlight on gender inequality issues in Germany and the rest of the European Union where women are affected by inequality in job placement, pay, and family-work policies. (Smale and Miller 2015, p. A1)

Norway was the first in Europe to legislate boardroom quotas, joined by Spain, France, and Iceland. Italy has a quota of one-third, Belgium of 30 percent and the Netherlands a 30 percent nonbinding target. Britain has not legislated boardroom quotas, but a voluntary effort, known as the 30 % Club, has helped to substantially increase women's representation. (Smale and Miller 2015, p. A8)

While the EU has been focused on quotas, the USA is taking a different route. American corporations are looking into other venues instead of implementing mandatory quota laws. Although the extent of women representation in the USA is not as drastic as the EU, there is still an increasingly positive change. Still, many argue that there are other, more effective ways to increase the number of women on boards like equal pay and adopting more family-friendly policies (Smale and Miller 2015, p. A8). Even though there are still numerous obstacles and opposing groups to tackle as it pertains to increasing women representation in upper-level positions, past and recent advancements have declared this issue as one that can change the history of corporate business. However, despite the previous arguments, the fundamental theory of gender quotas is questioned when delving into different gender identities.

Implications of Third Wave Feminism for Gender Quotas

There is no longer a common gender identity which all women can identify with. The third wave of feminism continues to seek equality for women, but its multiple identities – biracial, bisexual, transgendered, or multicultural – complicates feminism for the evermore common gender quotas (Snyder 2008, p. 180). The gender quotas approach attempts to simplify the complicated issue of feminism, "instantaneously pitting us against someone, forcing us to choose inflexible and unchanging sides, female against male, black against white, oppressed against oppressor, good against bad" (Walker 2006b, p. 22). Addressing the issue of unequal distribution of women and men on corporate boards through implementing strict gender quotas may seem like a good approach, but we will argue that this contradicts the efforts and ideology of third wave feminism.

No Longer Just Males and Females

When an individual is asked the question of "gender," the individual is no longer confined or expected to answer with the traditional answers of "male" or "female." The socially constructed binary of male and female continues to break as popular social media sites offer extensive lists of gender identities to accommodate for the changing times. In late February of 2015, Facebook gave US-based members the chance to fully customize their gender to help express their identities "after being told by users that its existing 58 gender options [were] not inclusive enough" (Schultz 2015). This progressive move fits appropriately with the third wave of

feminism in that it acknowledges that the category of "women" has collapsed and moves to be more inclusive, but the move to implement strict gender quotas to get more women on corporate boards contradicts this directly.

When countries such as Norway adopted a gender quota law mandating women to hold at least 40 % of the seats on corporate boards, it discriminated and continues to discriminate against all gender identities other than male and female. Although gender quotas function to bring more women onto the boards, where does that leave those who identify themselves as agender, bigender, gender fluid, or transgender among other identities? Third wave feminism embraces a multiplicity of genders, but it complicates gender quotas and its efforts to be inclusive. Indiscriminatory gender quotas are not possible with the extensive list of gender identities that individuals identify with. Gender quotas have no doubt brought more women to corporate boards, but third wave feminism advocates for more than just women, and thus strict gender quotas do not accurately align with the efforts of third wave feminists.

The Equal and/or Unequal Women

Feminism and third wave feminism, more specifically, are not about giving women an advantage over their male counterparts, but rather about being equal and being given equal opportunities. Third wave feminists "consider themselves entitled to equality and... feel entitled to interact with men as equals" (Snyder 2008, pp. 178–179). That being said, third wave feminism raises the question: are we giving women an edge over men by implementing gender quotas for corporate boards?

There are many possible reasons as to why there are more men than women on corporate boards, other than that they are being discriminated against, such as: they may not have the time, they may not want to, or they may not be as qualified as their male counterparts. Although corporate boards are trying to be more inclusive and diverse, they may not know how to actually implement this. With gender quota laws in full swing in many countries, a valid consequence is that "quotas are against the principle of equal opportunity for all, since women are given preference over men," but others will argue that these quotas compensate women for the actual barriers that prevent them from their fair share of seats (Dahlerup 2005, pp. 143–144). Despite the muddied issue of gender quotas and its attempt to be more inclusive, third wave feminism would likely argue that gender quotas are equal yet unequal and not the best approach to addressing the small number of women on corporate boards.

The Qualified Versus the Unqualified Women

Before gender quotas, there were few women relative to the number of men on corporate boards, but it is likely that these women were qualified if not very

qualified to be in the position that they were in. With active gender quotas in countries such as Norway, we question the qualifications of the women given seats on boards after the implementation of gender quotas. But more importantly, it undermines the accomplishments and success of women who held seats even before gender quotas were mandated. "Third-wavers claim to have a broader vision of politics than second-wave feminism... 'and one of its main arguments is that it is counterproductive to isolate gender as a single variable'" (Snyder 2008, p. 181; Heywood 2006, pp. 366–367). Consistent with how Heywood argues isolating gender is counterproductive, gender quotas are counterproductive for women, and even more so for those women holding seats on corporate board pregender quotas.

Although gender quotas bring more opportunities for women, they essentially devalue the hard work of all women serving on a board of directors. Women will not get the respect that they deserve from men and from other women because of the uncertainty of their qualifications. Third wave feminist ideology believes in inclusivity, but the feminist experience is also different for all individuals. Trying to unify women under a single experience is contradictory to third wave feminism, and likewise, the ideology behind gender quotas is secondary to the real issues of feminism.

Conclusion

In this chapter, we applied the notion of "third wave" feminism to corporate governance, specifically the question of whether to impose gender quotas on corporate boards. We argue that gender quotas do not serve the interests of women: lack of diversity on corporate boards is at root an issue of power, not gender inequities, and should be addressed as such. We suggest alternatives to improving gender diversity. Thus third wave feminism radically redefines the notion of ethics and its relation to gender. Within third wave feminism, the traditional notion of the "feminine" as captured by an ethics of care disappears, to be replaced by a concept of fluid gender defined in terms primarily of power relations. The idea of rigid quotas, gender based or otherwise, becomes anachronistic within this environment of fluid gender and fluid power relations.

References

Amin N (2014) Corporate governance developing and enforcing ethical standard. The Financial Express. Retrieved 21 Feb 2015, from http://www.thefinancialexpress-bd.com/2014/06/21/40561/print

Branson DM (2012) Initiatives to place women on corporate boards of directors-A global snapshot. J Corp Law 37(4):793–814

Cragg W, Matten D (2011) Ethics, corporations, and governance. J Bus Ethics 102:1–4

Dahlerup D (2005) Increasing women's political representation: new trends in gender quotas. In: Ballington J, Karam A (eds) Women in parliament: beyond numbers. International IDEA, Stockholm, pp 141–153

DuBois E (1971) Feminism old wave and new wave. CLWU Herstory Project. Retrieved 28 Jan 2015, from http://www.cwluherstory.org/feminism-old-wave-and-new-wave.html

Galbreath J (2011) Are there gender-related influence on corporate sustainability? A Study of women on board of directors. J Manag Org 17(1):17–38

Harnois C (2008) Re-presenting feminisms: past, present, and future. NWSA J 20(1):120–145

Henry A (2006) 'Daughterhood is powerful: the emergence of feminism's third wave', from not my mother's sister. In: Heywood L (ed) The women's movement today: an encyclopedia of third wave feminism, vol 2. Greenwood, Westport, pp 121–133

Heywood LL (ed) (2006) The women's movement today: an encyclopedia of third wave feminism, vol 1. Greenwood, Westport

Kinser AE (2004) Negotiating spaces for/through third-wave feminism. NWSA J 16(3):124–153

Lansing P, Chandra S (2012) Quota systems as a means to promote women into corporate boardrooms. Employee Relat Law J 38(3):3–14

Machold S, Ahmed PK, Farquhar SS (2007) Corporate governance and ethics: a feminist perspective. J Bus Ethics 81:665–678

Mann SA, Huffman DJ (2005) The decentering of second wave feminism and the rise of the third wave. Sci Soc 69(1):56–91

Newlands C (2015) Female fund managers in decline. Financ Times 1:7

Rampton M (2008) The three waves of feminism. Pac Mag 41(2). Retrieved 24 Jan 2015, from http://www.pacificu.edu/about-us/news-events/three-waves-feminism

Schultz J (2015) 58 gender options not enough? Facebook now allows unlimited custom identities. Retrieved 10 Feb 2015, from http://rt.com/usa/236283-facebook-gender-custom-choice/

Schwartz MS, Dunfee TW, Kline MJ (2005) Tone at the top: an ethics code of for directors. J Bus Ethics 58(1/3):79–100

Smale A, Miller CC (2015) Germany sets gender quota in boardrooms. The New York Times A1, A8

Snyder RC (2008) What is third-wave feminism? A new directions essay. Signs J Women Cult Soc 34(1):175–196

Snyder-Hall RC (2010) Third-wave feminism and the defense of 'choice'. Perspect Polit 8(1):255–261

Sorkin AR (2015) The women of the S. & P. 500, and investor activism. The New York Times 1, 4

Straus T (2000) A manifesto for third wave feminism. Alternet. Retrieved 21 Jan 2015, from http://www.alternet.org/story/9986/a_manifesto_for_third_wave_feminism

Sullivan R (2015) Support for a difficult transition. Financial Times 3

Sweigart A (2012) Women on board for change: the Norway model of boardroom quota as a tool for progress in United States and Canada. Northwest J Int Law Bus 32(4):80A–105A

Walker R (2006a) 'Becoming the third wave', from Ms. Magazine. In: Heywood L (ed) The women's movement today: an encyclopedia of third wave feminism, vol 2. Greenwood, Westport, pp 3–5

Walker R (2006b) 'Being real: an introduction', from to be real: telling the truth and changing the face of feminism. In: Heywood L (ed) The women's movement today: an encyclopedia of third wave feminism, vol 2. Greenwood, Westport, pp 19–23

Wang M, Kelan E (2013) The gender quota and female leadership: effects of Norwegian gender quota on board chairs and CEOs. J Bus Ethics 117:449–466

Wood S (2006) 'Freedom of "choice": parsing the wood that defined a generation', from bitch magazine. In: Heywood L (ed) The women's movement today: an encyclopedia of third wave feminism, vol 2. Greenwood, Westport, pp 422–425

Normative Foundations of Corporate Governance and the Ethic of Care

Silke Machold

Contents

Abstract

Corporate governance research has burgeoned over the last decades, attended by increased practitioner and public interest. Yet, resultant practice has been seemingly ineffectual in preventing recurring corporate scandals or stemming the tide of executive pay excesses. This chapter examines the normative foundations of the mainstream corporate governance literature and spells out the theoretical and practical problems in framing the domain within a narrow discourse on rights and justice. A normative framework derived from and grounded in the ethic of care is developed as a plausible alternative to conventional governance perspectives.

Keywords

Corporate governance theories • Assumptions • Ethic of care

S. Machold (✉)
University of Wolverhampton Business School, Wolverhampton, UK
e-mail: s.machold@wlv.ac.uk

Introduction

The ongoing global financial crisis has once again drawn attention to the failure of corporate governance (Bebchuk and Weisbach 2010), and regulators nationally and internationally are responding with new initiatives to tighten governance rules (OECD 2009). Yet despite the burgeoning literature on corporate governance, the contention by Daily et al. (2003) that our knowledge on the topic is rivaled only by what we do not know still rings true over a decade later. For example, the link between board characteristics and performance outcomes remains elusive (Finegold et al. 2007), and empirical evidence on the efficacy of executive compensation as a governance mechanism is stubbornly equivocal (Weisbach 2007). Scholars have responded to these challenges in two ways. On the one hand, researchers develop and test ever more sophisticated governance models that are capable of capturing complex indirect interaction and/or contingency effects (e.g., Desender et al. 2013; Garcia-Castro et al. 2013). On the other hand, there have been attempts to break from the theoretical orthodoxy of mainstream corporate governance research. This largely involves the development of alternatives to the dominant agency theory paradigm, which is increasingly viewed as overly stylized (van Ees et al. 2009), incapable of explaining complex human behaviors and decision-making processes (Ghoshal 2005; Huse 2007; Westphal and Zajac 2013), and at odds with prevailing legal frameworks (Stout 2012).

It is this latter stream of scholarship that this chapter seeks to build on and contribute to. An examination of the assumptions underpinning mainstream theories and theorizing on corporate governance reveals that corporate governance is constructed through an economic narrative of competing rights and responsibilities, and as such it is explicitly or implicitly grounded in a masculinist moral reasoning (Machold et al. 2008). By juxtaposing a different set of assumptions from feminist ethics (Gilligan 1982), and feminist theories of the firm (Dobson and White 1995; Liedtka 1996a; Wicks 1996; Wicks et al. 1994), an alternative conceptualization of corporate governance is developed and its utility for corporate governance research and practice discussed.

Corporate Governance and Its Normative Foundations in Agency Theory and Stakeholder Perspectives

The Cadbury Committee (1992) defined corporate governance as the system by which corporations are directed and controlled. Despite or perhaps because of the simplicity of this definition, corporate governance remains a contested concept, at the heart of which lies a debate about the nature and purpose of corporations. Agency scholars view corporations as artificial legal constructs for contracting relationships between principals (shareholders) and agents (managers) (Jensen and Meckling 1976). By assuming that individuals are rational utility maximizers, the interests of the principal and agent are said to diverge, and hence corporate governance mechanisms are needed either to align agents' interests with that of

principals or allow principals to curb the actions and restrain the behaviors of the self-serving agents (Fama and Jensen 1983). Shareholder value maximization is argued to be the single guiding objective of the firm (Hansmann and Kraakman 2001), and deviations from this purpose are not only economically inefficient (Jensen 2002) but also incommensurate with the moral doctrines of free market capitalism (Friedman 1970). Such agency-theoretic discourse on shareholder value is normatively based on the rights of principals – the firm's shareholders. As an idea, it has gained increased traction among business leaders and policy-makers, which *inter alia* influenced the design of corporate governance mechanisms (Lazonick and O'Sullivan 2000) and shaped the conduct of corporate actors (Ghoshal 2005).

Despite its many disciples, agency theory also had its fair share of detractors who are skeptical on the grounds of the theory's simplistic behavioral assumptions and consequent descriptive and predictive validity (Davis et al. 1997; Ghoshal 2005; van Ees et al. 2009); the tenuous link between shareholder wealth, efficiency, and social welfare (Jones and Felps 2013; Stout 2012); and the disconnect between the theory and corporate law (Blair and Stout 1999; Stout 2012). Perhaps the most prominent opposition has come from scholars who argue that a narrow focus on the rights of, and responsibilities toward, shareholders neglects legitimate claims of other groups of stakeholders (Donaldson and Preston 1995) and inadequately models the firm-specific investments and associated rights by stakeholder groups such as employees, customers, suppliers, or debt holders (Blair and Stout 1999). In contrast to the principals–agent model, stakeholder scholars propose a principal–agent model of the firm, characterized by a multiplicity of (incomplete) contracts and a complex system of bargaining between participants over firm rents (Freeman and Evan 1990; Zeitoun and Osterloh 2012). Corporate governance under this perspective is conceptualized as the system for arbitration between a range of claimants and the processes associated with joint decision-making (Zeitoun and Osterloh 2012).

There are obvious differences between shareholder and stakeholder perspectives on "who counts" and the purpose and design of corporate governance. Nevertheless, areas of congruence are evident. Both perspectives take a contractarian view of the firm, as property rights theory provides the explicit or implicit theoretical anchor (Jensen and Meckling 1976; Jensen 2002; Freeman and Evan 1990). Participants in the firm, whether that be managers, shareholders, employees, suppliers, or others, are viewed as atomized individuals armed with rights and tasked with corresponding responsibilities. Corporate governance polices, and where necessary arbitrates, adherence to that system of rights in allocating shares of the rents generated by the firm. In that sense, corporate governance is constructed as a zero-sum game – the distribution of gains to one individual is another's loss.

In sum, both shareholder and variants of stakeholder perspectives share an underlying discourse of adversarial individuals having claims on firm rents, which in turn generates a need and justification for control mechanisms in the form of corporate governance. This type of rationalization is problematic for several reasons. First, the domain of corporate governance is narrowly

circumscribed to the distribution of firm value, instead of considering its potential for value creation (Huse 2007). Put differently, control is accorded primacy instead of direction. Second, the discourse on rights underplays the social and relational aspects within which corporate actors are embedded (Hendry 2001; Westphal and Zajac 2013). Finally, as Ghoshal (2005) argued, language is important as our theories may become self-fulfilling. If we stereotype humans to be self-serving and duplicitous, then promulgate that idea in teaching and public debates on governance, and develop deterrence systems which are based on the assumption that humans are deceitful, we may end up with people behaving in just such a manner (Ferraro et al. 2005). The historical evolution of corporate governance provides a glimpse of evidence to that vicious cycle effect: corporate scandals (Maxwell), fraud (Polly Peck), or excessive pay Greenbury Report (1995) triggered corporate control mechanisms or even regulation, only for somebody else to cheat (HHI, Enron, Parmalat) which in turn sparked another round of governance reforms. It is therefore apposite to reflect on a different conceptualization of corporate governance that is derived from an alternative normative basis. To that end, I will turn to feminist ethics and particularly the ethic of care.

In a Different Voice: The Ethic of Care and Corporate Governance

Feminist ethics is today a very broad field of enquiry, but at its heart lies a concern over the gendered nature of social science theory and thought, and hence it seeks to articulate discourses that develop and give voice to alternative and inclusive perspectives (Derry 2002). The ethic of care is part of this wider tradition of feminist ethics. Most commonly attributed to have its origins in the work of Carol Gilligan (1982), the ethic of care has since been developed by scholars such as Nel Noddings, Annette Baier, Sara Ruddick, Joan Tronto, and Virginia Held, to name but a few. As a student of the eminent US psychologist Lawrence Kohlberg, Gilligan became concerned over how Kohlberg's studies on moral development omitted and/or obscured female voices. Her own research on moral reasoning led to the 1982 publication *In a Different Voice* in which she laid the foundations for an ethic of care as an alternative to the mainstream ethical theories of rights and justice. The central tenets of an ethic of care include consideration of concrete as opposed to stylized others, the interdependence of humans in webs of often asymmetrical relationships, and processes of caring in specific contexts (Gilligan 1982; Noddings 1984; Tronto 1993). These ideas have since been applied to organization and management studies including the effects of caregiving in specific organizational contexts (Kahn 1993), ethic of care and firm-level competitive advantage (Dobson and White 1995) and capability-based strategic choices (Liedtka 1996a, b), stakeholder management (Wicks et al. 1994), and more recently financial scandals and crisis management (Linsley and Slack 2013). How concepts from the ethic of care can inform and extend our understanding of corporate governance will be discussed next.

Concrete rather than abstract others: One concern of feminist scholars has been the highly abstract and stylized conceptualization of human actors as "... social and moral atoms armed with rights and reason ..." (Whitbeck 1993, p. 79) that is so prominent in traditional ethical theories and normative frameworks. It is important here to note that feminist scholars do not deny or denigrate the importance of rights (Brennan 1999); after all, the feminist movement and history are characterized by a struggle for equality and rights. Instead, the problem lies in conceptualizing humans as abstract disconnected entities in the discourse on rights, which neglects idiosyncratic traits and abilities as well as individual identity which is socially situated and shaped. Moral reasoning at the level of the generalized other, as opposed to the concrete other, is thus a hollow shell bereft of the essential socio-emotional characteristics of human beings (Noddings 1984).

A similar problem is becoming increasingly recognized by corporate governance scholars. For example, Lynn Stout in her book on the shareholder value myth (2012) provides a powerful deconstruction of the stylized idea of the "shareholder" that is so prominent in the financial economic literature by arguing that she/he is:

> ... not an abstract creature obsessed with the single goal of raising the share price of the firm today, but real human beings with the capacity to think for the future..., with a wide range of investments and interests beyond the shares they happen to hold..., and with consciences that make most of them concerned, at least a bit, about the fates of others, future generations and the planet.... (p. 6)

The ethic of care holds the potential for providing a normative basis for this essentially human side of corporate governance (Huse 2007). We should not be surprised that empirical research on, for instance, the effects of outside board members or women directors on firm performance is inconclusive (Daily et al. 2003; Terjesen et al. 2009). Such studies fail to go beyond one-dimensional abstract characteristics and neglect consideration of individuals' motivations, emotions, and cognitive abilities, as well as wider social norms which constrain or empower individuals when enacting their roles as investor, shareholder, employee, and/or director. Promising new insights have been developed by scholars who studied socially situated behaviors of individuals in governance roles (Westphal and Zajac 2013), but to date research on emotions or motivations of governance actors remains scarce (Brundin and Nordqvist 2008). Moreover, while consideration of concrete others is an important building block of an ethic of care, it is through the relationships that are formed and developed by these actors that governance is played out.

Interdependence of actors in webs of asymmetrical relationships and empowerment: Ethic of care scholars emphasize the socio-relational as opposed to economic transactional characteristics of human interactions and exchanges (Noddings 1984). Gilligan (1982) used the imagery of a web to describe the way in which an ethic of care is manifested in interconnected relationships characterized by unequal power distributions. It is within these webs of relationships that a duty of care is recognized, practiced, and reciprocated in order to empower others. Instead of relying on

abstract polar logics of either individual rights or collective good, an ethic of care pays attention to the actual lived experiences of concrete individuals in multitudes of relationships, which are not always of their choosing (Held 1993).

Scholars have utilized feminist ethics to redefine the firm as a relational network of stakeholders (Wicks et al. 1994), although the implications of this for corporate governance have not yet been explored. There is also some congruence between the ethic of care logic and how organizational behavior and management scholars approach and interpret organizations and corporate governance. For example, Pfeffer and Salancik (1978) in developing resource dependence theory stressed the importance of organizational interdependencies arising from unequal distributions in resources and conceptualized the firm in the language of networks and social relationships. The board of directors is no longer seen as simply the prime internal control mechanism as argued by agency theory scholars (Fama and Jensen 1983), instead it functions as a "boundary spanner" between the organization and its external environment (Pfeffer 1972). However, researchers in that tradition have rarely gone beyond investigating the performance effects of interlocking directorates or stakeholder directors arising from the knowledge or information that is shared through the mechanisms (Hillman et al. 2009). The ways in which familial, friendship and other social ties affect formal and informal governing either within or beyond the board of directors are to date under-researched (Westphal and Zajac 2013). Moreover, whereas resource dependence theory describes the struggle for power between interdependent organizations (Hillman et al. 2009), the ethic of care is concerned with empowerment in asymmetrical relationships. Put differently, governance in an ethic of care is not about one-upmanship, but instead guiding and directing to enable the multitude of relationships that connect firms and individuals to flourish and prosper.

Processes of caring: The corollary of understanding ethics through relationships between concrete others is a concern with processes instead of one-off moral dilemmas. How to care is therefore just as important as who we care for. Tronto (1993) elaborated different dimensions of care to tease out the different levels of processes involved and their attendant characteristics and values. A necessary condition for caring involves recognizing others and their needs, as well as being able and capable to initiate care. However, it is only through processes of caregiving and care-receiving that we move from problem identification and problem solving to a true ethic of care (Tronto 1993). Caring thus has attendant micro-behavioral processes – acquiring knowledge and competences, developing empathy and trust, recognizing responsibility, and practicing responsiveness, questioning, and dialogue. As feminist scholars have pointed out, it is only through practice and process that we move from solving somebody's "problem" on our terms to care for others that enable reciprocal empowerment (Liedtka 1996a; Noddings 1984).

Applying this logic to corporate governance involves a change in perspective away from governance structures and systems to understanding processes of governing. For example, research on boards has long been dominated by so-called input–output studies that seek to measure how board structure and composition affect board and firm performance, but the results from this body of work

have ultimately been inconclusive (Daily et al. 2003; Finegold et al. 2007). More recently, scholars who studied team interactions in boards found that processes such as cognitive conflict and debate, relational trust, or leadership behaviors explain board performance better than the "usual suspects" of board structure and composition (Finkelstein and Mooney 2003; Huse 2007; Machold et al. 2011; Minichilli et al. 2009; van Ees et al. 2008). Thus, instead of seeking to understand "good governance" through systems, structures, and hierarchies, we should focus on "good governing" through processes that empower firm participants and create value in firm-specific context. The ethic of care provides a normative foundation for empirical observations on the importance of intra-board processes (Huse 2007), but also opens possibilities for further enquiry into other dimensions of governing, including processual and longitudinal perspectives on investor–board or board–employee relations.

In combination, normative concepts from the ethic of care help us construct an alternative discourse for corporate governance. Instead of a narrow focus on efficiency and justice, corporate governance is anchored in a duty of care toward the firm, which is manifested and enacted through processes of caring in actual relationships with concrete others (Burton and Dunn 1996). What Sundaramurthy and Lewis (2003) described as the corporate governance paradox of collaboration and control is only a paradox under a normative assumption of separation. If separation is replaced by connectedness in an ethic of care framework instead, then governing would naturally include control through the setting of boundaries to prevent harm while simultaneously involving collaboration with and nurture of others to create value for the firm. Taking such a perspective is also congruent with corporate law. For example, UK company law specifies the duty of directors ". . . to promote the success of the company for the benefit of its members as a whole. . ." and in doing so ". . .must exercise reasonable care, skill and diligence" (UK Companies Act 2006), and similar observations have been made by Stout (2012) in relation to US law. The concepts of care ethics discussed above serve to flesh out these legal principles and provide guidance for directors on how to govern.

Conclusion

In this chapter, I have attempted to show how an ethic of care can provide a normative foundation for corporate governance that is different from the prevailing discourse of principal–agent theory and its extension in contractarian stakeholder perspectives. Building on previous contributions of scholars who sought to apply a feminist ethics to business (Burton and Dunn 1996; Wicks et al. 1994), organizations were conceptualized as webs of relationships instead of nexus of contracts. The ethical principle that guides such organizations is encapsulated in a universal duty of care toward concrete others within specific relationships. Questions of who to govern for are addressed by recognizing and identifying the firm-specific relationships that exist, whereas guidance on how to govern is provided through a processual and reciprocal logic of caregiving and care-receiving.

Critics may say that such an endeavor is nothing more than to blue-sky idealism. There are at least three reasons for arguing otherwise. First, as already pointed out, the language we use is a powerful mechanism that shapes what we ultimately understand to be "reality." We must therefore not only question the validity of what is seen to be accepted wisdom but also put forward alternative discourses, and let different voices be heard (Gilligan 1982). Second, the ideas and logic of an ethic of care may be incongruous with the financial economic discourse on corporations and governance, but have strong resonance with emerging empirical work of organizational behavior, strategic management, and even legal scholars in the domain of corporate governance. Recognizing that there is no such thing as an identikit shareholder (Stout 2012), or that corporate governance actors shape and are shaped by social relationships in specific contexts (Huse 2007; Westphal and Zajac 2013), brings as closer to the lived reality of organizations and corporate governance. Finally, an alternative discourse helps us in framing different questions about corporate governance. When answers about the performance effects of independent boards remain contradictory and ambiguous (Finegold et al. 2007; Finkelstein and Mooney 2003), we should perhaps abandon the search for ever more complex models and measures and instead question whether the underlying concepts make sense. Daily et al. (2003) are right in saying that we can only advance research on governance if we are prepared to dismantle fortresses and challenge theoretical dogma.

References

Bebchuk LA, Weisbach MS (2010) The state of corporate governance research. Rev Financ Stud 23(3):939–961

Blair M, Stout L (1999) A team production theory of corporate law. Virginia Law Rev 85:247–328

Brennan S (1999) Recent work in feminist ethics. Ethics 109:858–893

Brundin E, Nordqvist M (2008) Beyond facts and figures: the role of emotions in boardroom dynamics. Cor Gov 16(4):326–341

Burton, B.K., Dunn, C.P. (1996) Feminist ethics as moral grounding for stakeholder theory. Business Ethics Quarterly 2(6):133–147

Cadbury A (1992) The financial aspects of corporate governance. The Committee on the Financial Aspects of Corporate Governance and Gee & Co., London

Daily CM, Dalton DR, Cannella AA (2003) Corporate governance: decades of dialogue and data. Acad Manage Rev 28(3):371–382

Davis JH, Schoorman FD, Donaldson L (1997) Toward a stewardship theory of management. Acad Manage Rev 22(1):20–47

Derry R (2002) Feminist theory and business ethics. In: Frederick RE (ed) A companion to business ethics. Blackwell, Oxford, pp 81–87

Desender KA, Aguilera RV, Crespi R, Garcia-cestona M (2013) When does ownership matter? Board characteristics and behavior. Strateg Manag J 34(7):823–842

Dobson J, White J (1995) Towards the feminine firm: an extension to Thomas White. Bus Ethics Q 5(3):463–478

Donaldson T, Preston LE (1995) The stakeholder theory of the corporation: concepts, evidence and implications. Acad Manage Rev 20(1):65–91

Fama EF, Jensen MC (1983) Separation of ownership and control. J Law Econ 26:301–325

Ferraro, F., Pfeffer, J., Sutton, R.I. (2005) Economics language and assumptions: How theories can become self-fulfilling. Academy of Management Review 30(1):8–24

Finegold D, Benson GS, Hecht D (2007) Corporate boards and company performance: review of research in light of recent reforms. Cor Gov 15(5):865–878

Finkelstein S, Mooney AC (2003) Not the usual suspects: how to use board processes to make boards better. Acad Manag Exec 17:101–113

Freeman RE, Evan WM (1990) Corporate governance: a stakeholder interpretation. J Behav Econ 19(4):337–359

Friedman M (1970) The social responsibility of business is to increase profits. The New York Times Magazine, 13th Sept

Garcia-Castro R, Aguilera RV, Arino MA (2013) Bundles of corporate governance practices: a fuzzy set analysis. Corp Gov 21(4):390–407

Ghoshal S (2005) Bad management theories are destroying good management practice. Acad Manag Learn Educ 4(1):75–91

Gilligan C (1982) In a different voice, psychological theory and women's development. Harvard University Press, Cambridge, MA

Greenbury Report (1995) Directors' Remuneration, available from http://www.ecgi.org/codes/documents/greenbury.pdf

Hansmann H, Kraakman R (2001) The end of history for corporate law. Georgetown Law J 89:439–468

Held V (1993) Feminist morality: transforming culture, society and politics. University of Chicago Press, Chicago

Hendry J (2001) Economic contracts versus social relationships as a foundation for normative stakeholder theory. Bus Ethics 10(3):223–232

Hillman AJ, Withers MC, Collins BJ (2009) Resource dependency theory: a review. J Manag 35(6):1404–1427

Huse M (2007) Boards, governance and value creation: the human side of corporate governance. CUP, Cambridge

Jensen MC (2002) Value maximization, stakeholder theory, and the corporate objective function. Bus Ethics Q 12(2):235–256

Jensen MC, Meckling WH (1976) Theory of the firm: managerial behavior, agency costs and ownership structure. J Financ Econ 3:305–360

Jones TM, Felps W (2013) Shareholder wealth maximization and social welfare: a utilitarian critique. Bus Ethics Q 23(2):207–238

Kahn WA (1993) Caring for the caregivers: patterns of organizational caregiving. Adm Sci Q 38(4):539–564

Lazonick W, O'Sullivan M (2000) Maximising shareholder value: a new ideology for corporate governance. Econ Soc 29(1):13–35

Liedtka JM (1996a) Feminist morality and competitive reality: a role for an ethic of care? Bus Ethics Q 6(2):179–200

Liedtka JM (1996b) Collaborating across lines of business for competitive advantage. Acad Manag Exec 10(2):20–37

Linsley PM, Slack RE (2013) Crisis management and an ethic of care: the case of Northern Rock Bank. J Bus Ethics 113:285–295

Machold S, Ahmed PK, Farquhar SS (2008) Corporate governance and ethics: a feminist perspective. J Bus Ethics 81:665–678

Machold S, Huse M, Minichilli A, Nordqvist M (2011) Board leadership and strategy involvement in small firms: a team production perspective. Corp Gov 19(4):368–383

Minichilli A, Zattoni A, Zona F (2009) Making boards effective: an empirical examination of board task performance. Br J Manag 20:55–74

Noddings N (1984) Caring. In: Held V (ed) Justice and care: essential readings in feminist ethics (1995). Westview Press, Boulder, pp 7–30

OECD (2009) The corporate governance lessons from the financial crisis. Available from http://www.oecd.org/daf/ca/corporategovernanceprinciples/42229620.pdf. Last accessed 28 Nov 2013

Pfeffer J (1972) Size and composition of corporate boards of directors: the organization and its environment. Adm Sci Q 17:218–228

Pfeffer J, Salancik GR (1978) The external control of organizations: a resource dependence perspective. Harper and Row, New York

Stout L (2012) The shareholder value myth: how putting shareholders first harms investors, corporations and the public. Berrett-Koehler Publishers, San Francisco

Sundaramurthy C, Lewis M (2003) Control and collaboration: paradoxes of governance. Acad Manage Rev 28:397–415

Terjesen S, Sealy R, Singh V (2009) Women directors on corporate boards: a review and research agenda. Corp Gov 17(3):320–337

Tronto JC (1993) Moral boundaries. A political argument for an ethic of care. Routledge, New York/London

UK Companies Act (2006) Chapter 2: general duties of directors. Available from http://www.legislation.gov.uk/ukpga/2006/46/part/10/chapter/2. Last accessed 6 Feb 2014

van Ees H, van der Laan G, Postma TJ (2008) Effective board behaviour in the Netherlands. Eur Manag J 26:84–93

van Ees H, Gabrielsson J, Huse M (2009) Toward a behavioral theory of boards and corporate governance. Corp Gov 17:307–319

Weisbach MS (2007) Optimal executive compensation versus managerial power: a review of Lucian Bebchuk's and Jesse Fried's *Pay without performance*: *the unfulfilled promise of executive compensation*. J Econ Lit 45:419–428

Westphal JD, Zajac EJ (2013) A behavioral theory of corporate governance: explicating the mechanisms of socially situated and socially constituted agency. Acad Manag Ann 7(1):607–661

Whitbeck C (1993) A different reality: feminist ontology. In: Gould C (ed) Beyond domination: new perspectives on women and philosophy. Rowman and Allanheld, Totowa

Wicks AC (1996) Reflections on the practical relevance of feminist thought to business. Bus Ethics Q 6(4):523–531

Wicks AC, Gilbert DR, Freeman RE (1994) A feminist reinterpretation of the stakeholder concept. Bus Ethics Q 4(4):475–497

Zeitoun H, Osterloh M (2012) Corporate governance and stakeholder relations. In: Ricart JE et al (eds) Towards a new theory of the firm: humanizing the firm and the management profession. BBVA, Bilbao, pp 307–340

Application of an Ethic of Care to Business

Philip M. Linsley

Contents

Abstract

An ethic of care perceives relationships to be of primary importance for it is through relationships that we are connected to others. Further, we have a responsibility for sustaining these relationships, and this includes being attentive to addressing the needs of others. It has been suggested that the notion that we should care for others be extended to businesses as they, too, are linked into networks of relationships. This extends an ethic of care from the province of private relationships, where we are connecting with those who we know and have direct contact with, and into the province of public relationships. Not everyone would agree that an ethic of care can be broadened in this manner; however, advocates of incorporating an ethic of care into the business field maintain that this can be advantageous for firms. This chapter explores two key aspects of an ethic of care and its application to business. First, it reviews how discussions advocating how care ethics may be applied to business have developed since the beginning of the 1990s. Second, it reviews discussions of applications of the notion of "care" to specific business issues such as creating sustainable global enterprises and crisis management.

P.M. Linsley (✉)
The York Management School, The University of York, York, UK
e-mail: philip.linsley@york.ac.uk

Introduction

The establishment of an ethic of care as a significant ethical theory can be attributed to the work of key figures including Carol Gilligan, Nel Noddings, Joan Tronto, Eva Kittay, Annette Baier, and Virginia Held. It is common to contrast an ethic of care which perceives relationships as central, with an ethic of justice which is focused upon fairness. This comparison can be helpful as it emphasizes that care ethics judges it important that we take responsibility for caring for others in the context of reciprocal relationships and that we respond to others according to their specific needs and circumstances rather than by applying abstract principles.

The idea that care and relationships are fundamental to our lives has been examined in different contexts, for example, the theory has been applied to nursing and social work. It is understandable that care ethics has been employed in the areas of nursing and social work as care and caring are fundamental to these professions. It is, perhaps, less obvious that an ethic of care should be applied to business where the focus is often upon achieving increases in market share or maximizing shareholder value and the like. Despite this there have been discussions ongoing since the beginning of the 1990s regarding whether notions of care can be relevant to the field of business. In recent years further impetus has been provided to these discussions regarding care and business particularly arising out of criticisms of the behavior of banks and bankers with regard to the 2007–2008 financial crisis. This has led some commentators to query whether current versions of capitalism need reworking so that businesses better recognize their obligations to others with whom they have a relationship.

This chapter reviews discussions to date on applying care ethics to business. It is important to recognize that care ethics as a whole is still under debate and a number of criticisms have been raised, as these general criticisms also present a challenge to those seeking to apply the theory to the business domain. Ethic of care problems that are still not wholly resolved include the difficulties of defining care, whether care should be considered a virtue and an ethic of care be subsumed within virtue ethics, whether care potentially privileges those with whom we have close relationships, and whether it is appropriate to shun establishing a set of general ethical principles on the grounds that attending to others has to occur through consideration of their specific circumstances.

It should be noted because boundaries had to be drawn around the chapter; it has not been possible to bring in discussions that consider how an ethic of care might be related to stakeholder theory. Important discussions in this area are those of Wicks et al. (1994), Burton and Dunn (1996), Engster (2007), and Machold et al. (2008). In establishing chapter boundaries, a further aspect of care ethics and business that is not reviewed is how ideas of "markets" might be

tied into an ethic of care. Virginia Held (2006) has been highly influential in furthering understanding of how we can mesh an ethic of care with markets and has laid important foundations in this area that others have built upon. For example, Hawk (2011) surveys the interface between care, markets, and economic man and concludes that significant corporate scandals such as Enron and the 2008 global financial crisis point to a need for adopting an ethic of care to improve ethical behaviors (see, also, Engster 2007; Gatzia 2011; Hawk 2011; Nelson 2011; Puka 2011; Terjesen 2011).

The focus of the chapter is upon two key aspects of an ethic of care and its application to business. First, it reviews how discussions advocating how care ethics may be applied to business have developed since the beginning of the 1990s. Second, it reviews discussions of applications of the notion of "care" to specific business issues such as creating sustainable global enterprises and crisis management.

Applying Care Ethics to Business

The Development of Discussions Advocating Care Ethics be Applied to Business

Carol Gilligan first proposed the notion of an ethic of care in the late 1970s and early 1980s (see, e.g., Gilligan 1977, 1982), and early discussions on applying care ethics to business are often focused on exploring how Gilligan's work might be employed in a company context. One of these early discussions is provided by White (1992) who suggests that although, in the context of business, there have been increasing discussions concerning the differences in men and women, these have not been linked to Gilligan's ideas of "two voices." White wishes to (tentatively) suggest Gilligan's ideas may help in understanding the findings of two prior studies (Akaah 1989; Barnett and Karson 1989) which examine gender differences in response to ethical dilemmas. Broadly, these two studies conclude that the female employees act more ethically than the male employees as they are less willing to approve of a small deceit. White posits that this result may be linked to Gilligan's "two voices," speculating that women are more conscientious in fulfilling responsibilities to others and, hence, perceive a deception as a betrayal of trust. Linking differences in ethical stances to gender is contentious, and White recognizes other explanations for the results could be put forward. However, more important for White, and others who advocate employing care ethics into business, is that he then argues that if we recognize businesses are connected and tied into networks of relationships, then ethic of care ideas may assist in better understanding different aspects of business practice. That is, White proposes that we acknowledge that business relies on relationship-related matters such as trust, reliability, co-operation and integrity and posits that it is possible that an adversarial business model may hinder companies.

Martin and Shaw (1993) are in general agreement with White's conclusions that importing some aspects of an ethic of care into business practice might be helpful, but they are critical of his arguments. They are concerned that White's conjecture that the women in the studies are making an ethical decision on the basis of a caring disposition (and based on Gilligan's scheme) may be incorrect. Martin and Shaw speculate whether non-approval of the small deceit may result in *greater* damage (rather than lesser damage) to relationships than approval, and in which case the female subjects might be displaying a lower propensity to care than the male subjects. They also query whether White has fully appreciated how Gilligan is querying Kohlberg's theory of the stages of moral development.

Dobson and White (1995) look to build on the contribution of White (1992) and focus on examining the idea that adopting an ethic of care may be economically beneficial for businesses. Initially they focus upon the value system underpinning financial economics, judging this to be predicated on the notion of a rational being guided by self-interest toward a goal of wealth maximization and asserting that it is accepted that corporate behavior should be congruent with this notion of rational economic beings. The claim is then made that behavior of this form has a male-oriented gender bias and can be aligned with Gilligan's idea of the "separated self" as it incorporates typical male values such as competitiveness and individualism. As an alternative to the rationality of financial economics, Dobson and White suggest a move toward the "feminine firm." Such a firm will exhibit a propensity for fostering co-operation and acknowledging that shared objectives exist and because of this will avoid incurring agency costs associated with self-interested behaviors. However, although Dobson and White draw on Gilligan's "separated self" as the basis for their discussion of gender bias and corporate behaviors, they look to virtue ethics as providing a suitable base for the feminine firm rather than an ethic of care. Hence, their discussion includes the suggestion that virtuous persons will connect with one another.

Dobson (1996) reconsiders some of the ideas forwarded in the 1995 Dobson and White discussions to voice two principal reservations. First, he notes that Gilligan's proposal that there are gender differences is contentious and not supported empirically. For this reason he suggests it is more appropriate to refer to virtuous firms than feminine firms. Second, Dobson contends that a feminine-virtuous firm would likely fail if it were attempting to compete in a market economy unless *all* stakeholders in the corporate community shifted their value system away from that associated with rational economic beings. He is unsure whether we would ever move to such a state of affairs. Hence, he wonders whether the feminine-virtuous firm is viable as an alternative form of firm.

Derry (1996) also provides a response to Dobson and White (1995). Derry's primary concern is that Dobson and White have misconstrued Gilligan's research and her claims. Derry clarifies that Gilligan does not assert that the "voice of a connected self, and of an ethic of care, is woman's voice . . . as there is no evidence that a majority of women reason in more connected or caring ways" (Derry 1996, p. 102). Hence, very importantly, Derry emphasizes that Gilligan was not claiming that women and men think differently. Therefore, gender differences should not be

ascribed to the "connected self." Derry is also concerned that Dobson and White's linking of virtue ethics and feminine ethics is inappropriate. She argues that, although some qualities typically associated with an ethic of care (e.g., being trustworthy) may be deemed virtues, an ethic of care and virtue theory are discrete theories. Derry's critique also extends back to White's (1992) paper and his misreading of Gilligan, and she asserts that if we wish to associate businesses as webs of relationships with the idea of "connected selves," this association must be fully grounded via appropriate research. In conclusion Derry proposes we should be looking to feminist, rather than feminine, ethics as this implies undertaking actions to end subordination of, and facilitate liberation of, women within a business context.

Liedtka (1996) moves these discussions forward both by examining the development of an ethic of care beyond solely Gilligan's work and by asking: (a) can an organization "care" and will it accrue advantages if it does "care," (b) how can a "caring" organization be recognized, and (c) what problems are still unresolved in respect of "caring" organizations? Fundamental to Liedtka's review of the development of an ethic of care is Nel Noddings' (1984) contrasting of "caring for" and "caring about." If we "care about" someone, we effectively lose the relationship with that other, as we have shifted to an abstract idea of caring (or more strictly we have moved to the "possibility of caring"), and Noddings would argue we should properly label this as "problem solving" not "caring." In turn this implies that we are looking to implement a solution to the problem and without holding any discourse with the other person. Liedtka also discusses how Joan Tronto (1993) embeds Noddings' "caring for" construct into a four-step caring process whereby "caring about" is the first step of identifying a need for care, and necessarily precedes the second step of "caring for" someone, and which is then followed by "caregiving," and finally, "care-receiving." This depiction of care as a practice implies a need to develop a facility to care. This review leads Liedtka to contend that an organization can only be judged to be "caring" if the caring (1) is wholly person centered (and not, e.g., profit centered), (2) is an end in itself, (3) comprises individuals caring for other individuals, and (4) develops the capacity of the "cared for" to make their own decisions and choices. When caring in a business context is cast in these terms, then this suggests much "caring" that businesses engage in should not be categorized as such. For example, if a company states that it cares for the welfare of its employees, this broad claim would be deemed too impersonal and abstract to properly qualify as "caring." In addition, a caring organization cannot just comprise individuals who "care" (in the above sense); the organization must also have strategies and systems that are supporting these individuals in achieving these "caring" values otherwise the caring cannot be sustained.

Liedtka is then able to conceive how a caring organization could differ from a market-oriented organization (see, e.g., how this impacts on employees in Table 1). Further, she also argues a care-oriented firm will possess different capabilities to a market-oriented firm, and these will be a source of competitive advantage. For example, employees will be responsive to customers' (self-defined) needs and the firm better able to adapt to changes in the environment. It is also claimed this would

Table 1 Example of difference between market-oriented firm and caring-oriented firm

Role	Business as market (transaction)	Business as caring (relationship)
Employees	Expendable/replaceable: their labor is purchased at market rates in order to produce and sell organization's solutions	Primary: developing members of a community of mutual purpose and linchpin that creates the organizational capability set and connects it with customer needs

Source: Liedtka (1996)

improve the moral character of these firms as community members would be treated as ends not means and the "development of their capacities ... would occupy a more central role" (Liedtka 1996, pp. 191–192). In practice this would imply a decentralized organizational structure as this permits employees to act autonomously in creating connections that facilitates them acting as caregivers. However, it does not imply an absence of conflict as there will be tensions when prioritizing which needs should be met. These will be openly acknowledged in a caring organization and worked through in a manner that enhances the ability of the organization to care.

Liedtka believes this still leaves some (difficult) problems unresolved. She raises the issue of how to embed notions of fairness and equality into an ethic of care. An important concern here is whether an ethic of care needs to be interleaved into an ethic of justice or if concepts of this type can be incorporated into an ethic of care framework. She also asks how an ethic of care can be operationalized in the business context. For example, questions that require answering in this respect might include: need we care for competitors, and how do we decide upon the division of finite care-giving resources? Additionally, she muses if organization size can impact on capacity to care. The principal query being whether a large organization can operate with the decentralized structure she believes necessary for a caring organization.

Specific Applications of the Notion of "Care" to Business

By contrast to those writings that explore the general idea of applying care ethics to business, there are also writings that examine care in respect to particular issues. These writings are important as they consider often complex issues, and this provides a sterner test whether an ethic of care can be assimilated into business. Thus, Brophy (2011) examines the case of "Bumfights" which concerns a television production company encouraging and filming homeless people undertaking dangerous and humiliating stunts. His principal argument is that (what he terms) traditional business morality is able to deem this acceptable as the production company and homeless participants have freely entered into a contract and with the participants being paid to undertake these actions in line with the terms of the contract. Brophy argues that instinctively it feels wrong to be humiliating people in this manner and considers that the crux of the problem is a moral shortsightedness

inherent in "traditional business morality" because of an overly restricted focus on contracts. His contention is traditional business morality incorrectly assumes all adults are fully autonomous; consequently, care ethics is necessary as a supplement as it recognizes the vulnerability of the participants. He argues they are likely to sign the contract as it provides some temporary relief from the difficult life they are leading. Thus, care should be afforded to vulnerable people who otherwise could be "circumstantially coerced to the business table" (Brophy 2011, p. 212).

Consideration of contracts also forms a part of the discussion of Oxley and Wittkower (2011). Oxley and Wittkower are looking to understand a particular aspect of relationships within the firm, namely, the notion of employee loyalty. Their view is that the company-employee contract incorporates duties but cannot encompass loyalty. Loyalty cannot be understood as a collection of contractually defined activities because loyalty implies an employee feels inclined to go beyond contractual obligations. Oxley and Wittkower argue that if we understand loyalty as a form of care, then this helps us to understand why loyalty to an employer is typically viewed as commendable and a facet of a model employee. As important, it can explain why there may be times when it is right that an employee puts loyalty aside. In their examination of different accounts of loyalty, they conclude that it cannot be obligated and should be construed as an act of care that is embedded within inter-colleague relationships in the workplace. Consequently, loyalty will vary dependent on the form the caring relationship takes. They judge that loyalty to the corporation is possible, even though it is an abstract legal entity. This is because the subsidiary aims of the corporation (those aims that are beyond the corporation's profit-making interest) permit employees to perceive the corporation as an "object of care" (Oxley and Wittkower 2011, p. 232). Extending this argument leads the authors to discuss how an *appropriately* critical loyalty can arise where an employee judges a company's actions unacceptable and opts to stay with the firm to try to change matters.

Hamington (2011) is concerned with a very different aspect of companies and care ethics as he argues that creating an effective learning organization requires a culture of care. His view is that learning is inherent within a culture of care. Fundamentally, this is because caring implies being empathetic toward others, and we cannot understand others effectively unless we are prepared to exercise our imaginations and are open to learning about others. Hence, what Hamington is contending is that an ethic of care implies moral decisions will be derived from the specifics of each situation rather that from employing abstract rules. Because of this knowledge is required of the needs of those involved in the state of affairs under consideration and of their possible responses. He judges such knowledge to be wholly bound up with care and perceives caring as implicitly promoting "intellectual inquiry that inspires the moral imagination" (Hamington 2011, p. 246). Therefore, he suggests that the development of a culture of care will support knowledge management and organizational learning initiatives.

Hamington (2011) suggests that to understand how a caring culture of imaginative inquiry might function, we draw on Simola's (2007) paper on sustainable global enterprises. In this paper Simola assesses how companies may meet

corporate social responsibility agendas and become sustainable global enterprises that are able to achieve profitability *and* sustainability. Specifically, it is argued that transnational companies need to rethink their strategies when enacting business in developing countries. Simola draws on Hart's (2005) idea of "native capabilities" whereby he emphasizes that companies interacting with developing countries need to develop "authentic, culturally sensitive, and mutually beneficial relationships with cautious or distrustful indigenous groups" (Simola 2007, p. 132). This idea of native capabilities emphasizes that respectful relationships need to be developed, mutuality is central, the voice of locals must be clearly heard, the local cultural context must be fully understood, and win-win situations created. Simola reviews ideas of care that have arisen within the care ethics literature and argues there is significant overlap with these key components of native capabilities (e.g., mutuality is an important feature of the work of Noddings and Tronto). Further, developing caring capabilities requires similar competencies to developing proficiency in native capabilities. Consequently, Simola suggests that the different discussions concerning relationships and connectedness in the care ethics field can usefully guide companies in developing native capabilities.

In a later article, Simola (2012) adds an extra dimension to her previous discussions on corporate sustainability by drawing on Hamington's (2001, 2004, 2008) development of the concept of "embodied care." Embodied care concerns care in the context of the physical body and comprises three elements: caring knowledge, caring habits, and caring imagination. Caring knowledge is the idea that we learn about aspects of caring through our bodily (physical) actions and reactions. As we develop our caring knowledge, some of which may be implicit, then we also develop a caring habit "as actions ... are practiced through the physical body during interactions with others" (Simola 2012, p. 476). Additionally, we develop a caring imagination, which is the ability to empathize for those who are outside our immediate circle of relationships; the scope of our caring imagination being dependent on the level of caring knowledge that has been acquired. There are important implications that are claimed to arise out of the idea of embodied care. Because we have a physical connection to care, then the motivation to care is intrinsic, and our understanding of others needs is not hypothetical. Additionally, the claim is made that we can genuinely care for others even if they are outside our immediate set of relationships. By extension, if care can be deemed social in this way, then we can properly talk of care at an organizational level in companies and not just an individual level. Hence, Simola argues it becomes possible to understand that an organizational culture of care can be developed and that it will facilitate companies in meeting social objectives that are an inherent part of being a sustainable enterprise.

The final area in which there has been consideration of care in respect of particular business issues concerns discussions whether integrating an ethic of care approach into crisis management might be beneficial. Simola (2003) published the first paper to consider this connection through analyzing the case of the 1984 mass shooting at the San Ysidro McDonald's restaurant. Simola suggests that McDonald's actions in the wake of the crisis can be construed as following an

ethic of care approach rather than an ethic of justice approach. It is maintained that the actions of the McDonald's management team went beyond just expressing deep concern for those affected. Nor did they focus on meeting minimum legal responsibilities and instead connected with the local community in a thoughtful manner. They listened carefully and acted only when they had gained a clear understanding of the feelings of individuals in the neighborhood. The purpose of this paper is to make an initial case that an ethic of care approach may be helpful for companies in responding to crisis events. In a subsequent discussion, Simola (2005) makes the case for an ethic of care approach also being potentially helpful in crisis prevention. Crisis prevention requires sensitivity to detecting red flag early warnings (signal detection), and managers need to be responsive to employees who raise these warnings (uptake). Simola largely draws on Gilligan's care writings to discuss how "resistance," "voice," and "silence" can improve signal detection and uptake. When relationship violations occur, they disengage us from one another and we become deaf to the concerns of others. "Resistance" concerns people taking action when relationships with others (and oneself) are under threat in this way. Hence, resistance functions as a device "that sensitizes others to, and fights against, potential or perceived violations of relationships" (Simola 2005, p. 344). If, through "voice," we choose to speak out and warn against the relationship violations, then the potential for conflict arises, and therefore, "silence" is an alternative to voice. In organizations, "exiting" is comparable to silence, and Simola uses the case of the Challenger space shuttle disaster to illustrate how one employee who had failed in his attempts to have managers attend to his warnings chose to exit (leave) the organization. Simola argues that these ideas of resistance, voice, and silence are pertinent to signal detection and uptake. Specifically, with regard to crisis prevention, managers who are aware of the concepts can better heed warning signs as they will be more attentive to employees prepared to voice resistance.

Simola (2010) draws further on resistance, voice, and silence to examine anger as a type of care-based moral agency. When resistance is voiced to relationship violations then, in the context of an ethic of care, anger may be viewed as an appropriate response. That is, if relations are potentially being damaged, then anger can be understood to be a healthy response as it reveals the depth of feeling held in respect of how important it is to maintain connectedness. By contrast, it is argued that the emotion of anger is deemed by the powerful in society an improper emotion for subordinates to express. This is because it represents a threat to the existing form of society and, therefore, should be suppressed. Simola suggests this explains why, when anger is directed at a company, the corporate response can be to dismiss it as illogical, improper, or ludicrous. However, Simola concludes that companies should not construe anger directed toward them as an outside problem that needs to be controlled; rather it needs to be understood as potentially signaling the company needs to attend to its relationships with these external parties and that the company may have violated the relationship through uncaring or cavalier actions.

Sandin (2009) refocuses the discussion onto crisis management by considering Simola's first (2003) paper and judges it worth examining further whether an ethic

of care is a suitable approach to crisis management. The first reason cited is that crises are complex events and, hence, may not be susceptible to an ethic of justice approach which relies on pre-prepared codes of conduct. The second reason is that an ethic of care approach is "potentially better suited to dealing with a problem that is likely to be prevalent in crisis management – the temptation of ad hoc utilitarianism" (Sandin 2009, p. 115). However, he does raise two possible problems in Simola's (2003) paper. First, he queries whether it is appropriate a company select an ethic of care approach to manage a post-crisis situation simply to obtain a positive reaction. This appears to run counter to the idea of caring. Second, he argues that care is not a form of action a company can simply opt into.

Bauman (2011) concludes that the ethic of care approach to crisis management is effective as it will likely reduce both the intention effect and the foresight effect. The intention effect states that if a company's actions lead to a crisis with harmful side effects, then it will be judged intentional; however, Bauman argues that if the harm was actually unintended, then the intention effect is reduced if managers follow an ethic of care approach post-crisis. The foresight effect is where the public hold companies to higher standards of care than individuals and expect a company to be more prescient. This arises as we expect companies to have a greater responsibility to avoid harm than individuals. If a company follows an ethic of care approach, this may muffle this inclination to place a greater burden of responsibility on the company. His recommendation is that, following a crisis, a company must: acknowledge the harm in a manner that demonstrates it cares, provide an apology that speaks to the emotions of those affected, and act as one would expect when fulfilling responsibilities in a caring relationship.

The issue of anger and crises is brought together by Linsley and Slack (2013). In an examination of the case of the 2007 run on the UK-based Northern Rock bank, the claim is made that some part of the angry reaction of stakeholders post-crisis can be explained by the lack of an ethic of care approach on the part of the bank during the crisis period. An additional claim made is because the bank had a strong presence in a particular region of the UK, then in the years before the crisis occurred, local stakeholders had presumed that they had a relationship with the bank that could be construed as a caring relationship. Consequently, the post-crisis anger was further inflamed when stakeholders came to recognize that there had been no such relationship.

Conclusion

This chapter reviews discussions and ideas that have been developed with regard to connecting an ethic of care to business. Advocates of care ethics argue that we need to go beyond categorizing businesses in terms of market-based contracts and to recognize that relationships are fundamental to companies. This extends an ethic of care from the domain of private relationships, where we are connecting with those who we know and have direct contact with, into the domain of public relationships. These may be colleague, supplier, customer, investor, or community relationships.

These company-related relationships are less tangible, and more abstract, as we may not have direct contact with the other party. An ethic of care was initially developed in the context of private relationships and not everyone would agree that an ethic of care can be enlarged in this way. However, supporters of this idea argue that integrating care into these company-based relationships would be advantageous. Caring implies that we attend closely to relationships and are conscientious in maintaining these relationships; therefore, by considering how to address the specific needs of others, this suggests that the company's responsiveness is enhanced, as is its ability to adapt to changes in the environment. In this context, Sandin (2009) rightly asks whether a company that follows an ethic of care to accrue advantages, in some sense, forfeits the right to be judged a caring company.

A further benefit that is cited as a reason for companies to adopt an ethic of care approach is it enhances the overall moral tenor of the company. However, there are problems inherent in applying an ethic of care to business that still need to be resolved. Liedtka (1996) raised the problem of operationalizing an ethic of care in the corporate world. This is the question of how exactly do we go about "caring for" employees, suppliers, customers and others connected to the company? It is difficult ascertaining the very different needs associated with this range of relationships. Nor is it possible to address all the needs and, hence, some allotment of limited resources will be required that can be deemed apt in the context of an ethic of care. The part of the chapter reviewing work that has been carried out in applying the notion of "care" to specific business issues can give some guidance in respect of these problems. However, there is still further work required to understand what a "caring organization" might look like. This is likely to be a difficult task as it will require reference to issues that link to relationships such as trust, emotion, and respect. Further, issues such as trust, emotion, respect, and the like will need modifying for the business context which will likely complicate matters further.

References

Akaah IP (1989) Differences in research ethics judgments between male and female marketing professionals, J Bus Ethics 8(5):375–381

Barnett JH, Karson MJ (1989) Managers, values and executive decisions: an exploration of the role of gender, career stage, organizational level, function and the importance of ethics, relationships and results in managerial decision-making, J Bus Ethics 8(10):747–771

Bauman DC (2011) Evaluating ethical approaches to crisis leadership: insights from unintentional harm research. J Bus Ethics 98(2):281–295

Borgerson JL (2007) On the harmony of feminist ethics and business ethics. Bus Soc Rev 112(4):477–509

Brophy M (2011) Bumfights and care ethics: a contemporary case study. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Burton BK, Dunn CP (1996) Feminist ethics as moral grounding for stakeholder theory. Bus Ethics Q 6(2):133–147

Derry R (1996) Toward a feminist firm: comments on John Dobson and Judith White. Bus Ethics Q 6(1):101–109

Dobson J (1996) The feminine firm: a comment. Bus Ethics Q 6(2):227–232

Dobson J, White J (1995) Toward the feminine firm: an extension to Thomas White. Bus Ethics Q 5(3):463–478

Donleavy GD (2008) No man's land: exploring the space between Gilligan and Kohlberg. J Bus Ethics 80(4):807–822

Engster D (2007) The heart of justice: care ethics and political theory. Oxford University Press, Oxford

Engster D (2011) Care ethics and stakeholder theory. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

French W, Weis A (2000) An ethics of care or an ethics of justice. J Bus Ethics 27(1/2):125–136

Gatzia DE (2011) Towards a caring economy. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Gilligan C (1982) In a different voice. Harvard University Press, Boston

Gilligan C (1995) Hearing the difference: theorizing connection. Hypatia 10(2):120–127

Gilligan C (1977) In a different voice: women's conceptions of self and morality. Harv Educ Rev 47(4):481–517

Hamington M (2001) Jane Addams and a politics of embodied care. J Specul Philos 15(2):105–121

Hamington M (2004) Embodied care: Jane Addams, Maurice Merleau-Ponty, and feminist ethics. University of Illinois Press, Chicago

Hamington M (2008) Resources for Feminist Care Ethics in Merleau-Ponty's Phenomenology of the Body. In: Weiss G (ed), Intertwinings: interdisciplinary encounters with Merleau-Ponty Albany, NY: State University of New York Press

Hamington M (2011) Care ethics, knowledge management, and the learning organization. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Hart SL (2005) Capitalism at the crossroads: the unlimited business opportunities in solving the world's most difficult problems. Prentice Hall, Upper Saddle River

Hawk TF (2011) An ethic of care: a relational ethic for the relational characteristics of organizations. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Held V (2006) The ethics of care: personal, political and global. Oxford University Press, Oxford

Hernandez J (2011) The changing face of ethics in the workplace: care and the impact of immigration enforcement. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Koehn D (2011) Care ethics and unintended consequences. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Liedtka JM (1996) Feminist morality and competitive reality: a role for an ethic of care? Bus Ethics Q 6(2):179–200

Linsley PM, Slack RE (2013) Crisis management and an ethic of care: the case of Northern Rock bank. J Bus Ethics 113(2):285–295

Machold S, Ahmed PK, Farquhar SS (2008) Corporate governance and ethics: a feminist perspective. J Bus Ethics 81(3):665–678

Martin W, Shaw B (1993) White, Gilligan, and the voices of business ethics. Bus Ethics Q 3(4):437–443

Nelson JA (2011) Care ethics and markets: a view from feminist economics. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Noddings N (1984) Caring: a feminine approach to ethics and moral education. University of California Press, Berkeley

Oxley JC, Wittkower D (2011) Care and loyalty in the workplace. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Palmer DE, Stoll ML (2011) Moving toward a more caring stakeholder theory: global business ethics in dialogue with the feminist ethics of care. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Puka B (2011) Taking care of business: caring in competitive corporate structures. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Sander-Staudt M (2011) Care as a corporate virtue. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Sandin P (2009) Approaches to ethics for corporate crisis management. J Bus Ethics 87(1):109–116

Simola S (2003) Ethics of justice and care in corporate crisis management. J Bus Ethics 46(4):351–361

Simola S (2005) Concepts of care in organizational crisis prevention. J Bus Ethics 62(4):341–353

Simola S (2007) The pragmatics of care in sustainable global enterprise. J Bus Ethics 74(2):131–147

Simola S (2010) Anti-corporate anger as a form of care-based moral agency. J Bus Ethics 94(2):255–269

Simola S (2011) Elucidating the role of care in ethical decision-making and action. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Simola S (2012) Exploring "embodied care" in relation to social sustainability. J Bus Ethics 107(4):473–484

Simola S, Barling J, Turner N (2012) Transformational leadership and leaders' mode of care reasoning. J Bus Ethics 108(2):229–237

Solomon RC (1998) The moral psychology of business: care and compassion in the corporation. Bus Ethics Q 8(3):515–533

Terjesen A (2011) Adam Smith cared, so why can't modern economics?: the foundations for care ethics in early economic theory. In: Hamington M, Sander-Staudt M (eds) Applying care ethics to business. Springer, Dordrecht

Tronto J (1993) Moral boundaries: a political argument for an ethic of care. Routledge/Chapman and Hall, New York

White T (1992) Business, ethics, and Carol Gilligan's "two voices". Bus Ethics Q 2(1):51–61

Wicks AC, Gilbert DR Jr, Freeman RE (1994) A feminist reinterpretation of the stakeholder concept. Bus Ethics Q 4(4):475–497

Sustainable Wasteland: Ecological Humanism, Cadaver Cosmetics, and the Desirable Future

Wendy Lynne Lee

Contents

Abstract

In my 2006 paper, "On Ecology and Aesthetic Experience: A Feminist Theory of Value and Praxis," I argued that "a vital component of a defensible ecological ethic is the potential for an *aesthetic experience* whose value is exemplified in those actions, individual and collective, that tend to foster active respect for biodiversity and contribute to ecological stability." Such an ethic must be "self-critically *human-centered* in the sense that its agents take seriously what it means to occupy a specific existential, perceptual, psychic, kinesthetic, and *epistemic* situation and where "take seriously" implies taking responsibility for actions whose consequences we can know in ways unlikely to be (as) possible for other species of creature". In short, intellectual wherewithal implies not merely "power," but responsibility for the *future* that its exercise entails. It's easy to imagine a future *merely sustainable*, but only a future *desirable to the creatures who can imagine it and know the difference* can elicit the creative labor or *praxis* required to realize it *as an ethic worth the effort*.

W.L. Lee (✉)
Department of Philosophy, Bloomsburg University of Pennsylvania, Bloomsburg, PA, USA
e-mail: wlee@bloomu.edu

Introduction

The objective of this chapter is to show that if the aesthetic dimension of human experience is key to what makes the future *desirable* – and I think it is – then taking moral responsibility for imagining *that* future just means taking responsibility for a future in which human beings can have *that* experience. I also argue that because such a desirable future is premised on fostering the *biodiversity* that enhances the possibility of aesthetic experience, and because biodiversity makes a substantive contribution to ecological stability, our first responsibility is to articulate an ethic consistent not merely with what is sustainable, but able to promote and provide stability to that biodiversity. To these ends, I'll offer a conceptual analysis of key concepts like "human centeredness," and I'll show how such analyses yield a straightforward – if surprising – moral proscription: *we must abandon the vocabulary of sustainability*. We must do so because "sustainability" is inconsistent with what I'll argue is the best hope for that desirable future: a *radically revalued human centeredness*, one through which we can articulate a future worth wanting and which takes justice, integrity of communities, ecological stability, and biodiversity seriously enough to see that "desirable" does not mean merely "survivable," but rather something we can leave to our children's children.

On Ecology, Ethics, and Aesthetic Experience

In my 2006 paper, "On Ecology and Aesthetic Experience: A Feminist Theory of Value and Praxis," I argued that "a vital component of a defensible ecological ethic is the potential for an *aesthetic experience* whose value is exemplified in those actions, individual and collective, that tend to foster active respect for biodiversity and contribute to ecological stability" (Lee (1), p. 22–23, my emphasis). Such an ethic, I reasoned, must be "self-critically anthropocentric" or *human centered* in the sense that its agents take seriously what it means to occupy a specific existential, perceptual, psychic, kinesthetic, and *epistemic* situation and where "take seriously" implies taking responsibility for actions whose consequences we can know in ways unlikely to be (as) possible for other species of creature.

In short, intellectual wherewithal implies not merely "power," but responsibility for the *future* that its exercise entails. It's easy to imagine a future *merely sustainable*, but only a future *desirable to the creatures who can imagine it and know the difference* can elicit the creative labor or *praxis* required to realize it *as an ethic worth the effort*. It's one thing, for example, to act to mitigate climate change within

the systems responsible for its anthropogenic contribution; from this point of view, sustainability is just a fashionable term for "reform." It's another thing, however, to reimagine a future beyond mere reform, one in which notions like "restoration," "reclamation," and the fostering of genuine biodiversity are meaningful because, I'll argue, they solicit the possibility of *aesthetic* experience. From this perspective, human centeredness implies not the short-sighted and exploitive chauvinism of the "human, all too human" past, but responsibility taken for the future by the only creatures (at least on this planet) whose epistemic situation makes this possible: *Homo sapiens*.

Epistemic situation – and hence the responsibility it entails – is defined by species membership in the sense that the wherewithal to theorize, know, appreciate, value, make calculable predictions, and imagine the future is constitutive of situation for some species and not (to the same degree) others (Lee (1), p. 23). While *Homo sapiens* may share in common much of this wherewithal with many, for example, higher primates, some birds, and cetaceans, only human beings create the institutionalized machinery of government, resource extraction, war, and commodification, as well as the inequality, disparity of power, oppression, retributive violence, and environmental deterioration that goes with it. What a critically self-reflective human centeredness takes as its point of departure are the potential consequences of what is not the fault of centeredness per se, but of centeredness realized as human *chauvinism*. From that point of view, the reform implied by "sustainability" is quickly exposed as "too little, too late"; perhaps mountainous vistas in the Adirondacks can be replaced by picnic tables in a roadside parking lot next to a tree lot. But – and the difference is only a matter of who is affected – a third world war over access to clean water may be a world "sustainable," but few would desire their children to live in it.

My aim, then, is to radically revalue "human centeredness" to stress that *what empowers also entreats*; the epistemic wherewithal of *Homo sapiens* need not translate into the destructive ecological trajectory we continue to chart at our peril. If the aesthetic dimension of human experience is key to what makes the future *desirable*, then taking moral responsibility for imagining *that* future just means taking responsibility for a future in which human beings can have *that* experience. Because that future is premised on fostering the biodiversity that enhances the possibility of aesthetic experience, and because biodiversity contributes to ecological stability, our first responsibility is to articulate an ethic consistent not merely with what is sustainable, but stable. It's precisely at this juncture that the ethical meets the aesthetic: some of us can perhaps survive a world that's sustainable, but no such world can adequately *entreat* us to the labor required to realize it because no such world is desirable. The wastelands of dystopias like Cormac McCarthy's *The Road* are just such worlds.

Devoid of the opportunity for meaningful aesthetic experience, such wastelands are not worth the struggle to achieve – particularly when the casualties of this sustainability are those with the fewest resources to resist extinction. No doubt, we can "dress up" such a world to make it more palatable; we can plant grass and install picnic tables where forests have been leveled to construct natural gas extraction

operations. We can "reclaim" a mountain as a plateau after the coal has been scooped out. We can plant saplings where arboreal forest used to stand as sentry for indigenous peoples displaced by tar sand mining. But this resort to what I've called "cadaver cosmetics" is just that – painting over with a bit of rhetorical lipstick the erosion of ecologies compromised beyond recovery. "Sustainable" is thus exposed not as "reform" – however uninspiring – but the *cosmetic rhetoric* of the institutionalized machinery responsible for ecological deterioration, including the anthropogenic contribution to climate change. A defensible ecological ethic must, then, not only lay bare the fact that "sustainable" is merely "chauvinism lite," but that the only future it can offer even short term is to the same few human beings who can afford to escape that deterioration – those whom the machinery privileges: white, affluent, and male.

Reaching Beyond Sustainability: Ecologically Situated Humanism

My project then is to articulate an ecological humanism that reaches beyond a "sustainability" antithetical to a just human future in the direction of an ethic, *a practicable way of life*, which takes the possibility of aesthetic experience, imbued with the colors of culture, geography, and ecological diversity, as vital to its realization as a *creative labor* – a *praxis* – worth pursuing. Such an ethic is specifically feminist in that it seeks to revalue human centeredness less in terms of a chauvinism which has typically privileged (white, European) men and more "in terms of a deeper and more inclusive appreciation for the complex and interconnected ligature of our collective existential conditions," conditions, in other words, that include voices less often heard – women, children, indigenous peoples, and nonhuman animals (Lee (1), p. 23). A feminist ecologically situated humanism takes as its point of departure neither the commodification of disempowered human subjects and systems emblematic of chauvinism realized as exchange value, nor inherently vague and unwieldy notions like "intrinsic value," but simply the prospect of a *desirable future* itself. Such a humanism begins in the question "What of that future would any human being – sufficiently well-equipped with the wherewithal to appreciate our complex interconnected conditions, our epistemic situations, and our current ecological plight – desire as vital to inspiring the labor necessary to achieve it?"

I suggest that the answer here is the possibility of aesthetic experience, defined perhaps in a million and one ways, not all of them consistent with an ethic premised in ecological stability, but open to what John Dewey called "*an* experience" (Dewey, pp. 47–50). *An* experience is experience that disrupts the ordinary, stands out against the commonplace, and solicits a particular kind of appreciation in virtue of, as Dewey puts it, its denial of the "humdrum" (p. 50). Such experience is aesthetic not necessarily because its objects are beautiful, but because it solicits an opportunity to appreciate novelty, contrast difference – diversity. This is not to suggest that all diversity, species or ecology, is aesthetically appreciable (or morally defensible); it's not. It *is* to suggest that a future that did not afford

the possibility of *an* experience – however otherwise attenuated – *is manifestly undesirable*. As Dewey puts the point, "[b]ecause the actual world. . .is a combination of movement and culmination. . .the experience of a living creature is capable of aesthetic quality" (pp. 45–46).

A future merely sustainable – without ecological diversity – is one in which *an* experience is diminished. Moreover, to whatever extent ecological stability is necessary to foster diversity, *an* experience depends on this stability in at least two ways: first, because diversity of species and habitat is *itself* aesthetically appreciable; second, because while change is an expected feature of ecological systems, and as such is epistemically as well as aesthetically appreciable, it must be understood as change within an otherwise stable system. Change precipitating extinction or collapse only detracts from the possibility of *an* experience. And while this is not to suggest that fleetingness or fragility are not aesthetic values, it is to suggest that neither extinction nor collapse fit those descriptors since both imply a kind of "death," an end to the possibility of *an* experience under the same (or any) conditions. Once the mountaintop has been removed, the possibility of having *an* experience of that mountain is forever lost; once a hemlock forest is leveled, its soils eroded, *an* experience among its fragrant boughs is gone.

One might respond, of course, that nature itself generates change, even cataclysmic change. Experience just is, argues this detractor, susceptible to disappointment. True. But this observation only highlights the importance of taking epistemic responsibility seriously since it affords the opportunity to know in what change consists and whether – as in anthropogenic climate change – human action is a causal factor (it's in this sense that science is an intrinsically aesthetic enterprise). Moreover, change need not preclude diversity and therefore need not preclude the conditions for *an* experience. The forest that's suffered a fire may or may not remain primarily Hemlock, but in its ashes consist the conditions of whole new generations of flora and fauna. A forest leveled to build a parking lot for rigs and tanker trucks is effectively smothered and will likely never regain – given the pollutants to which it's subjected – its original (or any future) diversity. A parking lot is sustainable; it is not desirable (other than as a symbolic repository of profit). The possibility of *an* aesthetically appreciable experience is thus as much a function of the epistemic – of what we can know – as it is the novel, the contrasting, or the diverse. As Dewey put it, "life goes on in an environment; not merely in it, but because of it, through interaction with it. No creature lives merely under its skin" (p. 45). And this last point is important since while no creature lives merely under its skin, some – those typically privileged – enjoy the institutionalized machineries which, like a kind of "skin," protect and empower them against those whose claim to a desirable future has come to fuel increasingly loud calls to resistance.

Another response, then, is that the merely sustainable future might well provide experience that denies the humdrum in virtue of its sheer ecocidal terror. True enough, and the stuff of organized resistance, this is certainly not what Dewey had in mind. Scarred by forest fragmentation, catastrophic weather events, pollution, water wars, desertification, and consequences of climate change, the sustainable world might well be *an* experience. But unless we're prepared to ascribe aesthetic

appreciability to the causes of real suffering, much of it borne by those least able to defend themselves against it and potentially all of it exacerbated by the chauvinism of human excess – that is the world about which we remark derisively that it is "merely" sustainable. "Skin" in that world becomes a metaphor not for that in which we live "because of it" or for "interaction" we willingly embrace; "skin" rather elicits the permeable, the defenseless, the cancered, and the pocked – the rusted machinery at the end of "endless resources." Whether we're talking about individuals – human or nonhuman – or whole communities, this "sustainability" can only recreate under yet more oppressive circumstance the same institutionalized privilege, and exploitation feminist theorists have laid to waste as profoundly dehumanizing and unjust. "Sustainability" thus becomes a caricature of itself in that at the end of endless, there is naught left but the rhetoric – and none can eat or drink that.

To subscribe to "sustainability" is thus to concede that human chauvinism is endemic to human nature – something that can perhaps be mitigated, but not expunged, a feature of human agency that can be modified to perhaps less destructive ends, but not assuaged. It is, however, precisely here that such cosmetic rhetoric is exposed indefensible since, however short sighted, Dewey is correct: *human beings do not live merely under their skins, and they do not live merely for the present, but for the future*. As that future becomes more and more compromised by the looming consequences of climate change, as we are for virtually the first time in history able to *see* that future, the opposition between sustainability and desirability becomes starker and starker. The cost borne by the many to insure that the "sustainability" of the few remains possible (at however degraded a standard) will be high indeed; "barely survivable" may yet be "sustainable," but it's a far cry from the desirable that tokens more than aesthetic experience alone, namely, the equality of condition and stability of ecological system that make even the barest possibility of *an* experience possible.

"Desirability" thus resonates with specifically feminist values and objectives with respect to social and economic justice. A desirable world, on this view, is one desirable not merely to those sufficiently well off that they can avoid most forms of suffering, but to the most vulnerable and least well situated (in every way) of human agents. It is desirable in the practicable sense that, at a minimum, it affords the possibility of avoiding misery. The opportunity for *an* experience, however, requires much more, namely, the ecological stability that – short of a meteorite hitting the earth – offers a future within which human centeredness reliably tokens an ethic of responsibility, *a future for which social and economic justice are understood as part and parcel of the ecology itself*. It's at this juncture where feminism just is ecologically informed feminism in that the desirable world for the least well situated – including nonhuman animals and systems – requires precisely everything Dewey insists is necessary to *an* experience, namely, the ecological stability that conditions the opportunity for escaping the humdrum out of which the desire for a future – and the praxis necessary to achieve it – is forged. From the perspective of taking responsibility, such an ethic needn't distinguish those creatures equipped with the epistemic wherewithal to have and appreciate *an*

experience from those who don't. What matters is that because biodiversity contributes to ecological stability, it becomes understood as essential to justice more broadly; the claims of damaged ecosystems and all of the life they support – human and nonhuman – to reclamation and meaningful restoration are on this ethic rooted, not in what serves human interests but what serves human as part of the interdependent ecosystem interests – a very different criterion of moral judgment.

The Aesthetics of Sustainability: Cadaver Cosmetics

A recent – an increasingly common – news story, "A new angle on cleaning up Passaic River: Swap your catch for a cleaner Fish," illustrates neatly the extent to which "sustainability" is quite literally cadaver cosmetics:

> In what critics call a desperate bid to avoid the most expensive toxic cleanup in New Jersey history, the companies responsible for polluting the Passaic River are promoting a plan they say will help keep people safe: swapping contaminated fish pulled from the river with healthy ones. The companies responsible for polluting the river want to clean up hot spots like this one, instead of fully dredging, while offering clean fish to anglers. Some of the highest levels of cancer-causing dioxin in the Passaic River have been found in mudflats in Lyndhurst. The plan would involve a less-extensive cleanup along with the establishment of an indoor fish farm so anglers along the Passaic — one of the most polluted rivers in the nation and a federal Superfund site — can exchange the fish they catch with fish that are safe to eat. (http://www.northjersey.com/news/passaic-river_polution_EPA_newark_cleanup_superfund.html)

The "sustainable remedy" proposed by industry to avoid paying up to 3.5 billion dollars for the actual restoration of the river ecosystem is to offer fisherman a trade of their toxic fish for "clean" fish redeemable at a local grocery. Besides the obvious absurdity of this "solution," namely, that it will achieve nothing with respect to restoring the river, it also makes a mockery of the very *experience* of fishing the Passaic. On this "remedy," the possibility of *an* experience is reduced to a cosmetic – shallowly decorative – pretense to the experience of actually fishing on the river. Imagine casting your line, waiting patiently, reeling it in, casting again, getting a tug, retrieving your fish, and then heading off to a grocery to exchange your toxic cadaver catch for something edible. Few will find such a solution desirable because, besides gutting the fishing of the fun, few will be convinced that any such plan offers a future river with any of the value of the past. Nonetheless, such a remedy *is* perfectly sustainable given that the aesthetics of sustainability require nothing beyond mitigation, "beautification," or, in this case, mercenary substitution.

The example of the *Center for Sustainable Shale Development* (CSSD) makes a similar point in a different way. Casting itself as a middle ground in the contentious debate over hydraulic fracturing (fracking) "whose mission is to support continuous improvement and innovative practices through performance standards and third-party certification," CSSD claims to focus "on shale development in the Appalachian basin" and provide "a forum for a diverse group of stakeholders to share expertise with the common objective of developing solutions and serving as a center

of excellence for shale gas development" (https://www.sustainableshale.org/about/).
Sounds good – except for that, given that there is no such thing as the sustainable
development of a fossil fuel, CSSD can offer no more to the citizens of the
Appalachian basin than its sister industries can offer to fishers of the Passaic River.
However savvy the rhetoric, CSSD is just another version of cadaver cosmetics in
that it simply exploits the language of "sustainability" in order to greenwash and
thereby promote an industry – industrialized extraction – responsible for climate
change. That Chevron, a corporation responsible for some of the world's most
egregious human rights abuses is included along with Shell and Consol (http://
www.huffingtonpost.com/karen-hinton/chevron-oil-richmond_b_1766170.html), on
the CSSD list of "strategic partners" is at least troubling, but more important here
is it speaks to a "sustainability" not merely gutted with respect to usefulness in the
effort to imagine a desirable future – but in fact wholly co-opted by the institution-
alized machinery whose actions will insure that future never materializes.

Conclusion

So in the end, this chapter offers a conceptual analysis on the way to a fairly
straightforward moral proscription: we must abandon the vocabulary of sustain-
ability. We must do so not simply because it doesn't get us enough to make fishing
in the Passaic desirable, or because we recognize the inherent contradiction in
"sustainable shale," or even because we recognize the language as co-opted by an
industry as wholly mercenary in its profiteering as it is transparent in its attempt to
avoid responsibility for the damage it causes. We must do so because "sustainabil-
ity" is inconsistent with a radically revalued human centeredness, one through
which we can articulate a future worth wanting, a centeredness that takes justice,
human integrity, ecological stability, and biodiversity seriously enough to see that
"desirable" does not mean "survivable," but rather demands that the possibility of
aesthetic experience – *an* experience – be available to our children's children. This
future might well require a revolution to achieve – one that begins not only with
stripping away the cosmetic cover of the cadavers polluting industries leave in their
wake, but with the *praxis* only a creature epistemically situated with the where-
withal to imagine that future can undertake. It's on us, and we can either suck up to
"sustainability" and ignore the potential for ecological collapse courtesy of anthro-
pogenic climate change, or we can begin the hard work of self-reflection that leads
to the outraged laughter of the fisherman as he spits out the words "sustainable
remedy" as if they were dirt in his teeth.

Cross-References

▶ Being and Doing: How Virtue Shapes Work
▶ Environmental Approach: Sustainable Development and Moral Business Life
▶ Genuine Sustainability as Virtuous Sustainable Development

References

Bender F (2003) The culture of extinction. Humanities Press (Prometheus), Amherst

Benson P, Kirsch S (2010) Corporate oxymorons. Dialect Anthropol 34(1):45–48

Brady E (2003) Aesthetics of the natural environment. University of Alabama Press, Tuscaloosa

Budd M (2003) The aesthetic appreciation of nature. Oxford University Press, Oxford

Carlson A (2000) Aesthetics and the environment. Routledge, New York

Center for Sustainable Shale Development. https://www.sustainableshale.org/

Dewey J (1934) Art as experience. Penguin, Putnam, Inc, New York

Fallon, Scott, "A New Angle on Cleaning Up Passaic River: Swap Your Catch for a Cleaner Fish." North Jersey.com. http://www.northjersey.com/news/a-new-angle-on-cleaning-up-passaic-river-swap-your-catch-for-a-cleaner-fish-1.641759. Accessed 23 Nov 2013

Intergovernmental Panel on Climate Change (IPPC). http://www.ipcc.ch/

Lee WL (1997) Women-animals-machines: a grammar for a Wittgensteinian Ecofeminism. In: Warren K (ed) Ecofeminism: women, culture, nature. Indiana University Press (reprinted)

Lee WL (2005) The aesthetic appreciation of nature, scientific objectivity, and the standpoint of the subjugated: anthropocentrism reimagined. Ethics Place Environ 8(2):235–250

Lee WL (2006) On ecology and aesthetic experience. Ethics Environ 11(1):21–41

Lee WL (2008) Environmental pragmatism revisited: human-centeredness, language, and the future of aesthetic experience. Environ Philos 5.1(Spring):9–22

Lee WL (2009) Restoring human-centeredness to environmental conscience: the Ecocentrist's Dilemma, the role of heterosexualized anthropomorphizing, and the significance of language to ecological feminism. Ethics Environ 14(1):29–51

Lee W (2010) Contemporary feminist theory and activism: six global issues. Broadview Press, Peterborough

Lee WL (2012) Just plain disappointment: why contemporary thinking about environmental sustainability needs to be more courageous. Review of: *Thriving Beyond Sustainability*. Andres R. Edwards. *The Big Picture: Reflections on Science, Humanity, and a Quickly Changing Planet*. David Suzuki. *Uprisings for the earth: Reconnecting Culture with Nature*. Osprey Orielle Lake. Nature+Culture. Ed. Daniel Sarabia

Lee WL (2013a) Sustainable shale development: the "middle ground" that's newspeak for fraud. http://thewrenchphilosleft.blogspot.com/2013/10/sustainable-shale-development-middle.html

Lee WL (2013b) Of Aristotle and Anadarko: why "better laws" will never be enough. http://thewrenchphilosleft.blogspot.com/2013/10/of-aristotle-and-anadarko-why-better.html

Lee W (2013c) Pretending to forget what's right under our feet until the ground gives way: EXCO's Marcellus Gambit, the SAGO Mine Disaster, and the price of natural gas. Presented at University of Pittsburgh, Greensburg. http://thewrenchphilosleft.blogspot.com/2013/10/pretending-to-forget-whats-right-under.html

Marcuse P (1998) Sustainability is not enough. Environ Urban 10(2):103–111

Pickard B. (2013) The climate change PR disaster. http://www.holmesreport.com/opinion-info/14303/The-Climate-Change-PR-Disaster.aspx

Preston C (2003) Grounding knowledge: environmental philosophy, epistemology, and place. The University of Georgia Press, Athens

Smyth L (2013) Anthropological critiques of sustainable development. http://eview.anu.edu.au/cross-sections/vol7/pdf/ch07.pdf

Williams A (2008) The enemies of progress. Societas Essays in Polit Cult Crit 34:77–85

Part VII

Capabilities Approach

Business, Capabilities Theory, and the Virtue of Justice

Christopher P. Vogt

Contents

Abstract

Capabilities theory provides a vision of human flourishing that is inspired by Aristotle's ethics. It makes the central claim that a good human life is one marked by the freedom to cultivate and exercise a set of capabilities that people have reason to value. From this point of view, a just society is one that fosters the conditions that are necessary for the development and exercise of the full range of human capabilities. Businesses can play a role in promoting this vision of justice within their own organizations and in the societies in which they operate. In order to fulfill that role, the ends of business and good management must be expanded to include the goal of expanding human capabilities and the common good.

C.P. Vogt (✉)
Department of Theology and Religious Studies, St. John's University, Queens, NY, USA
e-mail: vogtc@stjohns.edu

Introduction

Capabilities theory rose to prominence in the 1980s and early 1990s in the context of debates about international economic development among economists, philosophers, and development professionals. At issue was the question of how to measure the impact of efforts undertaken by the World Bank, various UN agencies, and countless NGOs to advance development. In the 1960s and 1970s, progress in international development was typically assessed by the degree to which interventions succeeded in bringing about economic growth. Some economists – most notably, Nobel Prize winner Amartya Sen – began to raise questions about the adequacy of those measures. Sen and others argued that economic growth (rising GDP, increases in per capita income, etc.) should not be regarded as an end in itself but rather only as a means of achieving an improved quality of life for actual human beings (Sen 2003). In that respect, capabilities theory advocates were calling for an approach to evaluating economic systems that is similar to what is called for in Catholic social teaching (Melé and Dierksmeier 2012). In 1986, the US Catholic Bishops wrote that "We judge any economic system by what it does for and to people and by how it permits all to participate in it. The economy should serve people, not the other way around" (US Catholic Bishops 1986: 13). Sen and others succeeded in bringing about a shift in the study of international development by centering the focus of various development measures upon the human person. More specifically, their efforts bore fruit with the release of the United Nations' 1990 *Human Development Report* that used a framework grounded in capabilities theory to provide a global status report regarding the state of development worldwide (United Nations Development Programme 1990). The report has been published annually ever since. The capabilities approach to justice and human development remains in widespread use and continues to be debated, analyzed, and enhanced by philosophers, economists, and ethicists today.

Human Capability and Human Flourishing

Capabilities theory actually entails much more than the simple claim made above that social, economic, and political systems should serve the good of human persons. It provides a framework for articulating what constitutes human well-being and for assessing the degree to which people in various societies are able to attain a good life. Thus, capabilities theory suggests a purpose or a *telos* for international development efforts and for economic activity more generally. In his classic work, *Development as Freedom*, Amartya Sen articulates the goal of international development as "a process of expanding the real freedoms that people enjoy" (1999: 1). From the point of view of capabilities theory, a good human life is one in which people are able "to do valuable acts or reach valuable states of being" (Sen 1993: 30). The purpose of development efforts is to facilitate and enhance the ability of people to attain those states of being and engage in those acts. Of course,

that goal raises the further question: What counts as a valuable act or a valuable state of being?

It is theoretically possible to answer that question in a subjectivist or relativistic sort of way if one were to say that the good life consists of engaging in whatever activities an individual person desires, or in achieving whatever states of being a particular person happens to value. Amartya Sen seems to lean in this direction when he claims that capabilities theory itself need not specify what activities and states of being are valuable, leaving this up to individual communities to decide (Sen 2004). Even there, however, it is worth noting that Sen stops short of subjectivism because he foresees questions of value being decided not by an individual person's individual preferences and desires but by rational deliberation and debate within community (Deneulin 2006). In fact, as the UN Human Development Reports suggest, much of the literature in capabilities theory tends either explicitly or implicitly in a more universalist (i.e., valid for all human beings everywhere) direction, claiming that some states of being and activities can be identified as valuable for entire communities and perhaps even for all people everywhere (Nussbaum 1988, 1992; Nussbaum and Glover 1995).

At the heart of capabilities theory is an Aristotelian essentialist view of the human person and human flourishing that initially was developed most comprehensively by Martha Nussbaum. By "essentialist," she means that there are some essential human needs that must be met for a person simply to survive and there are also basic human functional capabilities without which a life would be essentially lacking in humanness. Nussbaum develops a conception of basic human capabilities which is attentive both to the physical needs of human beings (e.g., being able to live to the end of a complete human life, being able to have good health, being able to avoid unnecessary, non-beneficial pain, etc.) and to an Aristotelian view that human beings have certain capabilities (or at least the potential to exercise certain capabilities) and a good life consists in exercising those capabilities. Some examples of the latter include "being able to form a conception of the good and to engage in critical reflection about the planning of one's own life" and "being able to live with concern for and in relation to animals, plants, and the world of nature" (Nussbaum 1992: 222).

There is an implicit teleology at work here. One needs to do more than merely survive in order to live well. To flourish as a human being is to cultivate and exercise the various capabilities that are distinctively human. Human potential is meant to be actualized. One discerns the shape of a good human life via an examination of what makes a human person human (as opposed to a lesser creature or a god). Nussbaum maintains that one arrives at this vision of the full human life not by deducing it from some sort of metaphysical, ideal "human nature" but rather by piecing it together inductively by reflection upon human life and what human beings value (Nussbaum 1995). Through our own evaluation of what makes life valuable and in conversation with others about the same, a list of what is essential to human flourishing can be developed. Since her approach "does not derive from any extrahistorical metaphysical conception" but rather through an evaluation that is internal to human history, Nussbaum's vision of ethics and human flourishing is not

vulnerable to the many powerful philosophical critiques of metaphysical realism (Nussbaum 1992: 223).

Nussbaum's articulation of capabilities theory strives to provide a universalist yet cross-culturally sensitive account of human flourishing. Critics of ethical universalism often claim that any attempt to articulate a universal account of the good life is either oblivious to cultural difference or an instance of cultural imperialism – i.e., that it is actually little more than an effort to impose a culturally specific worldview upon others. Nussbaum's approach seeks to overcome that charge by providing what she calls a "thick vague" (i.e., both thick and vague at the same time) conception of a good human life. Such an account must be thick in the sense that it is a *normative* account of the shape and content of what constitutes a *good* human life. This account is the result of a process of evaluation that discerns and describes what makes a good life good. It rules out certain ways of being as inadequate or less than what a good human life should be and is teleological in the sense that it envisions the actualization of human capabilities (Nussbaum 1990). The word thick is chosen deliberately to contrast Nussbaum's approach with that of John Rawls (1999). In addition to being "thick," a truly universal description of human flourishing simultaneously must be vague. That is to say that it must stop short of specifying a good in such detail that it ceases to be adaptable to a variety of cultural contexts.

Let us look briefly at an example of how this thick/vague approach works. Nussbaum's capabilities theory asserts that a fully human life entails "affiliation with other human beings" at both a personal/familial level as well as at a social/civic level (Nussbaum 1992: 219). On the one hand, to insist that in order to flourish, human beings must form personal, familial, and civic affiliations is to make a normative claim with real content. It would be possible to investigate whether a particular person is able to live in this way or not. Thus, it is "thick." At the same time, the precise forms of family life (nuclear, extended, etc.) and types of civic and political participation remain open to a variety of cultural specifications. Furthermore, Nussbaum is careful to note that there will also be some need for multiple specifications of the same capability within a given culture. The theory seeks to allow considerable room for adaptation and concrete specification to the extent it is possible to do so while insisting on a set of vague but universal standards.

Adaptability is important not only to avoid cultural imperialism but also for very practical reasons. Sen, Nussbaum, and others who follow a capabilities approach to justice and human development recognize that ways of promoting human flourishing that work in one context might not work well in another. For this reason, any attempt to promote human flourishing must do so in ways that are deeply informed by the local context. Ideally, communities and individuals should be empowered to reshape their own social context in ways that afford opportunities to move toward human flourishing rather than have "charitable" development remedies imposed on them in a paternalistic fashion. The approach of empowering individuals and communities is more effective and more fully captures the central importance of freedom in the capabilities approach to development and justice. It

does not seek to impose a way of life upon people, but rather to create a context in which people have a broader scope of freedom to exercise their human capabilities (Prendergast 2005). The goal is not to restrict a person's autonomy but rather to open new possibilities that come with living in a society with a robust social infrastructure (i.e., where there is a good educational system, an active economy, access to literature, art, etc.) (Moghadam and Senftova 2005).

Capabilities Theory and Virtue Ethics

There are many chapters in this book that can provide the reader with a thorough introduction to virtue ethics and virtue theory, but nevertheless it would be worthwhile to highlight very briefly the ways in which capabilities theory properly belongs under the heading of "virtue ethics" or at the very least that a capabilities approach to justice is fully compatible with an approach to justice informed by virtue theory.

A virtue-based approach to ethics is necessarily teleological. Aristotle held that human beings always act toward an end or a *telos*. To be a good person is to pursue the right end in the right way (i.e., using appropriate means) for the right reasons (Aristotle 1999: 1115b15–25). The highest end toward which good people strive is not a thing so much as a state of being (*eudaimonia*). One strives to becoming a person who embodies the virtues – i.e., specific ways thinking, feeling, and acting that are praiseworthy, admirable, or desirable (Porter 2001). These virtues run deeper than the level of a single human act. A virtuous person does not do the right thing in a fleeting sort of way, but rather thinks, feels, and acts well consistently to the point at which it becomes a stable quality of their intellect, will, and passions to do what morality demands; it becomes a quality of their character (Porter 1995).

Virtue ethics is not only teleological; it is also dynamic and developmental in the sense that it envisions a person growing in virtue over time (Kotva 1996). Becoming virtuous is not a matter of repeating a good action by rote but rather a much more deliberative process that entails developing a capacity for practical reason (prudence) that allows one to discern what particular action would be virtuous in a specific situation and then actually engaging in that act. To grow in virtue is to learn to think, feel, and act in ways marked by excellence. It is to actualize our human capacities in the most excellent way possible. Within a virtue framework, the good life is one that brings about "the fulfillment of the natural capacities of the human species" (Giaovanola 2009: 435; Cooper 1975).

Similarly, capabilities theory perceives the good life to entail the free exercise of a variety of human capabilities that people have reason to value (Sen 1999; Nussbaum 1992). As noted above, according to capabilities theory, to flourish as a human being is to cultivate and exercise the various capabilities that are distinctively human. Human potential is meant to be actualized. Thus both virtue ethics and capabilities theory depict the good life as the actualization of human potential and exercise of multifaceted human capacities in ways that promote the good of the

person (Bertland 2009). Both are perfectionist approaches to ethics. That is to say that both maintain that human beings have certain features and abilities that need to be perfected. Furthermore, both approaches to ethics maintain that the moral task of the individual is to pursue that perfection (through the cultivation of the virtues) and that governments and society at large have the obligation to provide the conditions that are necessary for their perfection (Deneulin 2006: 19–27).

Justice and Capabilities Theory

The theories that Sen, Nussbaum, and others put forward regarding the human person and what constitutes human flourishing or a good human life provide the basis for making claims about social justice. Put very simply, capabilities theory claims that a just society is one that provides the social conditions necessary for people to exercise their human capabilities in the most full and thorough way possible. In order to be free to exercise one's capabilities, a person must live in a suitable social context. That person must have access to certain tangible resources that sustain his or her in life (access to adequate nutritious food, clean water, suitable housing, etc.) and must have the ability to participate in the economic, social, and political life of society (access to education, to decent employment, to culture, etc.) (Ranis et al. 2006). If people do not have access to the tangible goods they need in order to grow and flourish as human persons, they are done an injustice. If people cannot exercise the full range of their human capabilities because of obstacles placed in their way by the social and political arrangements of a given society, that society is unjust from the point of view of capabilities theory (Nussbaum 2000).

Exactly how the social conditions necessary for human flourishing should be furnished is not specified by capabilities theory. In fact, there may be a variety of social structures and systems that can meet this standard of justice. Just as capabilities theory allows for some flexibility in specifying the way a capability will be exercised, there can be variation across geography and culture in developing structures that ensure human flourishing. Some authors have argued that capabilities theorists must move beyond Sen and Nussbaum (whose writing they find to be too focused on the individual) to develop a more robust articulation of the social conditions necessary for human flourishing. They favor something more akin to a common good approach to social justice. These authors argue that the sort of freedom that Sen and other capabilities theorists describe is an unmistakably social product in the sense that individuals would be unable to exercise their freedoms if they lived in a context that lacks key institutions such as a functioning marketplace, public services, a judiciary, educational institutions, etc. (Deneulin 2008; Deneulin and Townsend 2006). This sort of social infrastructure not only is a prerequisite for the exercise of individual freedom; these goods have their own intrinsic worth in the sense that they actually constitute the social dimensions of human flourishing (Gore 1997). They are irreducibly social goods in the sense that the philosophers Charles

Taylor and Paul Ricoeur have described (Deneulin 2006: 54–60; Taylor 1995; Ricoeur 1992).

The Role of Business in Promoting Justice and Human Capability

The state should not be the only or even the primary sociopolitical actor that safeguards and promotes social justice. In fact, a rich social fabric in which multiple institutions of civil society flourish is the most effective way to promote social justice and human flourishing (Deneulin and Townsend 2006). Business is an important part of the social fabric of a society and has a crucial role to play in promoting social justice and human development (Grassl and Habisch 2011; Vogt 2005). This assertion, long a part of the Roman Catholic Social Teaching (Benedict XVI 2009; Pontifical Council for Justice and Peace 2004), has been embraced by many who approach the issue from the point of view of capabilities theory as well.

If business is to fulfill its role as an institution that promotes justice and human well-being, it will be necessary for business leaders and members of society to understand the ends or purposes of business in a new way. The goals of management must not be only to maximize profit but also to serve the human good. A good firm will combine profitability with the extension and promotion of human capabilities while improving the overall levels of distributive justice in a society (Standing 1997: 331). In some places, this expansion and shift in the purpose and focus of business might require changes to law governing the creation of corporate entities that sometimes require boards and corporate leadership always to prioritize the creation of profit for shareholders at the expense of any other considerations (Kennedy 2012: 147). Instead of pursuing profit alone, a firm's overall enterprise strategy (i.e., the essence of what a firm stands for) must be changed to integrate consideration of each of the stakeholders related to a business (Kulkarni 2009). Subodh Kulkarni develops this idea at greater length in his chapter in this volume, "▶ Capabilities Theory and the Ends of Business."

This shift in the very purpose of business must be reflected not only in corporate policies but in the self-understanding and decision-making practices of business leaders as well. This line of argument is advanced by Conor M. Kelly in his chapter, "▶ Capabilities Theory and the Virtuous Manager," found further on in this volume. After describing the ends of business as understood from the point of view of capabilities theory, Kelly discusses several virtues that management must cultivate and embody (especially, justice, fidelity, courage, humility, and prudence) if they are to successfully achieve those ends.

We can divide the ways that businesses can promote human flourishing into two broad categories: (1) management decisions that affect the internal operations of the company (i.e., decisions that affect employees) and (2) management decisions that affect external stakeholders. Let us turn first to internal operations. Work is an important locus for human development in the life of any person. Work is far more than a means of survival. Through the right kind of work, people can improve their skills and abilities and even find happiness and personal fulfillment. Work itself is

crucial to the process of becoming more fully human (Miller 2012: 239). A good business is one that (among other things) allows employees the opportunity to flourish in the workplace and in the community (Vogt 2005; Cornelius et al. 2007). As we learned above, from the point of view of capabilities theory, to flourish is to exercise and nurture the full range of one's capacities. Hence, whether an institution provides opportunities for individuals to function at a level worthy of human dignity is the crucial measure of whether that firm embodies the virtue of justice. In order to measure the extent to which a firm is just, we examine what the people who work there have the freedom to do and to become (Gagnon and Cornelius 2000).

Hence, a good employer will structure jobs and the work environment in a way that maximizes the opportunities for workers to use and cultivate their human capabilities (Alford and Naughton 2001: 99–124). For example, in order to facilitate the development of the human capacity to be self-directing and to form bonds and to live in community, an employer might examine whether projects and work assignments are structured in a way that encourages collaboration, or whether the company facilitates mentoring relationships (Vogt 2005). Concern for the ability of workers to form attachments and affiliations also should extend beyond the workplace itself. A good business will recognize that its employees are more than workers. To flourish, employees must also cultivate a life beyond work. Thus an important consideration from the point of view of human resource management is whether the company provides tools that allow employees to maintain a good work-life balance through provision of benefits such as flex time options, on-site child care, adequate family leave, and so forth (Miller 2012). In short, capabilities theory calls for a company to facilitate a humane, dignified work environment that enhances the ability of workers to grow as persons and to use their talents widely while simultaneously cultivating home and community life (Cornelius et al. 2007: 364; Standing 1997).

Good businesses should also promote justice and human flourishing for stakeholders outside the company. The good of workers and shareholders should not be promoted at the expense of customers and the communities in which businesses operate. This may prove even more challenging than the shift toward a capabilities approach to human resources management described just above. Cultivating creativity, good work, and satisfaction among employees has long at least been a dimension of a variety of approaches to good management. Building a business that has as one of its main goals the expansion of human flourishing among customers and even communities in which firms operate is newer and more controversial.

Nevertheless, in recent years, there has been noticeable interest in building for-profit businesses that simultaneously address social problems (socially conscious public firms or socially oriented private firms) as well as hybrid or "social output" organizations that use retained earnings to provide critical social services (e.g., medical or dental care) at below-market rates (Srinivasan 2009; Yunus, Moingeon, and Lehmann-Ortega 2010; Troilo 2011). What all of these organizations seek to accomplish is to ensure widespread or universal access to the good of community itself and to the tangible goods that are needed to develop one's human

capabilities fully. In other words, they are committed to enhancing the common good (i.e., the good of community and all those goods necessary for human beings to reach their full potential). While they can never take the place of government or NGOs in terms of safeguarding the common good, these new social enterprises can play an important role by defining their very purpose in terms of enhancing the common good in the communities in which they operate. What remains to be seen is whether successful social enterprises can influence practices at more traditional for-profit corporations to the point that business has a substantial, positive impact on the growth of the common good and social justice.

Conclusion

Capabilities theory provides a rich framework for describing and measuring human flourishing. From capabilities theory we learn that a good society fosters the conditions that allow people to grow as persons and to exercise their human capabilities. Recent research points to the need for capabilities theorists to be more attentive to the importance of building up the structures that support human flourishing (Deneulin 2008). As that research goes forward, it will be important for business leaders and those who study business ethics and management to articulate a theoretical framework that explains why businesses must play a role in supporting the common good and the structures of living well together. Additional research that provides more practical insights into how to implement that vision of social justice also will be critically important.

Cross-References

▶ Virtue Ethics and Global Development
▶ Virtues, Values, and Principles in Catholic Social Teaching
▶ Work and Human Development

References

Alford H, Naughton M (2001) Managing as if faith mattered: christian social principles in the Modern Organization. University of Notre Dame Press, Notre Dame

Anand P, van Hees M (2006) Capabilities and achievements: an empirical study. J Socio-Econ 35:268–284

Aristotle (1999) Nicomachean ethics, 2nd edn (trans: Irwin T). Hackett, Indianapolis

Benedict XVI, Pope (2009) Caritas in veritate. Libreria Editrice Vaticana, Vatican City

Bertland A (2009) Virtue ethics in business and the capabilities approach. J Bus Ethics 84:25–32

Cooper JM (1975) Reason and human good in aristotle. Harvard University Press, Cambridge, MA

Cornelius et al (2007) Corporate responsibility and the social enterprise. J Bus Ethics 81:355–370

Deneulin S (2006) The capability approach and the praxis of development. Palgrave Macmillan, New York

Deneulin S (2008) Beyond individual freedom and agency: structures of living together in the capability approach to development. In: The capability approach: concepts, measures, and application. Cambridge University Press, Cambridge

Deneulin S, Townsend N (2006) Public goods, global public goods and the common good. WeD working paper 18. ESRC Research Group on Wellbeing in Developing Countries, Bath

Gagnon S, Cornelius N (2000) Re-examining workplace equality: the capabilities approach. Hum Resour Manag J 10(4):68–87

Gasper D (2007) Adding links, adding persons, and adding structures: using Sen's frameworks. Fem Econ 13:67–85

Giaovanola B (2009) Re-thinking the anthropological and ethical foundation of economics and business: human richness and capabilities enhancement. J Bus Ethics 88:431–444

Gore C (1997) Irreducibly social goods and the informational basis of sen's capability approach. J Int Dev 9(2):235–250

Grassl W, Habisch A (2011) Ethics and economics: towards a new humanistic synthesis for business. J Bus Ethics 99:37–49

Kennedy R (2012) Human development and business practice. In: Melé Carné D, Dierksmeier C (eds) Human development in business: values and humanistic management in the encyclical caritas in veritate. Palgrave Macmillan, New York, pp 137–155

Kotva J (1996) The christian case for virtue ethics. Georgetown University Press, Washington

Kulkarni S (2009) 'Justice as Freedom': do we have a new approach to a firm's enterprise strategy? Bus Prof Ethics J 28:1–26

Melé D, Dierksmeier C (2012) Introduction: values and humanistic management in caritas in veritate. In: Melé D, Dierksmeier C (eds) Human development in business: values and humanistic management in the encyclical caritas in veritate. Palgrave Macmillan, New York, pp 3–18

Miller J (2012) Human development: work and working mothers. In: Melé D, Dierksmeier C (eds) Human development in business: values and humanistic management in the encyclical caritas in veritate. Palgrave Macmillan, New York, pp 237–253

Moghadam V, Senftova L (2005) Measuring women's empowerment: participation and rights in civil, political, social, economic, and cultural domains. Int Soc Sci J 57:389–412

Nussbaum M (1988) Nature, function, and capability. Oxford studies in ancient philosophy, Supplementary Volume: New York: Oxford University Press145–184.

Nussbaum M (1990) Aristotelian social democracy. In: Douglas RB et al (eds) Liberalism and the good. Routledge, New York

Nussbaum M (1992) Human functioning and social justice: in defense of aristotelian essentialism. Polit Theory 20:202–246

Nussbaum M (1995) Aristotle on human nature and the foundations of ethics. In: Altham JEJ, Harrison R (eds) World, mind, and ethics: essays on the philosophy of Bernard Williams. Cambridge University Press, Cambridge

Nussbaum M (2000) Women and human development: the capabilities approach. Cambridge University Press, Cambridge

Nussbaum M, Glover J (1995) Women, culture and development: a study of human capabilities. Oxford University Press, New York

Ponfitical Council for Justice and Peace (2004) Compendium of the social doctrine of the church. Libreria Editrice Vaticana, Vatican City

Porter J (1995) Virtue. In: McBrien RP (ed) The harperCollins encyclopedia of catholicism. HarperCollins, New York, pp 1316–1317

Porter J (2001) Virtue ethics. In: Gill R (ed) The Cambridge companion to christian ethics. Cambridge University Press, New York, pp 96–111

Prendergast R (2005) The concept of freedom and its relation to economic development – a critical appreciation of the work of Amartya Sen. Camb J Econ 29:1145–1170

Ranis G, Stewart F, Samman E (2006) Human development: beyond the human development index. J Hum Dev 7:323–358

Rawls J (1999) A theory of justice, Rev. edn. Belnap, Cambridge, MA

Ricoeur P (1992) Oneself as another. University of Chicago Press, Chicago

Sen A (1993) Capability and well-being. In: Nussbaum M, Sen A (eds) The quality of life. Clarendon, New York

Sen A (1999) Development as freedom. Anchor, New York

Sen A (2003) Foreword. In: Fukauda-Parr S, Shiva Kumar AK (eds) Readings in human development: concepts, measures and policies for a development paradigm. Oxford University Press, New York

Sen A (2004) Capabilities, lists and public reasons. Fem Ethics 10(3):77–80

Srinivasan MS (2009) Business at the service of the poor: perspectives and possibilities. XIMB J Manag 6(2):161–174

Standing G (1997) What would be a 'Good' firm? The 'human development enterprise'. Ind Relat J 28:331–343

Taylor C (1995) Philosophical arguments. Harvard University Press, Cambridge, MA

Troilo M (2011) Caritas in veritate, hybrid firms, and institutional arrangements. J Markets Morality 14(1):23–34

United Nations Development Programme (1990) Human Development Report. Oxford University Press, New York. Also available online at http://hdr.undp.org/en/reports/global/hdr1990

United States Catholic Bishops (1986) Economic justice for all. In: United States catholic conference. Washington, DC

Vogt C (2005) Maximizing human potential: capabilities theory and the professional work environment. J Bus Ethics 58:111–123

Yunus M, Moingeon B, Lehmann-Ortega L (2010) Building social business models: lessons from the grameen experience. Long Range Plann 43(2):308–325

Capabilities Theory and the Ends of Business

Subodh P. Kulkarni

Contents

Abstract

This chapter integrates Amartya Sen's *capabilities approach* (SCA) with virtue ethics to examine the normative core of a firm's enterprise strategy. An enterprise strategy incorporates the interests of various stakeholders to address the question: "What does a firm stand for?" SCA can serve as a normative basis for a firm's enterprise strategy. In particular, it combines the notions of *eudaimonia* (flourishing or well-being), *arête* (virtue), and *phronesis* (moral or practical wisdom and reflection) with different aspects of SCA, such as stakeholder capabilities, stakeholder values, and stakeholder disadvantage. Building upon the notion of "justice as a virtue," this chapter states that a firm needs to provide justice (freedom) to its stakeholders so as to develop the stakeholder capabilities, and continually reflect upon it. The freedom would allow the stakeholders to achieve their own well-being or whatever they have reasons to value.

S.P. Kulkarni (✉)
School of Business, Howard University, Washington, DC, USA
e-mail: skulkarni@howard.edu

Introduction

One of the key questions in business ethics is: "What should be the normative core of a firm"? This question also lies at the heart of a firm's "enterprise strategy" – i.e., "what a firm stands for" (Freeman 1984: 85) or the ends of the business. An enterprise strategy incorporates the interests of various stakeholders to address this question. There are several philosophical approaches (e.g., utilitarian, Rawlsian, libertarian, etc.) that can possibly form the normative basis of enterprise strategy (e.g., Freeman 1984: 102).

Recently, some researchers have proposed that Amartya Sen's (1985a, 1999, 2002) *Capabilities Approach* (SCA) can provide a normative foundation for enterprise strategy (e.g., Kulkarni 2009). This approach helps us overcome many limitations of the existing approaches to enterprise strategy. In addition, some scholars have argued that the integration of SCA and virtue ethics offers great promise because it enables us to ground virtue ethics on the basis of the existence of human dignity and freedom (e.g., Bertland 2009; also see Vogt 2005). The idea behind this chapter is to provide further insight into the integration of SCA and virtue ethics, as it relates to the enterprise strategy of a firm. In particular, we will consider the relevance of the Aristotelian notions of *eudaimonia* (flourishing or well-being), *arête* (virtue), and *phronesis* (practical or moral wisdom and reflection) for SCA and the ends of business.

The rest of the chapter is organized as follows. At the outset, it outlines the existing approaches to enterprise strategy and their limitations. Given the prominence of "justice" as a fundamental concern in the current philosophical approaches, the chapter briefly describes Sen's notion of "justice as freedom to achieve well-being" as an alternative to the current approaches. Therefore, the substantive question underlying the enterprise strategy is: "How can a firm provide justice to its stakeholders in terms of freedom to achieve well-being?" Next, the chapter integrates SCA with virtue ethics and states that justice (i.e., providing freedom to the stakeholders to achieve well-being or flourishing) can be considered an organizational virtue (Rawls 1971: 3). It lists some examples of various stakeholder freedoms that may be relevant in a firm. In addition, the firm needs to continually reflect on the various types of stakeholder freedoms, how stakeholders value these freedoms, and whether any stakeholders have a disadvantage while receiving the freedoms that may result in injustice. The final section outlines the implications for future research and practice.

The Enterprise Strategy of a Firm

The enterprise strategy of a firm revolves around the firm's ends in terms of values, social issues, and expectations of its stakeholders. Stakeholders are usually defined as legitimate individuals or groups that affect or are affected by the achievement of a firm's objectives (Freeman 1984: 46). In the past, some scholars viewed business goals as separate from social and ethical goals and stated that stockholder wealth maximization was the only valid business goal (e.g., Friedman 1962; Jensen 1989). This view has been articulated by Freeman (1994: 412) as the "separation thesis" – i.e., the discourse of business and the discourse of ethics were viewed as separate. However, subsequent business ethics scholars have asserted that such a narrow view does not do justice to the wide range of human activity of value creation and trade in a business setting (Freeman et al. 2004). Furthermore, the normative core of enterprise strategy is consistent with the economic value creation (e.g., Jones and Wicks 1999). In other words, adherence to normative standards can lead to outcomes that are both normatively and practically acceptable. Indeed, stakeholder theory rejects the notion of egoism as a normative theory or as a principle or basis of moral action – i.e., neither individuals nor firms should exist solely to serve their own ends. The maxim "stakeholders, not just stockholders" inherently implies that a firm's enterprise strategy needs to aim at the welfare or well-being of the legitimate stakeholders (Harrison and Wicks 2013; Jones and Wicks 1999).

There are several potential approaches to enterprise strategy, such as the utilitarian approach, Rawlsian approach, and libertarian approach, to name a few. One of the prominent scholars who has extensively criticized these approaches is Amartya Sen (see Kulkarni 2009 for a brief review of Sen's critique of these approaches). For example, Sen argues that the utilitarian approach neglects the difference between *utility* (variously defined as "happiness," "pleasure," or "desire fulfillment") and *value*, and it places more emphasis on *utility* than *value*. The Rawlsian approach overlooks the differences among individual capabilities for resource utilization. The libertarian approach is insensitive to consequentialist reasoning, as well as to matters where individual rights conflict.

The aforementioned philosophical approaches mainly differ in terms of the criteria underlying the notion of "justice" as they relate to individual well-being (e.g., Sen 1980, 1985a, 1992, 1999). Therefore, the important question here is not so much *whether* a firm should provide justice to its stakeholders that are engaged in the pursuit of well-being – i.e., whether justice is central to enterprise strategy as a business goal – but *what* constitutes the basis of justice? (Sen 1992).

Sen (1999) underscores the intrinsic importance of the *freedoms* or *capabilities* we enjoy that enhance the lives we lead. Sen's concept of freedom – unlike the libertarian notion of freedom – refers to what individuals *can* do as opposed to what they *cannot* do. Sen's capabilities approach (SCA) and his notion of justice are closely related to providing freedoms or capabilities that the individuals value so that "their lives are richer and more unfettered, and they will be able to become fuller

social persons, exercising their own volitions or capacities for deliberate choice and interacting with and influencing the world in which they live" (Sen 1999: 14–15).

Sen's Capabilities Approach (SCA) and Virtue Ethics

The pursuit of justice as freedom can be viewed from the lens of virtue ethics. In particular, we consider three fundamental concepts in virtue ethics (Annas 2011): *eudaimonia*, *arête*, and *phronesis* in conjunction with SCA. Briefly, we examine how the notion of *eudaimonia* (flourishing or well-being) compares with the concept of *freedom* in SCA. Next, we consider the link between arête (virtue) and justice as an organizational virtue. In particular, we focus on Sen's interpretation of justice as freedom and describe the firm as a provider of freedom to its stakeholders. Finally, we examine the connection between *phronesis* (moral or practical wisdom and reflection) and the need for a firm to continually contemplate about the stakeholder capabilities, stakeholder values, and stakeholder disadvantage. Figure 1 describes the integration between SCA and virtue ethics.

The rest of the chapter describes various elements of Fig. 1 in more detail.

Eudaimonia

The concept of *eudaimonia* is central to neo-Aristotelian virtue ethics. The term eudaimonia has been variously translated as "flourishing" or "well-being." This is a

Virtue Ethics	SCA	Integration
Eudaimonia ("flourishing" or "well-being") as an end goal or telos	Focus on *freedom to achieve* well-being (own well-being or others' – i.e., agency well-being)	A firm's enterprise strategy needs to focus on providing freedom to the stakeholders for achieving well-being (own well-being or agency well-being)
Arête (virtue)	Justice as a fundamental concern in achieving well-being	Justice as an organizational virtue or disposition to provide freedom to stakeholders
Phronesis (moral or practical wisdom and continual reflection)	Stakeholder capabilities (freedoms), stakeholder values, and stakeholder disadvantage	The enterprise strategy needs to involve continual reflection on stakeholder capabilities (freedoms), stakeholder values, and stakeholder disadvantage

Fig. 1 Capabilities approach, virtue ethics, and the ends of business

worthy goal to strive for in the virtue ethics tradition. Furthermore, eudaimonia is possible only for rational beings.

SCA, similar to virtue ethics, emphasizes eudaimonia or well-being. However, there are two noteworthy aspects of SCA that are relevant here. First, Sen asserts that the *freedom* to achieve well-being is more important than the *achievement* of well-being itself. For example, a firm's stakeholders may or may not actually *choose to exercise* their freedom to achieve well-being. In other words, it is more important for the individuals to have the *opportunities* (or the freedom) to achieve well-being. The enterprise strategy of a firm needs to focus on the freedom necessary for the stakeholders to achieve well-being (e.g., Bertland 2009; Kulkarni 2009; Vogt 2005). Second, Sen (1985b) introduces an *agency* aspect in that a firm's stakeholders may not pursue their *own* well-being. Instead, they may value the freedom to achieve the well-being of someone else, such as a loved one or perhaps the community or the environment. Therefore, the informational basis of a firm's enterprise strategy needs to take into account what it is that the stakeholders have *reasons to value* – whether it is the freedom to achieve their own well-being or someone else's.

Virtue

Virtues are often given a meaning through eudaimonia. Some scholars have considered justice as "the first virtue of social institutions" (Rawls 1971: 3). A *virtue* (*arête*) in the organizational context is "a disposition which will not only sustain (institutional) practices . . . but which will sustain us in the relevant kind of quest for the good" (MacIntyre 1985: 219). Adapting SCA, we may state that justice as an organizational virtue is a disposition to act and feel in certain ways that provide freedom to the stakeholders. Furthermore, providing stakeholder freedom is about conditioning oneself as a *matter of habit*, consistent with the virtue ethics tradition (Jones et al. 2007).

The disposition for justice is an important part of the virtuous corporate character. According to Moore (2005), a virtuous corporate character refers to the "seat of virtues necessary for a corporation to engage in practices with excellence." Adapting Moore's (2005) definition, we may conceive the virtuous corporate character as being focused on the pursuit of stakeholder freedom, while eschewing threats from the inordinate pursuit of profit and prestige and the corrupting power of other institutions with which the firm is engaged.

Justice as a virtue is closely related to a firm's practices (MacIntyre 1985: 187). The *practice* of acting virtuously is "to act from inclination formed by the cultivation of the virtues" (MacIntyre 1985: 149). Therefore, a firm's enterprise strategy embodies a disposition for stakeholder justice and practices that emanate from this inclination. Furthermore, possessing justice as a virtue is a matter of degree rather than an all-or-none decision.

Phronesis

According to Aristotle, phronesis refers to moral or practical wisdom that involves contemplation or constant reflection, consistent with the aim of well-being. Lack of *phronesis* can constitute a lack of virtue. A firm's enterprise strategy underscores the need for contemplation on the central tenets of stakeholders freedom: stakeholder capabilities, stakeholder values, and stakeholder justice.

The notion of phronesis involves rationality. SCA defines rationality as "the discipline of subjecting one's choices – actions, objectives, values, and priorities – to reasoned scrutiny" (Sen 2002: 4, 46). Whereas the stakeholders are continually engaged in formulating and reformulating their notion of well-being and freedom, rationality on the part of the firm refers to the continuous contemplation about providing freedom to stakeholders, and assessing the stakeholders' values and actions as well as their own (e.g., Kulkarni 2010).

Stakeholder capabilities (freedom). One of the questions that a firm needs to contemplate about is whether there are certain stakeholder capabilities or freedoms that transcend time and cultures. Traditionally, SCA is reticent about this question. For example, Sen defers this question to public scrutiny. However, Martha Nussbaum has most notably offered a concrete list of human capabilities, based on a virtue ethics perspective. According to Nussbaum (2001: 78–80), there are a number of central human capabilities. These include life, bodily health, bodily integrity, senses/imagination/thought, emotions, practical reason, affiliation, concern for other species, play, and control over one's environment. This list, of course, is open to revision. A firm needs to be particularly sensitive to any violations of these stakeholder capabilities.

A firm needs to contemplate about the different types of freedoms that the organizational stakeholders need. Sen (1999: 10) has identified some freedoms that may be relevant in an organizational context (also see Gagnon and Cornelius 2000 for some examples): (1) *Political freedoms* refer to the opportunities for stakeholders (e.g., employees) for freedom of political expression, voting, dialogue, dissent, and critique. Such freedoms also include the opportunities for the stakeholders for "whistle-blowing" without a fear of retribution. (2) *Economic facilities*, for example, refer to the opportunities to receive fair compensation or fair allocation of resources. (3) *Social opportunities* refer to the opportunities for the stakeholders to engage in social interactions, have access to education and training, and receive proper care (e.g., healthcare and childcare for the employees). They may also include the ease of access to executives and coworkers. (4) *Transparency guarantees* refer to the disclosure of information to the stakeholders. For example, transparency in human resource practices implies clarity of information and criteria for the hiring, training, appraisal, promotion, and compensation practices. Transparency guarantees may also include access to auditors' reports. (5) Examples of *protective securities* include job and financial security. Protective securities also include a clean and safe work environment for everyone.

As an example of a key political freedom, consider the ability to have a "voice" for the stakeholders in decision-making (Kulkarni 2010). *Voice* is the process that

allows organizational stakeholders "to be influential while remaining deferential" (Hirschman 1970). It refers to the opportunities for dialogue, dissent, and critique.

The term "voice" refers to a wide variety of situations, where stakeholders can have open interaction with the management – and it is not limited to moments of organizational decline and crisis, as indicated in some studies (e.g., Hirschman 1970). Furthermore, although employee "voice" has been studied extensively in unionized firms, it also has relevance to nonunion settings (e.g., Bryson 2004) and to stakeholders other than employees.

It is also possible that the capability of having a voice may be dependent on a number of other capabilities, such as the individuals' ability to obtain education and the ability to discriminate among choices – in which case, those underlying capabilities need to be considered as well. For example, evaluating the "capability of having a voice" includes at least three different freedoms (e.g., Bohman 1996): (1) *Freedom in stakeholder access* to the decision-making process. This notion not only refers to the stakeholders getting formal freedom to express themselves but it also involves a careful analysis of the factors underlying the capability of stakeholder voice, such as power, economic and social status. (2) *Publicity and transparency* of the deliberation process so as to avoid the discretionary use of decision-making power. (3) *Freedom of speech* and a guarantee that there will not be any negative consequences for those that express their thoughts freely.

The generative discourses underlying stakeholder voice can simultaneously challenge existing traditions of understanding and offer new possibilities of action (e.g., Gergen 1999: 47–48): having a voice implies that a stakeholder is not necessarily limited by "what there *currently* is" to understand the world and achieve well-being. The openness of interaction fosters relationships that further assist in the description, explanation, and representation of stakeholder values, which can ultimately fashion the stakeholder well-being.

Values. The notion of values is closely related to the concept of virtue in that virtue is a moral disposition toward one's values (Holmes 1991: 64). A firm needs to continually reflect upon the stakeholder values. Indeed, values are at the center of a firm's enterprise strategy (e.g., Freeman et al. 1988). They typically include fairness, helping and concern for others, and achievement and honesty, among others (Meglino and Ravlin 1998; Rokeach 1973). However, the concept of values in SCA – and this chapter – is somewhat broader in the sense that it denotes the *preferences* that stakeholders attach to the capabilities (Sen 2002: 14). It refers to an individual's entire system of values, as well as values about values (Arrow 1951: 18; Sen 2002: 14). The notion of "value" is distinctly different from the concept of "utility" – variously defined as "desire," "happiness," or "pleasure." According to SCA, utility depends on the mental state or attitude of an individual and it should not take precedence over values. Therefore, a firm's enterprise strategy needs to be consistent with stakeholder "values" and not stakeholder "utilities."

Furthermore, the value of a choice may depend on the "chooser" – or *who* makes the choice, and the "menu" – or *what* the alternatives are (Sen 1997). Chooser

dependence means that when stakeholders value freedom, it is not enough that they receive (from someone else) what they would choose ultimately if given the opportunity. For example, an organization cannot dictate that the stakeholder capabilities should point toward a definite goal (Bertland 2009). Instead, the stakeholders get to choose for *themselves* freely. Menu dependence implies that stakeholders may value not only the alternative they will eventually choose, but also the set or "menu" of choices that is available to them. As stated earlier, a stakeholder may not – in reality – *choose* to exercise his/her choice. However, it is important that (s)he has an opportunity to do so.

The stakeholder values may change over time. There is also a possibility that sometimes stakeholder values may conflict. However, Sen (1985a: 56) has argued that there are fewer differences among individual values than individual utilities. Therefore, it may be possible to work with values that are mutually agreeable to the stakeholders.

Sometimes, learning also involves *revising* the initial values by the stakeholders – upon cooler reflection – and using further consequence-sensitive analysis (Sen 1985a: 36). The consequences of the initial value system for reputation, deontological considerations, moral imperatives, and a desire to engage in "proper" behavior (e.g., Sen 1997) may be more visible to the stakeholders over time. Upon learning these consequences, the stakeholders may revise their original values. Therefore, the enterprise strategy involves continually reflecting upon the changes in stakeholder values.

Stakeholder disadvantage. Phronesis also involves reflection about how to determine whether some stakeholders are at a disadvantage because such a disadvantage would result in injustice while crafting and executing the enterprise strategy. The *disadvantage* refers to a stakeholder not having an equitable level of capability or freedom (Sen 1980).

Presumably there are several criteria to evaluate a stakeholder disadvantage (e.g., Sen 1985a: 61–69). For example, consider the following scenario (Kulkarni 2010): Employees *1* and *2* occupy the same position in an organization. However, Employee *1* may have significantly more choices available – e.g., the number of committees that she sits on – where she can use her position for speaking up (or having a voice) in comparison with Employee *2*. Therefore, according to one criterion, "Employee *2* is at a disadvantage, based on a *simple count* of choices or opportunities for speaking up." However, consider another scenario: Employee *1* may sit on more committees than Employee *2*, so that she gets *more* opportunities (e.g., sit on more committees) to speak up, based on a simple count. But Employee *2* may sit on a really crucial committee that allows him to speak up more effectively. Therefore, according to another criterion, "Employee *1* is at a disadvantage if the value that she places on her best opportunity for speaking up is *less* than the value placed by Employee *2* on his best opportunity for speaking up. In other words, Employee *1*'s *best* capability may be *less* valuable than Employee *2*'s *best*. The firm may only learn tacitly – and upon continual reflection over a period of time – as to which rules *actually* result in employee disadvantage and injustice.

Conclusion

This chapter integrates Amartya Sen's capabilities approach (SCA) with virtue ethics to examine the normative core of a firm's enterprise strategy. In particular, it combines the notions of eudaimonia (flourishing or well-being), arête (virtue), and phronesis (moral or practical wisdom and reflection) with different aspects of SCA, such as stakeholder capabilities, stakeholder values, and stakeholder disadvantage. Building upon the notion of "justice as a virtue," it states that a firm needs to provide justice (freedom) to its stakeholders so as to develop the stakeholder capabilities, and continually reflect upon it. The freedom would allow the stakeholders to achieve their own well-being or whatever they have reasons to value.

There are a number of avenues for potential research. For example, future researchers may investigate the "central capabilities," developed by Martha Nussbaum in connection with the stakeholder capabilities. Furthermore, much of the current research assumes that individuals are *endowed* with their capabilities. However, can an individual's capabilities change over time (e.g., Lloyd-Sherlock 2002)? In the organizational context, one may want to consider how new stakeholder capabilities are developed in a dynamic environment and their implications for freedom-based practices in a firm. Although some researchers have begun to address this question (e.g., Kulkarni 2010), there is much more to be accomplished in this regard. Finally, the executives who craft the enterprise strategy need to continually reflect upon innovative ways for fostering a concern for justice and a desire to maximize stakeholder freedom in the organization in accordance with SCA and the virtue ethics tradition.

Cross-References

▶ Business, Capabilities Theory, and the Virtue of Justice

References

Annas J (2011) Intelligent virtue. Oxford University Press, New York

Arrow K (1951) Social choice and individual values. Wiley, New York

Bertland A (2009) Virtue ethics in business and the capabilities approach. J Bus Ethics 84:25–32

Bohman J (1996) Public deliberation, plurality, complexity, and democracy. MIT Press, Boston

Bryson A (2004) Managerial responses to union and non-union worker voice in Britain. Ind Relat 43(1):213–241

Freeman RE (1984) Strategic management: a stakeholder approach. Pitman, Boston

Freeman RE (1994) The politics of stakeholder theory: some future directions. Bus Ethics Q 4(4):409–421

Freeman RE, Wicks AC, Parmar B (2004) Stakeholder theory and the corporate objective revisited. Organ Sci 15(3):364–369

Friedman M (1962) Capitalism and freedom. University of Chicago Press, Chicago

Gagnon S, Cornelius N (2000) Re-examining workplace equality: the capabilities approach. Hum Resour Manag J 10(4):68–87

Gergen K (1999) Invitation to social construction. Sage

Harrison JS, Wicks AC (2013) Stakeholder theory, value, and firm performance. Bus Ethics Q 23 (1):97–124

Hirschman A (1970) Exit, voice, and loyalty. Harvard University Press, Cambridge, MA

Holmes F (1991) Shaping character: moral education in the Christian college. William B. Eerdmans, Grand Rapids

Jensen MC (1989) The evidence speaks loud and clear. Harv Bus Rev 67(6):186–188

Jones G, Wicks A (1999) Convergent stakeholder theory. Acad Manage Rev 24:206–221

Jones T, Phelps W, Bigley G (2007) Ethical theory and stakeholder-related decisions: the role of stakeholder culture. Acad Manage Rev 32(1):137–155

Kulkarni S (2009) "Justice as freedom": do we have a new approach to a firm's enterprise strategy. Bus Prof Ethics J 28(1–4):3–26

Kulkarni S (2010) Sustaining the equality of employee voice: a dynamic capability. Int J Organ Anal 18(4):442–465

Lloyd-Sherlock P (2002) Nussbaum, capabilities and older people. J Int Dev 14:1163–1172

MacIntyre A (1985) After virtue: a study in moral theory, 2nd edn. Duckworth, London

Meglino B, Ravlin E (1998) Individual values in organizations: concepts, controversies and research. J Manag 24(3):351–389

Mitchell R, Agle B, Wood D (1997) Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts. Acad Manage Rev 22:853–886

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Nussbaum M (1993) Non-relative virtues: an Aristotelian approach. In: Nussbaum M, Sen A (eds) The quality of life. Oxford University Press, New York

Nussbaum M (2001) Women and human development: the capabilities approach. Cambridge University Press, Cambridge

Nussbaum M (2003) Capabilities as fundamental entitlements: Sen and social justice. Fem Econ 9:33–59

Phillips R (1997) Stakeholder theory and a principle of fairness. Bus Ethics Q 7:51–66

Phillips R (2003) Stakeholder legitimacy. Bus Ethics Q 13:25–41

Rawls J (1971) The theory of justice. Harvard University Press, Cambridge, MA

Rokeach M (1973) The nature of human values. Free Press, New York

Sen A (1980) Equality of what? In: McMurrin S (ed) Tanner lectures on human values. Cambridge University Press/University of Utah Press, Cambridge, UK

Sen A (1984) Resources, values and development. Harvard University Press, Cambridge, MA

Sen A (1985a) Commodities and capabilities. North Holland, Amsterdam

Sen A (1985b) Well-being, agency, and freedom: the Dewey lectures: 1984. J Philos LXXXII:169–221

Sen A (1992) Inequality reexamined. Harvard University Press, Cambridge, MA

Sen A (1997) Maximization and the act of choice. Econometrica 65:745–780

Sen A (1999) Development as freedom. Andrew A. Knopf, New York

Sen A (2002) Rationality and freedom. The Belknap Press of the Harvard University Press, Cambridge, MA

Sison A, Fontrodona J (2012) The common good of the firm in the Aristotelian-Thomistic tradition. Bus Ethics Q 22(2):211–246

Vogt C (2005) Maximizing human potential: capabilities theory and the professional work environment. J Bus Ethics 58:111–123

Capabilities Theory and the Virtuous Manager

Conor M. Kelly

Contents

Abstract

By aiding in the specification of the unique *telos*, or end, of the virtuous manager, capabilities theory can help orient and direct his or her business activities. Combined with the normative assumptions of stakeholder management theory, capabilities theory provides further specification to the claim that managers have an ethical obligation to consider the impact of their decisions on multiple stakeholder groups. In particular, Martha Nussbaum's list of ten fundamental human capabilities highlights the particular human interests that virtuous managers ought to prioritize when assessing stakeholder preferences. This is especially useful in those situations in which the legitimate interests of different stakeholders conflict. Capabilities theory therefore not only refines the *telos* of the virtuous manager, it also indicates the sorts of practices that can aid in the realization of that end. As a result, capabilities theory implies that certain excellences, or virtues, are essential to the virtuous manager, and chief among them are justice, fidelity, courage, humility, and prudence.

C.M. Kelly (✉)
Department of Theology, Marquette University, Milwaukee, WI, USA
e-mail: conor.kelly@marquette.edu

Introduction

Managers have a host of professional responsibilities. They are required to be attentive to the needs of their employees, responsive to the challenges facing their organizations, and accountable to the expectations of their shareholders. While every manager must address these interrelated obligations, the virtuous manager approaches these duties in a unique fashion. He or she assumes that each professional responsibility is also an opportunity for personal formation – specifically, for the development of virtue. In other words, the virtuous manager has a particular perspective on the nature of management, which enables him or her to see the human implications of business life. Cultivating this point of view, though, is not a simple task, especially when the prevailing norms in corporate culture (Williams 2000, p. 20) and business ethics (Painter-Morland 2008 pp. 1–5) reinforce the idea that one's work life and personal life can and should be separated. Becoming a virtuous manager, then, will be much easier if one begins with a revised understanding of the nature and purpose of management (Williams and Murphy 1992, pp. 13, 17). Although there are many potential resources for facilitating such a revision, the capabilities theory developed by Amartya Sen and Martha Nussbaum is remarkably well suited to this project. When joined with a general commitment to stakeholder management, capabilities theory helps to specify the unique orientation and essential virtues that give the virtuous manager his or her unique identity.

Capabilities Theory and the *Telos* of the Virtuous Manager

The link between capabilities theory and the virtuous manager revolves around the notion of *telos*, or end. This link is entirely appropriate because a teleological orientation is an essential component of virtue ethics overall, especially in its Aristotelian formulations. Presuming that every human person only acts with some eventual end result in mind (Aristotle 2011, 1094a1–2), virtue ethics asserts that good actions are defined by their orientation to good ends, achieved via good means for good reasons (1115b15–25), and that good people are defined by their habitual disposition to such good actions (1103b14–26). Consequently, the virtuous manager, who is a good manager in the moral sense of the term, is an individual who ensures that his or her management decisions aim to achieve good, virtuous ends using good, virtuous means. If one is not careful, though, this dialectical interaction between virtue and its proper ends can become a maddeningly circular argument, for if an individual becomes virtuous by doing virtuous acts and if these

are understood simply as the acts of a virtuous person, it is not immediately clear how this process begins (1105a18–22).

The traditional response lies in understanding virtue in its original Greek formulation, as an excellence, or *arête* (MacIntyre 2007, p. 122). According to this view, a virtue is a skill that enables an individual to be especially effective (i.e., excellent) at fulfilling his or her particular responsibilities (Solomon 1992, p. 102). These responsibilities, which can be used to define the *telos* of the virtuous actor, are usually derived either from the practices in which one is engaged (MacIntyre 2007, p. 187) or the role one assumes in a given situation (Plato 2000, bk. IV; Kosman 2007, pp. 119–121; MacIntyre 2007, pp. 126–127). Often, these two determinants overlap. Such is the case for the virtuous manager, since management is a practice that creates a general set of responsibilities incumbent on all those who occupy the role of manager. Of course, managers can have more specific roles within their organizations – they might, for instance, be personnel managers or corporate executives – but even these various "species" of managers still share the same overarching "genus." Hence, it is possible to analyze the generic responsibilities of a manager in order to arrive at the appropriate *telos* of the virtuous manager.

Stakeholder Theory: Identifying the General *Telos*

Broadly speaking, business ethics tends to describe the essential responsibilities of managers in one of two ways. One, called stockholder management, stresses the fiduciary obligations managers have as a result of their special relationship to their firms' owners, or stockholders (Boatright 2006, pp. 114–116, 119). The other, called stakeholder management (sometimes stakeholder theory), emphasizes the diverse duties managers have as a result of their working relationships with various constituencies, or stakeholders (Freeman et al 2007, p. 3). Stockholder management has a longer history and more legal support (Bowie 2005, pp. 21, 32–33; cf. Freeman 2009, p. 58), but stakeholder management, which emerged at the end of the twentieth century, has become the more widely accepted construal of a manager's responsibilities (Wren 2005, p. 480; Goodpaster 2010, p. 136). Sometimes these two perspectives are regarded as mutually exclusive, but most commentators are careful to distinguish the descriptive and the normative interpretations of these theories. On a descriptive level, stockholder management and stakeholder management are understood to be quite compatible because few would dispute the empirical fact that a manager must address the preferences of a company's shareholders as well as the interests of its employees, customers, and other stakeholders if she or he wishes to be successful (Hasnas 1998, p. 25). On a normative level, though, there is space for more disagreement because stockholder management and stakeholder management each assert a divergent vision about whose interests managers should prioritize as a matter of ethical obligation (Friedman [1970] 2009, p. 51; Boatright 2006, p. 109; Freeman et al. 2007, pp. 53–57). Since the current concern is with the good ends of the virtuous manager, the normative differences must be addressed, and a comparison illustrates that there

is a stronger argument in favor of deriving the *telos* of the virtuous manager from the responsibilities established in stakeholder management.

Against stakeholder management, the primary case for supporting stockholder management rests on efficiency (Boatright 2002). Certainly, this argument is rationally sound, for it is reasonable to assume that there will be fewer conflicts of interest and more immediate decisions when the preferences of only one group guide the mission and vision of a firm (Boatright 2006, p. 119). This is a relatively weak basis for an ethical obligation, though, because the premise is more empirical than normative.

In contrast, stakeholder management has been defended on the basis of a number of normative ethical theories. For instance, Norman Bowie has endorsed stakeholder management as an ethical requirement of Kantian deontology, arguing that attending to the needs of various stakeholders is the only appropriate way to ensure that the humanity of each stakeholder is treated as an end and never as a means (1999, pp. 31, 41–43; see also Kant 1964, p. 96). Bowie has also shown that stakeholder management accords with the Rawlsian notion of "justice as fairness" because if no one knew what kind of stakeholder they would be, then everyone would freely consent to a corporate structure in which the interests of all stakeholders would at least be considered (2005, pp. 26–27; see also Rawls 1999, pp. 10–19). Meanwhile, R. Edward Freeman has demonstrated that stakeholder management can be justified by both a utilitarian consequentialist outlook and a rights-based approach (2009, pp. 65–66). Even proponents of Integrative Social Contracts Theory, which is sometimes seen as a competing version of business ethics (Hasnas 1998, p. 20; Bishop 2000, p. 578), regard stakeholder management as a logical application of their premises (Donaldson and Dunfee 1999, pp. 237, 240–242). Indeed, there is such a broad agreement on the normative value of stakeholder management that Kenneth E. Goodpaster has noted, "the literature of business ethics uses some version of 'stakeholder thinking' as a shorthand, almost as a synonym for 'ethical thinking in business'" (2010, p. 127). Given this "overlapping consensus" from a variety of theoretical perspectives (Rawls 1987, p. 1), it is quite legitimate to use the normative vision of stakeholder management to articulate the appropriate *telos* of the virtuous manager.

Starting with the normative claims of stakeholder management, the *telos* of the virtuous manager must therefore lie in a commitment to use one's business decisions to benefit all of a firm's primary stakeholders – customers, employees, investors, suppliers, and the communities where a company does business. While a virtuous manager will also consider the impact of his or her decisions on "secondary" stakeholders (e.g., outside interest groups, government, competitors), he or she does not need to work to maximize their benefits in the same way (Freeman et al. 2007, pp. 6–7). The virtuous manager's initial task, then, is to identify his or her firm's primary stakeholders and to acknowledge that they are, first and foremost, human persons, and "not mere placeholders for social roles" (Bowie 1999, p. 42; Freeman 2009, p. 64). This will allow the virtuous manager to make decisions that promote the fulfillment of primary stakeholders' genuine human needs (Freeman et al. 2007, p. 57). In instances when the needs of different

stakeholders seem to conflict, the virtuous manager will attempt to reframe the situation in order to identify ways in which potentially competing interests might actually align, especially in the long run (Freeman 2009, p. 64). At the same time, the virtuous manager must also critically evaluate the stated preferences of a firm's stakeholders because unethical demands cannot constitute legitimate claims, even though they might come from official stakeholders (Goodpaster 2010, p. 140). Admittedly, these can be difficult judgments to make, so the overall goal of meeting stakeholders' genuine needs will be easier to attain if the virtuous manager has a clear sense of which things constitute authentic human necessities. This is precisely how capabilities theory can help the virtuous manager.

Capabilities Theory: Thickening the Specific *Telos*

Capabilities theory explicitly addresses the content of genuine human needs because it presents an alternative to the "narrow view of human beings" that tends to prevail in economics (Sen 1985, p. 4). Concerned with the well-being of individual persons in all their particularities (pp. 26–28), capabilities theory focuses on the "*actual opportunities* of living" (Sen 2009, p. 233 original emphasis), asking to what extent people have the freedom – both in terms of means and ability – to pursue "the kinds of alternative lives" they would like to live (Sen 2008, p. 23). Although initial constructions of the theory neither identified nor required a specific list of capabilities necessary to ensure an adequate level of freedom (2009, p. 232), subsequent interpretations have managed to create such a list. This represents an important development because it provides greater protection against the problem of "adaptive preference," in which people preemptively narrow their ambitions to exclude outcomes that seem beyond their means (Comim 2008, p. 144). While Sen, the originator of capabilities theory, suggests that adaptive preference is a flaw of happiness-based economic analyses that the capabilities theory is able to avoid (2009, pp. 282–284), the truth is that without some uniform baseline, separating adaptive preferences from benign individual variations remains a challenge. More-over, adjudicating between competing capabilities claims is more difficult without a list of the minimum capabilities to which each person should have access. Since this is exactly what managers need to do as a matter of stakeholder management, a version of capabilities theory that includes a standardized lower limit will offer the best potential for thickening the specific *telos* of the virtuous manager.

Fortunately, Nussbaum's distinct formulation of the capabilities theory incor-porates a clear account of a universal "threshold" for each essential capability "beneath which it is held that truly human functioning is not available" (2000, p. 6). It is important to stress that for Nussbaum, a fully human life requires the realization of *multiple* capabilities, each with its own threshold (2006, p. 71; 2011, p. 18–19). Arguing from the basis of an intuitive idea of human dignity (2006, p. 70) and a conception of "certain functions [that] are particularly central in human life" (2000, p. 71), Nussbaum has created a list of ten baseline capabilities: having a life of "normal length," maintaining adequate health, building emotional attachments,

thinking freely, associating with others in a meaningful way, living without fear of bodily violation, relating to other living creatures, playing, using "practical reason," and exerting control over one's political and "material" environment (pp. 78–80). She provides more exact descriptions of these capabilities and their baselines in her writings, but for current purposes it is sufficient to note that the individual capabilities are noncommensurable (i.e., a diminishment of one capability cannot be balanced by an improvement in another) (2011, p. 174–175) and distinct from functionings (2006, p. 79). Together with the list itself, these two characteristics helpfully indicate how the capabilities theory can add additional content to the virtuous manager's general goal of promoting stakeholders' fulfillment of genuine human needs.

First, Nussbaum's list of ten essential capabilities gives the virtuous manager a clear sense of which interests he or she ought to bear in mind during any ethical evaluation of business decisions (Bowie 2010, pp. 702–703). If he or she truly respects the humanity of primary stakeholders, the virtuous manager will consider how their access to the ten fundamental capabilities will be impacted by a firm's possible courses of action. For example, when the virtuous manager makes strategic decisions about new products, he or she will consider customers and ask whether the potential product will expand or hinder the target consumer's access to the basic capabilities. Similarly, when a firm explores its responsibilities to the local community, the virtuous manager will not seek interactions that will yield the greatest public relations coup; instead, he or she will seek contributions that have the greatest potential to redress capabilities' gaps among the local population. Moreover, given the combination of capabilities theory and stakeholder management, the virtuous manager will insist that corporate social responsibility is an ethical obligation of every firm, not simply a supererogatory option for companies with unanimously sympathetic shareholders (Bowie 2005, pp. 99–102; cf. Friedman [1970] 2009, pp. 54–55) – although, of course, the ways in which firms fulfill this responsibility, and the degree to which they prioritize it will vary.

Second, Nussbaum's conception of thresholds for each capability gives the virtuous manager an additional parameter for prioritizing stakeholder interests. Although stakeholder management expects that the interests of different stakeholders can and do align in the long run, the theory nevertheless accepts that short-term conflicts will arise. In these instances, a manager is permitted to make a decision in favor of one group over another as long as she or he does not exclusively prefer the preferences of the same group of stakeholders in every conflict (Freeman et al. 2007, p. 53). Nussbaum's version of the capabilities theory presents more refined guidance, suggesting that the virtuous manager should give priority to claims that seek to establish a stakeholder's capabilities at a threshold level before entertaining claims that attempt to further a stakeholder's superfluous capabilities (see Nussbaum 2006, pp. 89–90). So, for instance, in the hypothetical case of a conflict between increasing investors' dividends and protecting employees' health insurance benefits, the virtuous manager will give greater weight to the employees' claims because employer-sponsored healthcare remains the single best way of ensuring that a firm's employees have access to a threshold

level of health maintenance (at least in the United States). Indeed, following this logic, employee claims deserve a certain pride of place in the virtuous manager's calculus because a business organization has a far greater impact on the threshold capabilities of its employees than it does on the basic capabilities of any other stakeholder group.

Third, noncommensurability highlights the breadth of the virtuous manager's specific *telos*. As far as possible within the business environment, the virtuous manager will work to ensure that stakeholders can achieve a baseline for all ten capabilities. Again, this obligation would seem to exert a special concern for employees' capabilities, and in most cases this is already a priority. To wit, no firm could continue doing business in the United States if it repeatedly violated the life and bodily integrity of its employees. Other employee capabilities, though, will take more effort to preserve at a threshold level. Association, which includes "being able to work as a human being, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers" (Nussbaum 2000, pp. 79–80), seems like a high, but essential, standard in a nation where organized affiliation among workers is at a nadir (Mishel et al. 2012, p. 176). Likewise, Nussbaum's inclusion of control over one's political environment suggests that workers should have a greater voice in the decisions that will affect them, raising questions about corporate governance structures (Faleye et al. 2005, p. 2). At the same time, noncommensurability also serves as a reminder that the right to a threshold level of each capability belongs to every individual (Nussbaum 2011, p. 35), so the virtuous manager must also ensure that improvements in workers' capabilities do not come at the expense of other stakeholders' basic capabilities. This would seem to be especially important in the realm of political participation, for greater employee involvement in corporate governance could easily erode investors' abilities to control their business environment beyond a threshold level (and vice versa) if one were not careful.

Finally, the difference between capabilities and functionings makes the specific *telos* of the virtuous manager a little more feasible. Instead of demanding that every stakeholder actually use his or her ten basic capabilities at a threshold level, this split indicates that the virtuous manager needs only to ensure that the stakeholders have *access* to these capabilities at the appropriate baseline (see Nussbaum 2000, pp. 87–88, 91–96, 2006, p. 79). Consequently, creating avenues for all primary stakeholders to express their opinions about a firm's direction is sufficient (provided the opinions are actually considered), even if none of these stakeholder groups decides to utilize them.

On the whole, then, the combination of capabilities theory and stakeholder management suggests that the appropriate *telos* of the virtuous manager is a challenging one to achieve. There is still cause for hope, though, because Nussbaum's interpretation of the capabilities theory usefully identifies some specific habits that will help a manager pursue this virtuous end. Anyone engaging in these particular practices will be both required and empowered to cultivate a certain set of skills and character traits if he or she wishes to be successful. These traits are,

of course, virtues, which are the primary means of achieving a given *telos* (Moore 2005, p. 245).

The Primary Virtues of a (Morally) Good Manager

In light of classic arguments about the unified nature of all virtue (Aquinas 1920, I-II.65.1 c), one might be tempted simply to suggest that the virtuous manager should cultivate virtue in general. While this is certainly true as a matter of course, it does not remove the possibility of specifying a few individual virtues that would serve a manager well in pursuit of his or her role-specific *telos*. Chief among these are justice, fidelity, courage, humility, and prudence.

A disposition to act with justice is certainly a vital trait of the virtuous manager (Solomon 1992, p. 231), especially when his or her end is defined by the capabilities theory. In his chapter in this volume, Christopher Vogt has already said much about this virtue that is readily applicable to the virtuous manager, so an exhaustive treatment would be redundant. At this point, however, it is worth noting that justice is the quintessential virtue for directing relationships (Aristotle 2011, 1129b27–1130a14). Justice is of paramount importance for the virtuous manager, then, because stakeholder management assumes that the principal task of any manager is to navigate a complex web of relationships. Developing a transparent standard of fairness (see, for example, Rawls 1999, p. 11) and applying it uniformly in each stakeholder interaction will therefore help the virtuous manager to achieve this proper *telos*. As the virtues are designed to help agents fulfill their role-specific functionings, this means that justice is indisputably an essential virtue for a good manager.

The virtuous manager is not just immersed in a set of general relationships, though; he or she also has distinct relationships with stakeholders, many of which involve special obligations. In these interactions, the virtuous manager will be led by fidelity, a virtue that governs specific relationships with specific responsibilities (Keenan 1995, pp. 724–725). In practice, fidelity highlights the importance of keeping promises once they are made, and since realistic promises are more likely to be maintained, fidelity also entails honesty as a subsidiary virtue (Solomon 1992, pp. 207–208). Just as importantly, fidelity recognizes where partiality is appropriate (Keenan, p. 725), so this virtue will remind the virtuous manager of the unique fiduciary responsibilities he or she has as the legal agent of a firm's shareholders (Goodpaster 2010, p. 135), and it will also underscore the special obligations virtuous managers have to promote the threshold capabilities of their firm's employees.

Since making the sorts of decisions that fidelity requires will not always be easy or fashionable, the virtuous manager will also need courage. This is an especially important virtue when a manager is faithful to the obligations of stakeholder management because promotion of every stakeholder's access to the ten basic capabilities is a countercultural position in a business environment that manifests an "inherent tendency to avarice" (Moore 2005, p. 240). To advocate for the sorts of

sacrifices that the capabilities theory sometimes requires (Nussbaum 2006, pp. 89–90), the virtuous manager will need the courage to face the negative consequences of an unpopular, but righteous, decision (see Aristotle 2011, 1115a5–1115b6).

Fourth, cultivating humility will help the virtuous manager in two ways. First, as the traditional counterbalance for the vice of pride (Kellenberger 2010, pp. 324–325), humility will allow the virtuous manager to be more open to the input of others when making business decisions. As soliciting and considering the interests of multiple stakeholders is the central feature of the virtuous manager's *telos*, humility is obviously a fruitful *arête* to possess. Second, as a form of "accurate self-understanding in context" (Fullam 2011, p. 251), humility will help the virtuous manager recognize his or her limits, allowing him or her to take responsibility for mistakes when they happen. Since balancing the needs of various stakeholders is a tricky proposition, mistakes are bound to happen, and in these cases a humble manager will be able to turn things around so that better outcomes for all stakeholders can be achieved.

Finally, because the chief function of a manager is to make decisions, the virtuous manager will not be able to succeed without the virtue of prudence. Traditionally defined as the virtue that helps one determine the best course of action in a particular situation (Aristotle 2011, 1140a24–1140b30), prudence is essential for the virtuous manager because it helps one apply general guidelines – like the obligation to serve stakeholders' interests – in specific instances (Daly 2010, p. 220). Moreover, prudence has the ability to help adjudicate competing claims (Keenan 1995, p. 722), so it will be an especially useful virtue on those occasions when the needs of different stakeholder groups conflict. In fact, one could justifiably maintain that prudence is the quintessential *arête* of the virtuous manager, which would be entirely in accord with the original point about the unity of the virtues because prudence is only habituated when the other virtues are present as well (Aquinas 1920, I-II.58.4 c). So, the virtuous manager is a prudent manager precisely because he or she recognizes the need to cultivate justice, fidelity, courage, humility, and prudence itself in order to achieve his or her role-specific *telos*.

Conclusion

This discussion, obviously, provides a lot of resources for the virtuous manager. Capabilities theory specifies the virtuous manager's general commitment to the promotion of the genuine human needs of all of a firm's stakeholders and virtue ethics highlights the value of justice, fidelity, courage, humility, and prudence in this process. The significance of this analysis is not unique to the field of management, though, for this discussion also offers some insights for ongoing conversations about both capabilities theory and virtue ethics.

To begin with capabilities theory, relating Nussbaum's list to the virtuous manager has the potential to expand the application and refine the articulation of

capabilities. Specifically, Nussbaum has stated that her interpretation of the capabilities theory is supposed to be applied at the state level, providing a standard by which the performance of nations can be judged (2011, pp. 24, 113). By combining capabilities theory with the expectations of stakeholder management, the case of the virtuous manager demonstrates that the theory's primary purpose does not need to become its exclusive function, thereby opening Nussbaum's list to future applications in other areas. Additionally, one of the central critiques of Nussbaum's interpretation is that the ten baseline capabilities she articulates are overly narrow and insufficiently justified (Jaggar 2006, pp. 315–318). She has responded by insisting that her list is intended to be provisional, rather than exhaustive, and that it is open to reevaluation and reinterpretation as necessary (Nussbaum 2011, pp. 36, 107–109). Managerial efforts to put Nussbaum's list into practice, then, could serve as an essential test case, presenting experiential data about the sufficiency of the individual capabilities Nussbaum has proposed and aiding in the process of revision.

Beyond the academic debates about the capabilities approach, the virtuous manager's efforts to specify and pursue an appropriate *telos* are consequential for the understanding of virtue ethics as well. First, this is true within the applied field of business ethics, where some have suggested that the capabilities approach offers an alternative to the teleological basis of virtue (Bertland 2009). In contrast, this discussion insists that the capabilities approach is directly compatible with a teleological understanding of virtue, creating a closer connection between the traditional conceptions of virtue ethics and the contemporary concerns of business ethics. Second, the current exploration of the virtuous manager also has implications for the broader question about the relationship between virtues and role responsibilities. While some have suggested that virtue ethics is inherently limited in its role-specific guidance because it is oriented to the realization of a more comprehensive vision of the good life (Cordell 2011, pp. 254–255), the situation of the virtuous manager reveals that virtue ethics still has things to say to people in their distinct roles, as long as a broader teleological framework – like the capabilities theory – is used to define the contours of the role.

Ultimately, the analysis of capabilities theory and the virtuous manager yields valuable results for the understanding of management, capabilities, and virtue. This is quite fitting, for just as the cultivation of virtue in management will benefit multiple constituencies, so multiple disciplines will profit from the study of the virtuous manager as well.

Cross-References

References

Aquinas T (1920) The Summa theologica of St. Thomas Aquinas (trans: Fathers of the English Dominican Province). R & T Washburne, London

Aristotle (2011) Aristotle's Nicomachean ethics (trans: Bartlett RC, Collins SD). University of Chicago Press, Chicago

Bertland A (2009) Virtue ethics in business and the capabilities approach. J Bus Ethics 84:25–32

Bishop JD (2000) A framework for discussing normative theories of business ethics. Bus Ethics Q 10:563–591

Boatright JR (2002) Ethics and corporate governance: justifying the role of the shareholder. In: Bowie NE (ed) The Blackwell guide to Business ethics. Blackwell, Malden

Boatright JR (2006) What's wrong – and what's right – with stakeholder management. J Priv Enterp 22:106–130

Bowie NE (1999) Business ethics: a Kantian perspective. Blackwell, Malden

Bowie NE (2005) Management ethics, with Patricia H. Werhane. Blackwell, Malden

Bowie NE (2010) Organizational integrity and moral climates. In: Brenkert GG, Beauchamp TL (eds) The Oxford handbook of business ethics. Oxford University Press, Oxford

Comim F (2008) Capabilities and happiness: overcoming the informational apartheid in the assessment of human well-being. In: Bruni L, Comim F, Pugno M (eds) Capabilities and happiness. Oxford University Press, Oxford

Cordell S (2011) Virtuous persons and social roles. J Soc Philos 42:254–272

Daly D (2010) The relationship of virtues and norms in the *Summa Theologiae*. Heythrop J 51:214–229

Donaldson T, Dunfee TW (1999) Ties that bind: a social contracts approach to business ethics. Harvard Business School Press, Boston

Faleye O, Mehrotra V, Morck R (2005) When labor has a voice in corporate governance. National Bureau of Economic Research, Cambridge, MA

Freeman RE (2009) Managing for stakeholders. In: Beauchamp TL, Bowie NE, Arnold DG (eds) Ethical theory and business, 8th edn. Prentice Hall, Upper Saddle River

Freeman RE, Harrison JS, Wicks AC (2007) Managing for stakeholders: survival, reputation, and success. Yale University Press, New Haven

Friedman M ([1970] 2009) The social responsibility of business is to increase its profits. In: Beauchamp TL, Bowie NE, Arnold DG (eds) Ethical theory and business, 8th edn. Prentice Hall, Upper Saddle River

Fullam L (2011) Humility and its moral epistemological implications. In: Curran CE, Fullam L (eds) Virtue. Paulist Press, Mahwah

Goodpaster KE (2010) Corporate responsibility and its constituents. In: Brenkert GG, Beauchamp TL (eds) The Oxford handbook of business ethics. Oxford University Press, Oxford

Hasnas J (1998) The normative theories of business ethics: a guide for the Perplexed. Bus Ethics Q 8:19–42

Jaggar AM (2006) Reasoning about well-being: Nussbaum's methods of justifying the capabilities. J Polit Philos 14:301–322

Kant I (1964) Groundwork of the metaphysic of morals (trans: Paton HJ). Harper & Row, New York

Keenan JF (1995) Proposing cardinal virtues. Theol Stud 56:709–729

Kellenberger J (2010) Humility. Am Philos Q 47:321–336

Kosman A (2007) Justice and virtue: the *Republic*'s inquiry into proper difference. In: Ferrari GRF (ed) The Cambridge companion to Plato's republic. Cambridge University Press, Cambridge, UK

MacIntyre A (2007) After virtue: a study in moral theory, 3rd edn. University of Notre Dame Press, Notre Dame

Mishel L, Bivens J, Gould E, Shierholz H (2012) The state of working America, 12th edn. Cornell University Press, Ithaca

Moore G (2005) Humanizing business: a modern virtue ethics approach. Bus Ethics Q 15:237–255

Nussbaum MC (2000) Women and human development: the capabilities approach. Cambridge University Press, Cambridge, UK

Nussbaum MC (2006) Frontiers of justice: disability, nationality, species membership. Harvard University Press, Cambridge, MA

Nussbaum MC (2011) Creating capabilities: the human development approach. Harvard University Press, Cambridge, MA

Painter-Morland M (2008) Business ethics as practice: ethics as the everyday business of business. Cambridge University Press, Cambridge, UK

Plato (2000) The Republic (ed: Ferrari GRF and trans: Griffith T). Cambridge University Press, Cambridge, UK

Rawls J (1987) The idea of an overlapping consensus. Oxford J Leg Stud 7:1–25

Rawls J (1999) A theory of justice, rev. edn. Harvard University Press, Cambridge, MA

Sen A (1985) Commodities and capabilities. North-Holland, Amsterdam

Sen A (2008) The economics of happiness and capability. In: Bruni L, Comim F, Pugno M (eds) Capabilities and happiness. Oxford University Press, Oxford

Sen A (2009) The idea of justice. Harvard University Press, Cambridge, MA

Solomon RC (1992) Ethics and excellence: cooperation and integrity in business. Oxford University Press, Oxford

Williams J (2000) Unbending gender: why family and work conflict and what to do about it. Oxford University Press, Oxford

Williams OF, Murphy PE (1992) The ethics of virtue: a moral theory for business. In: Williams OF, Houck JW (eds) A virtuous life in business: stories of courage and integrity in the corporate world. Rowman and Littlefield, Lanham

Wren DA (2005) The history of management thought, 5th edn. Wiley, Hoboken

Homo Oeconomicus Reconsidered

Benedetta Giovanola

Contents

Abstract

This article pursues a criticism of the *homo œconomicus* model and the mainstream notion of economic rationality in order to provide economics and business theory with a sound ethical-anthropological underpinning, and to foster more virtuous and human-centered models and practices. The capability approach developed by Amartya Sen and Martha Nussbaum is taken as the reference theoretical framework. The main connections between capabilities theory and virtue ethics are shown, especially insofar as Aristotle's thought exerts a decisive influence over both. The first section is dedicated to the criticism of *homo œconomicus* and economic rationality (*pars destruens*), whereas the second moves towards the elaboration of an alternative model whose constitutive features rely on the notion of anthropological richness (*pars construens*). Finally, the concluding section seeks to provide an application to business and management theory.

B. Giovanola (✉)
Department of Political Sciences, Communication, and International Relations, University of Macerata, Macerata, Italy
e-mail: benedetta.giovanola@unimc.it

Introduction

About two decades ago, the famous economist Robert Frank (1991) asked the following question: Would you marry your daughter to *homo œconomicus*? The anticipated negative answer to the question rested upon a view of *homo œconomicus* as a self-interested individual who is basically unable to engage in authentic interpersonal relationships. According to a standard definition, *homo œconomicus* is a rational and self-interested agent who always seeks the maximization of his own well-being – mostly understood in terms of utility – in all of his choices. Given the calculating, self-centered qualities of *homo œconomicus*, one could argue that he might be a good economic agent, but would not be a good husband. In recent years, many not only have questioned whether *homo œconomicus* and cost-benefit analysis are the best basis for navigating interpersonal relationships including marriage (see, for example, Becker 1973), but also sharply criticized the idea of *homo œconomicus* and the standard notion of economic rationality as they are understood in mainstream economic theory.

Some of these critical investigations – also supported by the findings of experimental and cognitive economics and neuroscience – have underlined the cognitive biases at stake in economic choices and have pointed out the need both to abandon the "folk psychology" on which the standard notion of economic rationality relies (see Kahneman and Tversky 1979, 2000), and to highlight how the one-sidedness of the *homo œconomicus* model is not true to the psychological complexity of human choices (Slovic et al. 2002). Other critical investigations have highlighted the need to reembed economics in social context (Hirsch 1976) and in interpersonal relationships (Gui and Sugden 2005), and to reestablish the connection between economics and ethics (Sen 1977, 1985, 1987a, b, 1999a), seeking a sound ethical-anthropological underpinning for economics.

Similar arguments have also been turned upon business and management: here the criticism is mainly addressed to the emphasis on profit maximization, and the central question is whether an organization provides an environment conducive to human growth and fulfillment, and whether good corporate policy can encourage and nourish individual growth by fostering opportunities for every employee to develop his/her own talents and potential. These concerns have been explicitly recognized by management studies and form the basis of humanistic management. Its inquiries tackle the issue of the relationship between business and management on the one side and the human condition on the other, and seek to provide a human-centered foundation for business and management (see Melé 2003, 2012; Spitzeck et al. 2009; Dierksmeier et al. 2011; von Kimakowitz et al. 2011; Melé and Dierksmeier 2012). Despite differences among approaches, a common feature of

all arguments above is the need to overcome the one-sided and narrow model of *homo œconomicus* in order to provide economics and business with a more complex and "richer" anthropological underpinning.

Beyond the *Homo œconomicus*: Human Capabilities and Agency

Some of the most interesting attempts to provide a "richer" anthropological underpinning for economics and business assume Aristotle's theory and the broader notion of virtue ethics as a starting point. It is argued that the latter could overcome the limits and integrate the advantages of prevailing approaches in economics and business ethics, namely deontology and utilitarianism. However, even if some scholars take a broad virtue ethical perspective on economics and business (see, for example, McCloskey 2006), most of them focus on Aristotle's account of virtue ethics as the most adequate theoretical framework for arguing that economics and business are and ought to be about human values and human flourishing (Collins 1987; Solomon 1992, 2004; Koehn 1995; Meikle 1995, 1996; Van Staveren 2001, 2007; Crockett 2005; Vrancenau 2005). Such a focus on Aristotelian virtue ethics could follow from the recognition that most modern and contemporary versions of virtue ethics still have their roots in ancient Greek philosophy and especially in Aristotle's by the employment of three concepts derived from it, namely: virtue (arête), practical wisdom (phronesis), and flourishing (eudaimonia) (Hursthouse 1999).

The most influential among recent attempts to restore an "economics of virtue" is the capability approach, as developed since the 1980s by the Indian economist and Nobel prize winner Amartya Sen and the American philosopher Martha Nussbaum. Actually, the capability approach is neither a mere reformulation of Aristotle's theories, nor a pure neo-Aristotelian approach, but rather a new approach that is compatible with Aristotle's ethical-anthropological reflection on economic issues. Even if the Aristotelian influence has been explicitly recognized by both Sen (1987a, 2009) and Nussbaum (1986, 1988, 1990, 1993, 1995a, b, 2000, 2011), the capability approach could be defined as an "Aristotelian-informed" approach that entails its own peculiarities and shows influences from other theories (mostly Kantian and Marxian theory: see respectively Nussbaum 2000, 2011; Sen 1980, 1985, 1987a; Nussbaum 1988, 2000, 2011) that in some cases let it deviate from a pure Aristotelian underpinning.

The capability approach challenges the principle of "minimal benevolence," according to which, other conditions being equal, it is morally good for people to seek to enhance their own well-being and satisfy their own preferences (Hausman and McPherson 2006: 65 f.). This criticism of the principle of "minimal benevolence" ties in with a critique of mainstream economic rationality and calls into question the *homo œconomicus* model, that is, the view that human persons are purely rational individuals, always seeking to maximize self-interest, and perfectly conscious of the consequences of their choices.

Amartya Sen sharply criticizes the underlying "narrow view" taken of the person by mainstream economics, arguing that such a view is highly influenced by a utilitarian theoretical framework and leads to seeing human beings merely as the "location of their respective utilities" (Sen and Williams 1982). In his works, Sen demonstrates that if people behaved in the way mainstream economics prescribes, they would act like "rational fools" (Sen 1977); he argues that, on the contrary, human beings are much more sophisticated than their depiction in economic theory, and human actions are driven not only by self-interest, but also by sympathy and commitment. In particular, commitment is strictly connected with a person's moral principles and can also diverge from personal well-being; it can modify a person's goals and his or her "rational" choice, by giving importance to other people's aims that cannot be included in the pursuit of personal interest (Sen 2002, 2005). As a consequence, by recognizing the importance of commitment and moral obligation, (economic) rationality can no longer be conceived as mere self-interest and utility maximization, and the economic agent can no longer be conceived as a mere selfish utility maximizer.

Sen's criticism of the standard notion of economic rationality ultimately leads him to develop a very different understanding of this notion: in particular Sen highlights that the function of rationality is above all of an ethical-normative kind. Sen maintains that rationality is linked to the capability to think and act in a way that takes into account much more than utility maximization. Rationality includes a critical scrutiny of values and objectives that underlie every behavior and their concrete fulfillment through practice (Sen 2002). It is a kind of practical reasoning that requires wisdom. This understanding of rationality is strongly consistent with the virtue ethics tradition insofar as virtue ethics understands practical wisdom as the knowledge or understanding that enables its possessor to act well or "do the right thing" in any given situation. According to virtue ethics, practical wisdom requires "situational appreciation," namely the capacity to recognize the features of a given situation that are ethically salient and to choose accordingly (Hursthouse 1999). It is that sort of wisdom that provides the agent with the capability to act well from an ethical point of view. Virtue ethics highlights "the combination of moral motivation by the intrinsic goodness of virtues themselves *and reason* about the good means that need to be employed in the process to achieve virtue" (van Staveren 2010: 572, *italics added*). The above arguments and the ethical dimension of rationality and reason are taken on by the capability approach. For example, Nussbaum (2000) attributes a high importance to practical reason and considers it as one of the most important "central human capabilities" (together with affiliation). Furthermore, she highlights that practical reason requires the reflection of a particular human being on her life experiences and the lives of others she knows (Nussbaum 1995b: 74), namely the "situational appreciation" we mentioned above. Sen is even more radical on this point, and maintains that rationality and reason are connected with the notion of personal identity, which is defined by the way a person considers herself according to her values and objectives. Moreover, according to Sen, personal identity is strictly linked to social identity, a person's capability to identify herself with other persons, to consider herself in relation to others

(Sen 1999b). Rationality then is strictly linked to the capability to become a good and virtuous person and engage in interpersonal relationships.

If we try to sum up the considerations above, we can argue that according to the capability approach (economic) rationality is closely connected to identity; therefore the demand for an ethical underpinning of (economic) rationality ties in with the need to overcome the underlying "narrow" and somehow misleading anthropological model based on the *homo œconomicus*, moving towards a "richer" and more complex idea of the economic agent.

In order to move towards a "richer" anthropological model, the concepts of *capability* and *agency* play a key role. As noted above, Sen criticizes mainstream economic theory's focus on well-being and the equivalence it sees between well-being and utility. Such an equivalence is the basis of so-called welfarism that together with consequentialism and sum-ranking constitutes one of the critical features of utilitarianism (Sen 1987a, 1999a). The criticism is motivated as follows: Sen argues that people have aspects other than well-being, and not all their activities are aimed at maximizing well-being. In particular, "the conception of 'persons' [...] cannot be so reduced as to attach no intrinsic importance to [the] agency role, seeing them ultimately only in terms of their well-being. There is a particular sphere in which such an agency role may be especially important, and that is the person's own life" (Sen 1985: 186).

According to this excerpt, a person's own life goes far beyond well-being, as to include agency too. At the same time, however, Sen's final emphasis often centers exactly on well-being. This is particularly evident when he admits that his intention is "to explore a particular approach to well-being and advantage in terms of a person's ability to do valuable acts or reach valuable states of being" (Sen 1985: 30). The "valuable acts" and "valuable states of being" are named *functionings*, whereas the notion of *capability* indicates the ability to achieve valuable functionings. Therefore, from the passage above it follows that the notion of capability is strictly connected with the notion of well-being, although not in a narrow, strictly utilitarian sense.

In the capability perspective, well-being goes beyond utility maximization and is intrinsically connected with agency. But what is agency, then? According to Sen (1987a), agency refers to a substantive freedom to act. It should not be equated with achievements nor with the pursuit of subjective well-being and utility maximization. Rather, agency refers to the capacity to express values, objectives, and commitments and to do things "a person has reason to value" (Sen 1999a: 79). It can thus be seen in the form of the positive or substantive freedom to do and to be (Sen 1999a).

The way in which valuable capabilities can be identified ultimately draws upon an Aristotelian theoretical background. Following Aristotle, the capability approach assumes that there are important spheres of shared human experience (grounding experiences) that define fundamental capabilities, which ought to be preserved and fulfilled in a virtuous life (Nussbaum 1993). These spheres and capabilities, even if they cannot be articulated definitively, are characterized by ethical objectivity (Sen 2009) and rely on the idea that there is a shared though

differentiated human nature, a shared human tendency to flourish (van Staveren 2001: 10). Human flourishing, in its turn, cannot be reduced to utility maximization but relies on a plurality of (valuable) capabilities, and the real opportunity to express them.

The Identity of the Economic Agent Reconsidered: On the Notion of Anthropological Richness

The notion of human flourishing and the central role of capabilities are at the core of the capability approach's critical reconsideration of the *homo œconomicus* model, and of the attempt to go beyond it. First of all, it is important to notice that the idea of human flourishing as influenced by Aristotle leads the capability approach to point out that human beings fulfill themselves in ways that vary from person to person. To frame it in Sen and Nussbaum's terms, flourishing depends on the development of our capabilities, which are always personal. More specifically, even if at the level of humanity in general there are capabilities that have a universal value (Nussbaum 2000, 2011) or are characterized by ethical objectivity (Sen 2009), the ways of developing them are personal and particular. This reasoning, however, leads neither to a sort of ethical relativism, nor to the conclusion that differences among people are so strong as to prevent any recognition of consistencies among different individuals or even cultures. As Nussbaum clearly states, the capability approach is a "middle road" between universalistic and individualistic accounts or, in other words, between "Platonism" (based on an objective and universalistic notion of the Good) and "subjective welfarism" (based on individual preferences). It "yields a form of universalism that is sensitive to pluralism and cultural difference" (Nussbaum 2000: 8) and admits compatibility between the reference to *universal* values and the attention to each one's *individual* particularity.

Second, the capability approach not only highlights the diversity *among* human beings, but also the diversity *within* human beings. In fact, as pointed out above, the misleading utilitarian "narrow view" of the economic agent (and, more broadly, of the person) is criticized exactly because it overlooks the intrinsic pluralism and complexity of human beings, and reduces them to a single, merely quantitative function: utility maximization. On the contrary, the capability approach argues that human beings are complex entities, characterized by an anthropological constitutive plurality (Giovanola 2005, 2009, 2011, 2012). This idea is also consistent with the Aristotelian notion of flourishing, which depends on different life dimensions and not on just one function. The idea of an Anthropological constitutive plurality is at the core of the capability approach's attempt to move towards a "richer" anthropological model, than the *homo œconomicus*.

Even if Sen and Nussbaum have not fully developed an anthropological model that can replace *homo œconomicus*, their works provide us with interesting and inspiring elements in that direction. To date, there have been some attempts to further develop Sen and Nussbaum's anthropological reflection (see for example,

Davis 2003, 2010; Comim and Teschl 2006; Kirman and Teschl 2006) and to "systematize" it, thanks to the help of categories of thought borrowed by thinkers that highly influenced the capability approach (Giovanola 2005, 2009, 2011, 2012).

The category of constitutive plurality is a term that can be found explicitly in Sen's work, though is not used with regard to anthropological matters, but rather as a feature of evaluation. More precisely, Sen distinguishes competitive from constitutive plurality, arguing that the former designates different views that are opposed to one another, whereas the latter describes a kind of intrinsic diversity, embracing different, though not mutually exclusive, aspects (Sen 1987b). Going beyond Sen's use of this expression, constitutive plurality could be seen as the characteristic not only of an adequate evaluative approach, but also of an adequate anthropological reflection on the identity of the economic agent, able to express his or her constitutive multidimensionality. When Sen (1985) distinguishes between the idea of being *well off* and that of being *well*, he seems to refer implicitly to such an anthropological constitutive plurality. The idea of being *well off*, Sen argues, conveys opulence and refers to a person's command over exterior things, whereas the idea of being *well* refers to something *in* a person that is achieved. The latter expresses a distinctively personal quality lacking in the former. Combining these reflections with the meaning of constitutive plurality, we can argue that in the latter case the person can flourish, whereas in the former she can only maximize her utility and enjoy opulence.

This reasoning is fully consistent with virtue ethics, and more specifically with Aristotle's version of it. First, according to Aristotle "the life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else," namely for the sake of a flourishing life (Aristotle 1926: I, 5, 1096a, 5–7). However, although wealth is a means to lead a flourishing life, it can also prevent flourishing and even become an evil, if it is used badly; as Aristotle points out, "people have before now been ruined by wealth" (Aristotle 1926: I, 3, 1094b, 14–19), exactly because they considered wealth as an end, rather than a means, and therefore devoted their lives to the pursuit of opulence and the accumulation of material goods. Not only is opulence very different from flourishing then, but can also collide with it, if wealth is accumulated or used badly, namely without virtue.

Second, human flourishing, as noticed above, is promoted by virtuous behavior. Virtues, according to Aristotle (1926: II, 6, 1106a, 22–24), are those dispositions "by which a person becomes good and performs his/her function well"; virtue is a qualitative mean between two extremes (Aristotle 1926: II, 6, 1106b, 36 – 1107a, 1) and from the point of view of good represents an optimum, or an excellence (Aristotle 1926: II, 6, 1106b, 22). The virtuous action is teleologically oriented towards excellence, the fulfillment of a good life and the formation of a good character. The formation of a good character and the fulfillment of a good life in turn require the development of one's own potentials and talents; they imply "the possession and the use of one's mature powers over a considerable period of time," that is, "the fulfilment of the natural capacities of the human species" (Cooper 1975: 89, n. 1). A flourishing life then is a life in which all potentialities have been

actualized to their best, or, in other words, a life in which all resources or capacities have been wisely managed. It is a life in which fundamental human capabilities are preserved and fulfilled virtuously and wisely.

In summary, flourishing requires an intrinsic constitutive plurality, namely a qualitative one, rather than a quantitative-economic one (opulence). This qualitative richness, as opposed to the quantitative one, is the real anthropological richness. Anthropological richness cannot be interpreted as a matter of "how much" one can do or be; it rather concerns the substantive freedom to flourish and to choose valuable functionings and capabilities to do and to be, which can lead to a truly flourishing life.

The qualitative and evaluative dimension at the core of anthropological richness can be further developed in a twofold direction. First, it can be developed by extending the interpretation of the Kantian formula of humanity as an end in itself from the interpersonal level (as Nussbaum does, for example) to the intrapersonal level. This would be fully consistent with the way in which Kant himself presents his formula, which prescribes: "Act in such a way that you always treat humanity, *whether in your own person or in the person of any other*, never simply as a means, but always at the same time as an end" (Kant 1785: 429, *italics added*). Such an extension would also provide an ethical-normative criterion for the selection of valuable doings and beings that can enrich a person by preventing the instrumentalization of the self and favoring the selection and enhancement of life-dimensions and capabilities that best express the finalistic nature of every individual. This finalistic nature ultimately refers to the notion of humanity which not only entails a qualitative dimension of freedom – which is in turn the source of the unique dignity of human beings (Kant 1785: 428) – but is also the source of a duty to develop our talents or to perfect ourselves (thus perfecting our own humanity).

Second, the notion of anthropological richness can be further articulated by looking at its formulation by Karl Marx, who, along with Aristotle, exerted substantial influence on both Sen and Nussbaum. As explicitly recognized by both Sen and Nussbaum, Marx's thought has influenced the capability approach's understanding of positive freedom (Sen 1987a) and human functionings (Nussbaum 2000), as well as the notion of capability itself (Sen 1980, 1985, 1999a; Nussbaum 2000). More specifically, Marx's understanding of the notion of anthropological richness, developed above all in his *Economic and Philosophic Manuscripts of 1844*, is intrinsically connected with his idea of positive freedom and his understanding of human functionings, and can be grasped through a capability perspective.

In fact, Marx (1844) argues that instead of considering richness and poverty as political economy does, the focus should be on the "rich human being"; as a consequence, both richness and poverty should gain a "human, and therefore social meaning." The rich human being needs a plurality of human dimensions and relationships with other human beings in order to fulfill his own potential and to flourish. Even more, the highest richness for every human being is another human being. This means that humanity is not so much an achievement as an end to pursue

by developing the multidimensional and socio-relational character of personhood through a dynamic process of self-constitution.

These dimensions of human richness are fully consistent with the capability approach and shed light on its anthropological perspective, by highlighting three main features of identity: the *intrapersonal relationality* of the self, which refers to the intrinsic plurality of capabilities and life-dimensions; the *interpersonal relationality*, namely the socio-relational dimension of the self; and the *dynamic* dimension of the self, which refers to the ongoing process of self-fulfillment that can lead to flourishing.

These features provide a view of identity that departs in no small measure from the *homo œconomicus*. The latter indeed is a one-dimensional individual, focused on utility maximization and moved by self-interest; he is a disembodied and disembedded individualist, exogenous to the economic process (Davis 2003) and unable to change. On the contrary, according to a capability perspective, there is a mutual relation between actions (and choices) and identity, because actions cannot be separated from the people who perform them. Identity is always open to new possibilities and subject to change; it relies on a constitutive multidimensionality and openness to interpersonal relationships; it is not only aimed at utility maximization or well-being improvement, but rather at the achievement of capabilities and virtues that can lead to flourishing.

Conclusion

The critique of the *homo œconomicus* pursued by the capability approach and its attempt to move towards a richer anthropological model entail substantial changes with regard to some of the major assumptions not only of economics, but also of business and management theory. These changes are not marginal because most prevailing business and management theories lack an adequate anthropological investigation or implicitly rely on the *homo œconomicus* anthropological model. Thanks to the capability approach, it is not only possible to fill this gap and to overcome the *homo œconomicus* model, but also to develop more human-centered models for business and management theory. However, despite its potential, the capability approach has only recently started to be applied to business and management: more specifically, it has been developed in an organizational context to assess work environment (Vogt 2005), to reflect upon social enterprise development (Cornelius et al. 2008), and to understand equality in the workplace (Cornelius 2002; Cornelius and Gagnon 1999, 2000, 2002, 2004).

Nevertheless, it could be used fruitfully to move forward in the reconsideration of business and management theory, as well as their practice, in connection with the fostering of human values and the promotion of human capabilities. To this purpose, the central features of anthropological richness outlined above play a key role. In fact, if we apply these features to the anthropological model underlying business and management, the latter would be intrinsically aimed at enhancing the

capabilities of all the members of a given organization (dimension of intrapersonal relationality), at letting them grow as persons through their actions (dynamical dimension), thus contributing to the pursuit of their fulfillment and promoting genuine interpersonal relationships in the workplace (dimension of interpersonal relationality). Human flourishing – in its multidimensional characterization – would be the ultimate aim of business and management, and the human person would be at their core, thus becoming the normative criterion for any evaluative judgment about the goodness of business and management practices themselves. In this way, economic theory and practice would be an instrument for a flourishing life, rather than ends in themselves, thus contributing to an effective economy of virtue.

References

Aristotle (1926) Nicomachean ethics, vol 73. English translation The Loeb classical library. Harvard University Press, Cambridge, MA

Becker G (1973) A theory of marriage: part I. J Polit Econ 81:813–846

Collins D (1987) Aristotle and business. J Bus Ethics 6:567–572

Comim F, Teschl M (2006) Introduction: capabilities and identity. J Econ Methodol 13:293–298

Cooper JM (1975) Reason and human good in Aristotle. Harvard University Press, Cambridge, MA

Cornelius N (ed) (2002) Building workplace equality: ethics, diversity and inclusion. Thomson International Business Press, London

Cornelius N, Gagnon S (1999) From ethics by proxy to ethics in action: new approaches to understanding ethics and HRM. Bus Ethics Eur Rev 8:225–235

Cornelius N, Gagnon S (2000) Re-examining workplace equality: the capabilities approach. Hum Resour Manag J 10:68–87

Cornelius N, Gagnon S (2002) From equal opportunities to managing diversity to capabilities: a new theory of workplace equality? In: Cornelius N (ed) Building workplace equality: ethics, diversity and inclusion. Thomson International Business Press, London

Cornelius N, Gagnon S (2004) Still bearing the mark of Cain? Ethics and inequality measurement. Bus Ethics Eur Rev 13:26–40

Cornelius N, Todres M, Janjuha-Jivraj S, Woods A, Wallace J (2008) Corporate social responsibility and the social enterprise. J Bus Ethics 81:355–370

Crockett C (2005) The cultural paradigm of virtue. J Bus Ethics 62:191–208

Davis JB (2003) The theory of the individual in economics. Routledge, London

Davis JB (2010) Individuals and identity in economics. Cambridge University Press, Cambridge

Dierksmeier C, Amann W, von Kimakowitz E, Spitzeck H, Pirson M (eds) (2011) Humanistic ethics in the age of globality. Palgrave Macmillan, Houndmills

Frank RH (1991) Microeconomics and behavior. McGraw-Hill, New York

Giovanola B (2005) Personhood and human richness: good and well-being in the capability approach and beyond. Rev Soc Econ 63:249–267

Giovanola B (2009) Re-thinking the anthropological and ethical foundation of economics and business: human richness and capabilities enhancement. J Bus Ethics 88:431–444

Giovanola B (2011) Sen and Nussbaum on human capabilities in business. In: Dierksmeier C, Amann W, von Kimakowitz E, Spitzeck H, Pirson M (eds) Humanistic ethics in the age of globality. Palgrave Macmillan, Houndmills

Giovanola B (2012) Oltre l'homo œconomicus. Lineamenti di etica economica. Orthotes, Napoli

Gui B, Sugden R (eds) (2005) Economics and social interaction: accounting for interpersonal relations. Cambridge University Press, Cambridge

Hirsch F (1976) Social limits to growth. Harvard University Press, Cambridge, MA

Hursthouse R (1999) On virtue ethics. Oxford University Press, Oxford

Hausman DM, Mcpherson MS (2006) Economic analysis, more philosophy, and public policy. cambridge university press, cambridge-New York

Kahneman D, Tversky A (1979) Prospect theory: an analysis of decision under risk. Econometrica 47:263–291

Kahneman D, Tversky A (eds) (2000) Choices, values and frames. Cambridge University Press, Cambridge

Kant I (1785) Groundwork for the metaphysics of morals. English translation Broadview Press, Orchand Park (2005)

Kirman A, Teschl M (2006) Searching for identity in the capability space. J Econ Methodol 13:299–325

Koehn D (1995) A role for virtue ethics in the analysis of business practice. Bus Ethics Q 5:533–539

Marx K (1844) Economic and philosophic manuscripts of 1844. English translation International publishers, New York (1964)

McCloskey D (2006) The bourgeois virtues: ethics for an age of commerce. University of Chicago Press, Chicago

Meikle S (1995) Aristotle's economic thought. Clarendon, Oxford

Meikle S (1996) Aristotle on business. Class Q New Ser 46:138–151

Melé D (2003) The Challenge of humanistic management. J Bus Ethics 44:77–88

Melé D (2012) Management ethics: placing ethics at the core of good management. Palgrave Macmillan, New York

Melé D, Dierksmeier C (eds) (2012) Human development in business. Palgrave Macmillan, Houndmills

Nussbaum M (1986) The fragility of goodness. Luck and ethics in Greek tragedy and philosophy. Cambridge University Press, Cambridge

Nussbaum M (1988) Nature, function and capability: Aristotle on political distribution. Oxf Stud Anc Philos Suppl 145–184

Nussbaum M (1990) Aristotelian social democracy. In: Douglass RB, Mara G, Richardson H (eds) Liberalism and the good. Routledge, New York

Nussbaum M (1993) Non-relative virtues: an Aristotelian approach. In: Nussbaum M, Sen A (eds) The quality of life. Clarendon, Oxford

Nussbaum M (1995a) Aristotle on human nature and the foundations of ethics. In: Altham J, Harrison R (eds) World mind and ethics: essays on the ethical philosophy of Bernard Williams. Cambridge University Press, Cambridge

Nussbaum M (1995b) Human capabilities, female human being. In: Nussbaum M, Glover J (eds) Women, culture and development. Clarendon, Oxford

Nussbaum M (2000) Women and human development. The capabilities approach. Cambridge University Press, Cambridge

Nussbaum M (2011) Creating capabilities. The human development approach. The Belknap Press, Cambridge, MA

Sen A (1977) Rational fools. Philos Public Aff 6:317–344

Sen A (1980) Equality of what? In: Sen A (ed) Choice, welfare and measurement. Blackwell, Oxford

Sen A (1985) Well-being, agency, freedom. The Dewey lectures 1984. J Philos 82:169–221

Sen A (1987a) On ethics and economics. Blackwell, Oxford

Sen A (1987b) The standard of living. In: Hawthorn G (ed) The standard of living. Cambridge University Press, Cambridge

Sen A (1999a) Development as freedom. Oxford University Press, Oxford

Sen A (1999b) Reason before identity. Oxford University Press, Oxford

Sen A (2002) Rationality and freedom. Harvard University Press, Cambridge, MA

Sen A (2005) Why exactly is commitment important for rationality? Econ Philos 21:5–14

Sen A (2009) The idea of justice. Harvard University Press, Cambridge, MA

Sen A, Williams B (eds) (1982) Utilitarianism and beyond. Cambridge University Press, Cambridge

Slovic P et al (2002) The affect heuristic. In: Gilovich T, Griffin D, Kahneman D (eds) Heuristic and biases: the psychology of intuitive thought. Cambridge University Press, Cambridge/New York

Solomon R (1992) Ethics and excellence: cooperation and integrity in business. Oxford University Press, Oxford

Solomon R (2004) Aristotle, ethics and business organisations. Organ Stud 25:1021–1043

Spitzeck H, Pirson M, Amann W, Khan S, von Kimakowitz E (eds) (2009) Humanism in business. Cambridge University Press, Cambridge

Van Staveren I (2001) The values of economics. An Aristotelian perspective. Routledge, London

Van Staveren I (2007) Beyond utilitarianism and deontology: ethics in economics. Rev Polit Econ 19:21–35

Van Staveren I (2010) Virtue ethics. In: Peil J, van Staveren I (eds) Handbook of economics and ethics. Elgar, Cheltenham/Northampton

Vogt CP (2005) Maximising human potential: capabilities theory and the professional work environment. J Bus Ethics 58:111–123

Von Kimakowitz E, Spitzeck H, Pirson M, Dierksmeier C, Amann W (eds) (2011) Humanistic management in practice. Palgrave Macmillan, Houndmills

Vrancenau R (2005) The ethical dimension of economic choices. Bus Ethics Eur Rev 14:94–107

Part VIII

Austrian School

The Essence of the Austrian School Approach: The Ethical Structure of Human Action

Javier Aranzadi

Contents

Abstract

In this chapter we will reinterpret Mises' theory of human action within the framework of Aristotelian ethics. Aristotelian ethical approach centers on the acting person. His ethics is structured in a system of goods, norms, and virtues that is configured by means of individual action in the institutions of a particular culture.

We would like to launch the thesis that market economy is open to virtuous activity so far as it increases the capabilities and possibilities of individual action, not only the productive and consumption opportunities of persons.

Against the idea that market economy is something greedy and immoral, we defend the idea that market economy based on firms has a very positive moral content: the possibility of excellence of human action. Market economy is the means to economic development and prosperity. Firms based on people acting together, sharing the culture of the organization, toward virtue-based ethics, create and distribute most of the economy's wealth, innovate, trade, and raise living standards.

J. Aranzadi (✉)
Department of Economic Theory and History, Universidad Antónoma of Madrid, Ciudad Universitaria de Cantoblanco, Madrid, Spain
e-mail: javier.aranzadi@uam.es

Introduction

Following the theory of human action developed by Mises, we would like to launch the thesis that market economy is open to virtuous activity so far as it increases the capabilities and possibilities of individual action, not only the productive and consumption opportunities of persons. Our starting point is to reinterpret Mises within the framework of Aristotelian ethics (On the philosophical background of the Austrian School consult M. Alter (1982), R. Cubeddu (1993) and B. Smith (1990)).

Aristotelian ethical approach centers on the acting person. His ethics is structured in a system of goods, norms, and virtues that is configured by means of individual action in the institutions of a particular culture. All individuals choose courses of action by deciding what type of life is worth living. In this view, virtue (*areté*) occupies a central position, defining the paradigm that each society and culture are set as the model of life to be lived (*eudaimonia*). The basic idea to develop is that the person is a *zoon politikon*. It is the coexistence and common participation in determined values and beliefs, where the means and ends, which constitute individual action, are configured. It is entirely suitable therefore to define the human being as the Husserl's being-with (*mit-sein*). With this expression we indicate the person's essential openness to her fellow people by means of society and culture. Thus every individual action is social and has a cultural significance. But recovering the classical framework permits a new approach to social sciences not based on utilitarian ethics and mathematical maximizing problems.

J. Huerta de Soto's article collected in this *handbook* entitled "The Ethics of Capitalism and Efficiency" presents the convergence between the Austrian School of Economics and the Social Doctrine of the Catholic Church. G. Hülsmann's (2008) defense of sound money based on scholastic philosophy is thoroughly presented in his article entitled "The Ethics of Money Production" collected in this *handbook*. G. Zanotti (2004, 2011) argues that the Christian anthropology based on Aquinas supports a market economy based on the Austrian School of Economics.

The aim of this brief article is to show the complexity of individual reality with all its social and cultural components. The structure is the following. In section "The Structure of Mises' Theory of Action," we will set out the structure of Mises' theory of action. Section "The Ethical Structure of Human Action" will present the critic to Mises' utilitarianism and will introduce Aristotelian ethics, giving individual action substance. Section "The Person and Her Possibilities of Action" refers us back to our starting point: individual action. At this point we will be in a position to apprehend all of the anthropological components structuring an individual's possibilities for action in a sociocultural context. We will conclude in section

"Conclusion: The Morality of the Market" by arguing that the morality of market economics can be summarized by saying that market economics based on firms is a possibility with a very positive moral content: the possibility of excellence of human action.

The Structure of Mises' Theory of Action

Mises considers that it is necessary to construct a general theory of action to explain market phenomena. (For a detailed explanation of Mises' theory of human action, see Aranzadi (2006). This book presents the different approaches to human behavior between the so-called scientific reductionism of the liberals of the Chicago School (M. Friedman, G. Becker) and the humanistic approach of the Austrian School.) His theory of human action or *praxeology* "is not a choice of axioms and a decision about methods of procedure, but reflection about the essence of action" (Mises 1996, p. 39). The method is to reflect on the components which are present in every action, so that the said action arises. The action is an axiom; it is irreducible to other causes. It is a necessary condition of our knowledge. Mises' theory of human action is constructed in that human action is an irreducible presupposition. The whole theoretical edifice of Mises starts from this assumption. It is a self-founding principle. In order to act, it is necessary to choose between distinct possibilities. This supposes that (1) every action fulfills the economic principle and (2) if the economic principle is not a criterion of the allocation of means to ends, the choice of the means depends on the person's subjective appreciation of her suitability for the attainment of the end.

Starting from the axiom of action, its prerequisite was the existence of dissatisfaction and the desire to change that situation. The person wants a change in her situation and considers that the means exist for changing it. Mises affirms: "Acting requires and presupposes the category of causality" (Mises 1996, p. 22). The category of means and ends presupposes the cause-effect relation.

Whoever acts distinguishes between the past, the present, and the future, in such a way that the person perceives the causal relation in this antecedent-consequent sequence. If, on the one hand, the action implies the desire for change, causality is necessary to interrelate with the recourses, which can produce this change. The action and causality are intimately linked. On the other hand, the causal antecedent-consequent relation is presented in a procedural temporality. Causality and temporality are inseparable. Mises concludes: "The concepts of change and of time are inseparably linked together" (Mises 1996, p. 23).

The fundamental structure of the Misean system is complete. Figure 1 represents the elements that structure Mises' theory of action.

The basic element is the irreducible axiom of human action. The second step was to clarify the prerequisites of action: preference. The third step was to analyze how these prerequisites imply the causal category, so as to discern within the means-ends relationship. The fourth and final step was to explain the sequential character
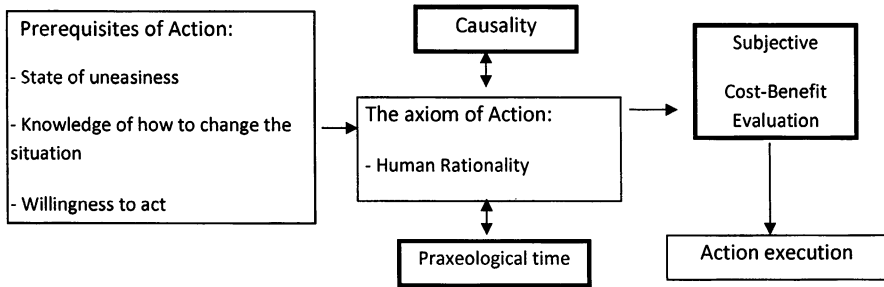
Fig. 1 Structure of Mises' theory of human action

of the causal relationship. The conclusion reached by Mises is that action is a temporary preference perceived as a means-ends relationship.

This theory presents the cognitive, desiderative, and evaluative elements that characterize individual action (Parsons and Shills 1962). But as has been pointed out by H. H. Hoppe (1993), M. Rothbard (1998), and I. Kirzner (1989), among others, it is a very utilitarian theory that presents problems to link the individual with a more general ethical framework based on the acting person. In Mises' theory the relationship between the individual and virtues ethics is blurred. But the individual acts in a sociocultural context, and we need to consider the role of ethics as the integrative element of action to get an overview of the close relationships between personality, society, and culture. Starting from the acting person (like Mises does), the following question must be answered: what is the integrative role of ethics?

The Ethical Structure of Human Action

Mises' arguments are centered on the acceptance of capitalism because of its monetary consequences. But he does not deal with the relation between ethics and the market. I. Kirzner (1989), M. Rothbard (1998), and H. H. Hoppe (1993) criticize Mises on this point. H. H. Hoppe masterfully presents his argument in the article entitled "The Ethics of Entrepreneurship and Profits" collected in this *handbook*. So we will center in this article in the critique of Rothbard. He criticizes Mises because he does not consider that Mises utilitarianism is adequate for defending the free market. For Rothbard: "one must go beyond economics and utilitarianism to establish an objective ethics which affirms the overriding value of liberty" (Rothbard 1998, p. 214). The case of Mises is of singular interest for Rothbard because the former has been the most intransigent defender of free market economics and the most inflexible defender of value-free economics of all the twentieth-century economists. This is a quite contradictory situation, which intrigues Rothbard and it makes him wonder about the ways that Mises offered in order to reconcile the two positions. Mises presented two solutions to this problem:

1. The praxeologist cannot describe a policy as good or bad. According to Mises, he cannot say, per se, whether certain government programs are good or bad. However, if a certain policy leads to results, which all the supporters of this policy agree are bad, then the neutral economist has sufficient justification to describe such a policy as bad. For Rothbard, this first solution is an ingenious attempt to decide if something is good or bad without the need for making value judgments. This first solution, presented by Mises, starts from the assumption that any defender of interventionist policies will abandon her defense as soon as an economist informs her of the consequences of the interventionism. Let us frame the following question, how does Mises know what the supporters of this concrete policy consider desirable? According to Mises, one of the great contributions of praxeological economics is that economists have pointed out that they do not know of any scale of values, except the preferences that each person demonstrates through her concrete actions. Scales of values do not exist independently of the actual conduct of individuals. If this analysis of Mises is admitted, the economist can show that the control of prices will lead to an unforeseen shortage of the offer of consumer goods. But, wonders Rothbard: "how does Mises know that some advocates of price controls do not want shortages?" (Rothbard 1998, p. 208). There are thousands of examples of people, who, after having studied economics and being aware that price restrictions produce scarcity, continue supporting such measures. Rothbard states:

   > In fact, if Mises concedes that there may be at least one supporter of price control or any other interventionist measure, who even recognizing their economic consequences is for whatever reason, still if favour of them, then as a praxeologist and an economist, he cannot continue describing these measures as good or bad, or adequate or inadequate, without inserting statements, which are authentic value judgements in his political economy, when Mises himself declares that such value judgements are inadmissible in a scientist of human action (Rothbard 1998, p. 209).

   With this example Rothbard demonstrates that there is no reason to assume that all the supporters of government intervention will abandon their positions when they know the consequences of such intervention. So the primary solution offered by Mises for defending the free market, without emitting any value judgments, must be considered a failure.

2. Mises offers a second solution. In his defense of the free market, he takes a totally different route. This route leads Mises to concede that the economist, as a scientist, cannot advocate free market economics but he can do this as a citizen. As Rothbard points out: "what Mises does it to make only one narrow value judgement: that he desires to fulfill the goals of the majority of the public" (Rothbard 1998, p. 210). But this position is very poor. The only thing that he recognizes is that he is in favor of most people achieving the aims that they desire. Rothbard offers the following example to explain the problems that this position poses:

> Let us for example assume again – and this assumption is not very farfetched in view of the record of human history – that the great majority of a society hate and revile redheads. Let us further assume that there are very few redheads in the society. This large majority then decides that it would like very much to murder all redheads. So we find the following situation where the murder of redheads is high on the value-scales of the great majority of the public; there are few redheads so that there will be little loss in production on the market. How can Mises rebut this proposed policy either as a praxeologist or as a utilitarian liberal? (Rothbard 1998, p. 213)

This second solution proposed by Mises is not free of problems. The only value judgment he makes is his emotional support for the majority of the population in favor of peace and prosperity while he reduces the value judgments to their most basic level. He does no more than state that it is desirable that the majority of the citizens attain their objectives.

Mises' utilitarian position causes another problem. He was one of the economists most determined to demonstrate the universality of temporal preference in all human behavior. His theory of capital was built on the rate of temporal preference, which determines the rate of interest. His explanation of the process of capitalist accumulation is based on a deepening of capital structure, which implies the need for low temporal preference for long-term projects to be undertaken. Using his theory of capital, Mises recommends carrying out investment plans that put off consumption to an increasingly distant time because in this way the person increases his capital. But this recommendation contradicts his utilitarian position because as the scientist, without value judgments, which he considers himself to be, he cannot try to criticize the rate or the proportion of each person's temporal preference. Rothbard makes the following commentary with this regard to this matter:

> And certainly, Mises, as a value-free scientist, could never presume to criticize anyone's rate of time preference, to say that A's was 'too high' or B's 'too low'. But, in that case, what about the high-time-preference people in society who may retort to the praxeologist: 'perhaps this high tax and subsidy policy will lead to the decline of capital; perhaps even the price control will lead to shortages, but I don't care. Having a high time-preference, I value more highly short-run subsidies, or the short-run enjoyment of buying the current goods at cheaper prices, than the prospect of suffering the future consequences'. And Mises, as a value-free scientist and opponent of any concept of objective ethics, cannot call them wrong (Rothbard 1998, p. 209)

Mises does not offer any arguments that enable him to recommend investments that put off consumption to a long time in the future. As Rothbard indicates, it is necessary to go beyond utilitarianism in order to sustain the process of capitalist accumulation.

Consider Fig. 2. It allows us to return to the relationship between Aristotelian ethics and individual action. If this analysis of human reality has led us to recognize that the individual is a *being-with*, i.e., that his or her vital dynamism is in essence social and cultural, ethics as a system of goods, norms, and virtues will integrate the whole system, giving its cohesion (Aranzadi 2011). So ethics is not something peripheral to action but its inner logic. We cannot judge institutions by focusing

Fig. 2 Ethical structure of human action
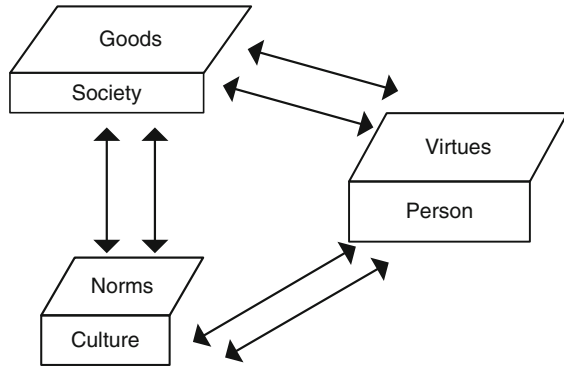
only on the reductive goal of achieving optimal results in economic terms. If we start by recognizing that humans have needs to provide for, which is an experienced fact, we must accept that ethics is the socially generated system of norms and goods that upholds individual possibilities of action as a whole (Melé 2005).

Aristotelian ethics as a system comprises three dimensions. Each one exercises control over each action-originating system. Norms and goods evaluate the social and cultural system jointly. Virtues are the traits of character that define our personality. The division between the three systems is analytical, with only action as a unitary whole occurring in reality. We live within social constraints, i.e., institutions, norms, and goods that enhance our possibilities of action.

The Person and Her Possibilities of Action

Let's consider Fig. 3.

1. The middle part of Fig. 3 represents the Misean axiom of action from the prerequisites that inform an act. Any goal is the perception of a lack, joined to the desire to act. Perceiving the goal anticipates the path to be followed to reach it. That is, an act is not initiated from a mere desire or need; an act is initiated as something wanted or desired is identified. The second prerequisite is knowledge of how to change the situation. That is, pace Hume, reason is not the slave of the passions but their guide. And the third prerequisite: there must be a will to act. Thus we encounter the material object of ethics: voluntary and free acts. As Aristotle says: "The agent must be in a certain condition when he does them; in the first place he must have knowledge, secondly he must choose the acts and choose them for their own sake, and thirdly, his action must proceed from a firm and unchangeable character" (Aristotle 1969., NE, II, 1105a27-32). Voluntary action entails the knowledge of the intended goal and the necessary means; it is chosen as a result thereof, i.e., because they are good in themselves and pursuant to the decision to accomplish them.
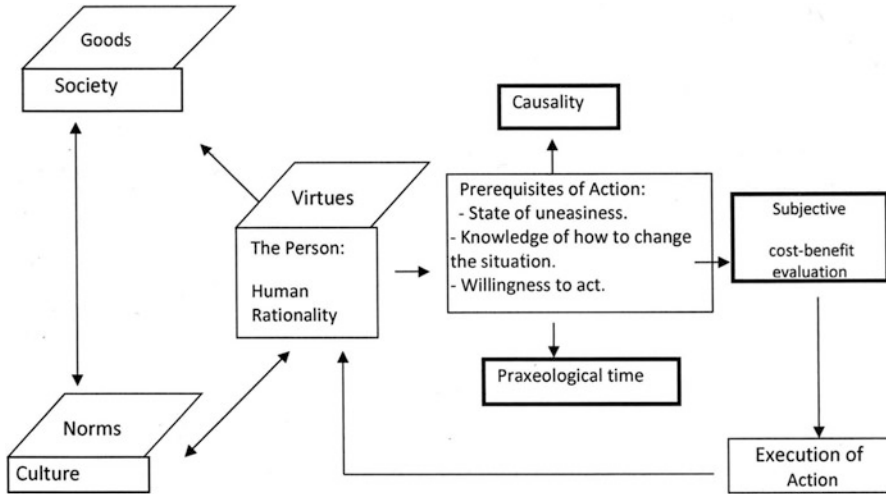
Fig. 3 The general framework of human action

2. As to ethics that leave the choice of ends out of the analysis and focus on deliberations on means, we should be clear that the choice of ends is a key element of ethics (Richardson 1997; Sherman 1989). (P. Koslowski (2001, pp. 164–168) criticizes Mises' refusal to explain the ends within the dynamic structure of human action. For Mises the ends are "given.") Any choice of ends involves deliberating on means. There is always an evaluation that we may define as subjective cost/benefit assessment, but it is reductive to regard that deliberation as a matter of maximizing utility. As Mises points out: "if one's valuations have changed, unremitting faithfulness to the once espoused principles of action merely for the sake of constancy would not be rational but simply stubborn. Only in one respect can acting be constant: in preferring the more valuable to the less valuable" (Mises 1996, p. 103). If we separate the end from its generating structure, we do not make an unimportant simplification; we make a change in the basis of the study of human problems. We abandon the real man and we focus on *homo economicus*. In praxeological economics, it is fundamental to connect the ends to the structure of the action. The multiplicity of these ends and their dynamic character make it advisable that they should be studied from the praxeological categories that we have developed. If we start from the view of the means and the ends as a dynamic structure, the function of the project is to plan the activities that must be undertaken for the attainment of the end. We should counter any tendency to moral fragmentation by asserting that the supreme form of ethics is the reference to the ultimate end of life which arranges means and ends in a project for life.

Mises points out: "for Praxeology, between the past and the future, there extends a wide, real present. The action itself is found in the present because it utilizes that

instant, when it embodies its reality" (Mises 1996, p. 121). Here is the key to understanding the historicity of the person. The person does not live in time; her historicity is somewhat more radical: the present of the person is made of the past and the future. Human reality is not only in time, but time is found in human reality. (It could be said that the position of Mises is quiet Aristotelian. As N. Sheman says: "for Aristotle, rationality requires that agents think of themselves as connected with the future, as persisting over time, and as making decisions which motivate. . .The fact that future plans constrain the presents and force it to come into line with long term projects best indicates the force of this temporal sense of coherence" (Sherman 1989, p. 75)).

Conclusion: The Morality of the Market

We can understand perfectly why Mises conceived economics: "economics is not about things and tangible material objects; it is about men, their meanings and actions. Goods, commodities, and wealth and all the other notions of conduct are not elements of nature; they are elements of human meaning and conduct. He who wants to deal with them must not look at the external world; he must search for them in the meaning of acting men" (Mises 1996, p. 92).

In our opinion we have now better arguments to defend market economy than Mises had. The theory of personal action in societal institutions bridges the way from a virtue-based ethics toward an ethics of institutions (Aranzadi 2013). The only reality we observe is personal action within her cultural and institutional framework. But these shared values imply thinking of ourselves in relation to others.

Against the idea that market economy is something greedy and immoral, we defend the idea that market economy based on firms has a very positive moral content: the possibility of excellence of human action. Market economy is the mean to economic development and prosperity. Firms based on people acting together, sharing the culture of the organization, toward virtue-based ethics, create and distribute most of the economy's wealth, innovate, trade, and raise living standards.

References

Alter M (1982) Carl Menger and homo oeconomicus: some thoughts on Austrian theory and methodology. J Econ Issues 16(1):149–160

Aranzadi J (2006) Liberalism against liberalism. Routledge, London

Aranzadi J (2011) The possibilities of the acting person within an institutional framework: goods, norms and virtues. J Bus Ethics 99(1):87–100

Aranzadi J (2013) The natural link between virtue ethics and political virtue: the morality of the market. J Bus Ethics 118:487–496

Aristotle (1969) Nicomachean ethics (trans: Ross D). Oxford University Press, Oxford

Cubeddu R (1993) The philosophy of the Austrian School. Routledge, London

Hoppe HH (1993) The economics and ethics of private property. Kluwer, Boston

Hülsmann G (2008) The ethics of money production. Mises Institute, Auburn

Kirzner I (1989) Discovery, capitalism and distributive justice. Basil Blackwell, Oxford

Koslowski P (2001) Principles of ethical economy. Kluwer, Dordrecht/Holland

Melé D (2005) Ethical education in accounting: integrating rules, values and virtues. J Bus Ethics 57:97–109

Mises L (1996). Human action: a treatise on economics, 4th edn rev. Foundation for Economic Education, New York

Parsons T, Shills E (1962) Towards a general theory of action. Harper & Row, New York

Richardson H (1997) Practical reason about final ends. Cambridge University Press, Cambridge

Rothbard M (1998) The ethics of liberty, 2nd edn. New York University Press, New York

Sherman N (1989) The fabric of character. Clarendon, Oxford

Smith B (1990) Aristotle, Menger, Mises: an essays in the metaphysics of economics. In: Cadwell BJ (ed) Carl Menger and his legacy in economics. History of political economy, annual supplement to vol 22. Duke University Press, Durham/London

Zanotti G (2004) Fundamentos Filosóficos y Epistemólogicos de la Praxeología. Editorial UNSTA, San Miguel de Tucumán

Zanotti G (2011) Antropología filosófica cristiana y economía de mercado. Unión Editorial, Madrid

The Ethics of Capitalism and Efficiency

Jesus Huerta de Soto

Contents

Abstract

The very evolution of social science rests on the innate creative capacity of human beings and on the theoretical study of the dynamic processes of social coordination which arise from entrepreneurship. Each human being possesses an innate creative capacity that enables him to perceive and discover the profit opportunities that emerge in his environment and to act accordingly to take advantage of them.

If we see the economy as a dynamic entrepreneurial process, the ethical principle which must govern social interactions rests on the view that the most just society is that which most energetically encourages the entrepreneurial creativity of all the people that comprise it. The dynamic view of the market as a spontaneous order which emerges from human interaction driven by entrepreneurship makes it easier to take an ethical position and reinforces the idea that free markets fueled by entrepreneurship are not only the most efficient from a

J. Huerta de Soto (✉)
King Juan Carlos University, Madrid, Spain
e-mail: huertadesoto@dimasoft.es

391

dynamic standpoint, but also they constitute the only just economic system as the encyclical *Centesimus Annus* has stressed.

Introduction

Perhaps nothing has done more to damage the prestige of ethical social behaviors than the deification of reason, science, and technique. This exaltation manifested itself throughout the twentieth century in the triumph of a "scientistic" approach, by which an awkward and mechanistic attempt was made to apply to the sphere of social interaction a methodology originally designed for the natural sciences and the realm of physics. The scientistic view entailed the systematic application of a narrow standard of "rationality" to the field of social sciences. According to this standard, both the human action of individuals and politics in general are determined by calculations and valuations of costs and benefits via a criterion of maximization which supposedly makes it possible to "optimize" the achievement of ends pursued based on means given.

From this perspective, the idea that ethical principles are guides for human behavior clearly appeared to lose prominence and importance. In fact, it seemed that a universal guide had been found for human behavior, which on its different levels (the individual and the social) could be determined by the simple criterion of maximizing the imagined beneficial *consequences* of each action, without the need for adapting any behavior to set ethical standards. In this way, science would have managed to silence and render obsolete ideas of ethical principles and justice.

The Failure of Consequentialism

Nevertheless, this *consequentialist* ideal, which has become widespread in nearly all spheres of modern life, and which consists of the belief that it is possible to act by making decisions that maximize the positive consequences foreseen based on given means and costs that are also supposedly known, has obviously failed. (When John Paul II criticizes consequentialism in his encyclical letter, *Veritatis Splendor*, he literally states: "Moreover, everyone recognizes the difficulty, or rather the impossibility, of evaluating all the good and evil consequences and effects – defined as pre-moral – of one's own acts: an exhaustive rational calculation is not possible. How then can one go about establishing proportions which depend on a measuring, the criteria of which remain obscure? How could an absolute obligation be justified on the basis of such debatable calculations?" (John Paul II 1993, Section 77)).

On the one hand, the very evolution of social science has shown that it is theoretically impossible to obtain the necessary information regarding the benefits and costs of each human action. This theorem of modern economics rests on the innate creative capacity of human beings, who are constantly making entrepreneurial discoveries of new ends and means, discoveries which give rise to a flow of new information or knowledge that makes it impossible to predict the specific future consequences of the different human actions performed and/or political decisions made at any one time. (It was theorists of the Austrian school of economics (Mises and Hayek) who discovered this theorem, which was formulated and perfected throughout the prolonged twentieth-century controversy over the impossibility of socialism, a debate which also revealed the severe crisis of the neoclassical-Walrasian paradigm and the static view of economics which until now has dominated academic classrooms, a view that presupposes that the ends and means are known and given and that the economic problem is simply a technical problem of maximization. See Jesús Huerta de Soto (2010) especially Chaps. 2 and 3.) On the other hand, the failure of real socialism and the crisis of the welfare state, understood as the most ambitious experiments of social engineering carried out by human beings in their entire history, have dealt a devastating blow to consequentialist doctrine. In fact, the huge amount of resources devoted for almost 80 years to the attempted evaluation of different political options in terms of costs and benefits and the imposition of these options on the citizens by force to achieve in an "optimal" manner the ends proposed have proven insufficient to fulfill expectations, and the result has been major social conflicts, dismal economic failures, and, more than anything, enormous human suffering.

The theoretical and historical failure of scientist consequentialism has restored a leading role to behavioral norms that are based on dogmatic ethical principles. The pivotal role of such norms as irreplaceable "automatic pilots" for human behavior and freedom is again coming to be fully appreciated, not only on a scientific level but also, and especially, on a popular level.

The Importance of the Ethical Foundation for Liberty

Perhaps one of the most significant contributions of late twentieth-century social theory was to reveal that the consequentialist analysis of costs and benefits is insufficient to justify the market economy. It is not only that much of the economic science developed to this point has rested on the intellectual error of presupposing a static framework of given ends and means. It is also that even the much more realistic and fruitful viewpoint of the analysis based on the creative capacity of human beings and on the theoretical study of the dynamic processes of social coordination which arise from entrepreneurship, an approach developed by the Austrian school of economics, does not, *in and of itself*, categorically provide a sound basis for the spontaneous order of cooperation which is characteristic of the market and which derives from a free-enterprise system that functions within the framework of a state governed by the rule of law.

Even if we abandon the scientistic, static criterion of Pareto efficiency and replace it with another more dynamic standard based on coordination, notions of "efficiency" will never be enough, by themselves, to convince all those who place notions of justice before the different conceptions of "efficiency."

At the same time, the recognition of the social discoordination (inefficiency) that in the long term results from any systematic attempt to coerce via state interventionism the spontaneous processes of human interaction is also insufficient to necessarily and automatically win over all those whose *time preference* is so intense that despite the negative medium- and long-term effects of the intervention, they set a higher value on its short-term benefits.

This is generally the case with privileged interest groups, which have obtained perks and subsidies from the public authorities and, having become accustomed to receiving them, are particularly reluctant in the short term to give up the advantages they enjoy, even when, rationally speaking, they admit that in the long term the result is negative for all of society, including themselves. (These are basically the arguments Murray N. Rothbard (2002) presents against the excessively "utilitarian" lines of reasoning offered by his teacher, Ludwig von Mises.)

Therefore, an ethical foundation for the theory of liberty is necessary; in fact, it is essential for the following reasons: (a) "social engineering," and more specifically, consequentialism, which derives from the neoclassical-Walrasian paradigm predominant in economic science until now, has failed abysmally; (b) the theoretical analysis of market processes, which rests on human beings' entrepreneurial capacity and was carried out by Mises and Hayek, though it is much stronger than the analysis derived from the neoclassical paradigm preponderant thus far, is also insufficient, in and of itself, to justify the market economy; (c) given the state of ineradicable ignorance in which human beings find themselves, a circumstance which arises from their ability to constantly create new information, they need a moral framework of behavioral principles to provide an automatic indication of which patterns of behavior are acceptable and which are not; and (d) from a strategic point of view, it is mainly moral notions that motivate reformist behavior in human beings, who on many occasions are willing to make considerable sacrifices to achieve what they consider good and just from a moral standpoint, and such behavior is much more difficult to insure based on cold calculations of costs and benefits, estimates which furthermore are of dubious scientific worth.

The Possibility of Formulating a Theory of Social Ethics

A large number of scientists and specialists still believe it is impossible to conceive of an objective theory about justice and moral principles. The development of this widespread opinion has been heavily influenced by the very evolution of social science, which until now has focused obsessively on the criterion of maximization and has taught not only that each actor's ends and means are subjective but also that moral principles of behavior also depend on the subjective autonomy of each decision-maker. For if behavior can be decided

ad hoc in each situation based on a pure cost-benefit analysis, there is no need for morality, understood as a previously established system of guidelines for behavior, and thus morality is blurred completely and can quite easily come to be seen as a matter relevant only within the particular sphere of each individual's subjective autonomy.

In contrast to this position predominant up to now, let us consider that it is one thing to assert that valuations, utilities, and costs are subjective, which they certainly are, as economic science has correctly affirmed, and quite another to claim that objectively valid moral principles do not exist. ("But economics does correctly inform us, not that *moral principles* are subjective, but that utilities and costs are indeed subjective" (Murray N. Rothbard 2002)).

In fact, it is not only advantageous but also perfectly possible to develop an entire scientific theory on the moral principles which must guide the human behavior and social interaction on which the spontaneous model of social cooperation essential to the development of civilization depends.

Actually, in recent decades, three important works have appeared in this field. First, there is the natural law argument developed by Rothbard in his now-classic work on *The Ethics of Liberty* (1982); second, there is Hans-Hermann Hoppe's axiomatic deduction of the intrinsically moral nature of private property and the market economy (Hans-Hermann Hoppe (1989, pp. 127–144, 1993, pp. 173–208) starts from the Habermasian axiom that argumentation between different people requires the implicit acceptance of individuality and the right of ownership to the self, one's being and thoughts, and from this axiom, Hoppe logically deduces an entire ethical foundation for property rights and capitalism.); and third, there is the brilliant contribution of Israel M. Kirzner (1989) who has managed to reframe the concept of distributive justice in capitalism, when he shows that every human being has a right to take ownership of the results of his or her own entrepreneurial creativity.

Let us note that all of these contributions have come from theorists of the Austrian school of economics, which again reveals the strong connections between a correctly formulated economic theory and the sphere of social ethics. (In addition to these two perspectives (economic theory and social ethics), there is a third, historical-evolutionary perspective developed by Hayek and covered in my article (1988, p. 10). In this paper, I attempt to show that each one of the three perspectives has its own area of application and enriches, complements, and compensates for the possible errors and excesses of the other two).

For even though economic science is *wertfrei*, or free of value judgments, it can shed light on different ethical viewpoints so that choosing one is easier, and, as Rothbard, Hoppe, and Kirzner have shown, it can also facilitate and strengthen logical-deductive reasoning in the realm of social ethics, thus avoiding the many errors and dangers that would arise from the static analysis of a poorly formulated (neoclassical) economic theory, based on unrealistic assumptions of full information and on an extremely narrow concept of "rationality." (Nevertheless, economic theory cannot by itself determine a moral position, and thus the criticism Roland Kley (1994) leveled at Kirzner is unfounded).

The Nonexistent Opposition Between the Standards of Efficiency and Justice

The idea that efficiency and ethics are two different dimensions which can be combined in different proportions is another of the negative consequences which follow naturally from the scientist paradigm that until now has predominated in social studies. In fact, if one believes it is possible to make decisions based on a cost-benefit analysis, because one presupposes that all necessary information is given in a static context, then not only is it not necessary for individual actors to abide by any prior framework of guidelines for moral behavior (apart from a mere ad hoc maximization of "utility"), but it is also easy to arrive at the conclusion (reflected, e.g., in the so-called second fundamental theorem of welfare economics) that any scheme of equity imposed by the force of the state can become compatible with the static criteria of Pareto efficiency.

However, the view of the social process as a dynamic reality comprised of the interaction between countless human beings, each of them endowed with an innate and constant creative capacity, recognizes that it is impossible to know in detail the costs and benefits that will follow from each action, and as a result, human beings must use as an automatic pilot for behavior a series of moral guidelines or principles for action. Moreover, these moral principles tend to make it possible for people to interact in a coordinated manner, and thus, the principles tend to generate a process of coordination which I have referred to as "dynamically efficient."

From the point of view of the market as a dynamic process, efficiency understood as coordination emerges from the behavior of human beings when they follow certain specific moral guidelines; *and* vice versa, the exercise of human action subject to these ethical principles gives rise to a "dynamic efficiency" understood as a tendency toward coordination in the processes of social interaction. Therefore, we can conclude that *from the dynamic point of view, efficiency is not compatible with different frameworks of equity or justice, but rather it emerges from only one of them*.

Hence, the conflict between efficiency and justice is false and erroneous. What is just cannot be inefficient, nor can what is efficient be unjust, for from the perspective of a dynamic analysis, justice and efficiency are simply two sides of the same coin, which also confirms the integrated and coherent order that exists in the social realm. The supposed opposition between the two dimensions springs from the erroneous mindset of static efficiency developed by those in the neoclassical paradigm of so-called welfare economics and also from the erroneous idea of equity or "social justice," according to which the results of the social process can be judged independently of the behavior of the individuals who have participated in it.

Criticism of the Concept of "Social" Justice

The theoretical developments in welfare economics, based on the static criterion of Pareto efficiency, emerged with the vain illusion of avoiding any explicit entrance into the field of ethics, and they have ended up making it impossible to

perceive the severe problems for justice and the dynamic inefficiency that arise when, to a greater or a lesser extent, institutional coercion is applied to the market process. In fact, the view of the economy as a process which results from the free action of human beings subject to certain moral principles not only permits us to adequately redefine efficiency in dynamic terms but also throws quite a bit of light on the standard of justice that must prevail in social relationships.

This standard rests on traditional moral principles, which permit us to judge individual behaviors as just or unjust according to the abstract, general legal guidelines that make up substantive law and basically regulate the right to own property, the right which enables human beings to take ownership of all the fruits of their own innate entrepreneurial creativity.

Respect for life, peacefully acquired ownership, compliance with promises and contracts, individual responsibility, etc. are all patterned behaviors which have emerged in an evolutionary manner throughout a very lengthy period of time and which establish a framework within which human beings can freely exercise their creative capacity by coordinating social maladjustments and furthering the advancement of civilization.

Moreover, even though these principles are of evolutionary origin (Hayek), they are an essential manifestation of human nature, and, as Rothbard asserts, they can and must be subjected to rigorous rational analysis of their coherence, to exegesis, and to the elimination of logical defects.

From this point of view, it becomes clear that alternative standards of justice that do not coincide with the one indicated are fundamentally immoral. Particularly reprehensible among them is the concept of "social justice," which attempts to judge as just or unjust the specific *results* of the social process in certain historical moments, *regardless of whether the behavior of the participants has adhered to abstract*, *general legal*, *and moral guidelines.*

"Social justice" only makes sense in a phantasmagoric, static world in which goods and services are given and the only possible problem is how to distribute them. However, in the real world, in which the processes of production and distribution take place simultaneously as a result of entrepreneurial drive and the creative capacity that comes with it, the concept of "social justice" makes no analytical sense and can be considered fundamentally immoral in three different ways:

(a) From an evolutionary standpoint, to the extent that the prescriptions which follow from the idea of "social justice" go against the traditional principles of property rights which have formed through custom and have made modern civilization possible.

(b) From a theoretical standpoint, as it is impossible to organize society based on the principle of "social justice," since the systematic coercion which necessarily accompanies the imposed goal of income redistribution precludes the free exercise of entrepreneurship and, as a result, the creativity and coordination that make the advancement of civilization possible.

(c) From an ethical standpoint, to the extent that there is a violation of the moral principle that every human being has a *natural right* to the fruits of his or her own entrepreneurial creativity. It is to be expected that as citizens become aware of the grave errors and essential immorality that derive from the spurious concept of "social justice," the institutional state coercion this concept is considered to justify will gradually disappear, just as in the past such hateful institutions as the murder of newborns or slavery disappeared (Hayek 1978).

The Right to Private Property as an Essential Ethical Principle in a Market Economy

Most of the ideas of distributive justice which have prevailed up to now and which have comprised the "ethical foundation" of important political and social movements (of a "socialist" or "social-democratic" nature) spring from or rest on an erroneous, static view of economics. In fact, the paradigm of economic theory predominant until now was based, to a greater or a lesser extent, on the view that information is objective and given (either in certain or probabilistic terms), and thus people thought it possible to carry out a cost-benefit analysis based on it. This being the case, it seemed logical that the question of utility maximization was totally independent from the question of morality and that the two could be combined in different proportions. Furthermore, the static view which until now has predominated led inexorably to the assumption that in a sense, resources were known and given, and hence the economic problem of their distribution was considered different and independent from that of their production. Indeed, if resources are given, it is of extreme importance how both the means of production and the result of the different production processes are distributed among people.

This entire approach has been demolished by the new dynamic conception of market processes and the new economic theory of entrepreneurship (Huerta de Soto 2010). This theory has demonstrated that each human being possesses an innate creative capacity that enables him to perceive and discover the profit opportunities that emerge in his environment and to act accordingly to take advantage of them. Hence, entrepreneurship consists of the typically human ability to constantly create and discover new ends and means. From this perspective, resources are not given, but rather both the ends and the means are continually conceived ex novo by entrepreneurs, who always wish to meet new objectives that they *discover* to have a higher value. And if the ends, means, and resources are not given, but instead are constantly being created from nothing via the entrepreneurial action of human beings, then clearly the essential problem in ethics is not how to fairly distribute "what exists" but rather how to foster *creativity* in the manner most suited to human nature.

Therefore, in the field of social ethics, we must conclude that the view of human beings as creative actors makes it inevitable that we accept as an axiom the ethical

principle that "every human being has the natural right to the fruits of his or her own entrepreneurial creativity." This is so not only because if it were not, these fruits would not act as an incentive capable of inspiring humans' creative, entrepreneurial insight, but also because it is a universal principle and can be applied to all people in all conceivable circumstances.

Moreover, the above ethical principle, which provides the ethical foundation for every market economy, also has other significant, characteristic advantages. To begin with, we could note that it is quite intuitively attractive to everyone: it seems obvious that if someone creates something from nothing, he or she has the right to appropriate it, since it harms no one. (What was created did not exist beforehand, and thus its creation does not hurt anyone and, at the very least, benefits the creative actor, if not many other human beings as well.) Furthermore, this ethical principle is universally valid (Rothbard) and closely related to the principle of Roman law concerning the original appropriation of resources that do not belong to anyone (*occupatio rei nullius*).

If we see the economy as a dynamic entrepreneurial process, the ethical principle which must govern social interactions rests on the view that the most just society is that which most energetically encourages the entrepreneurial creativity of all the people that comprise it. To achieve this goal, it is essential that all of these people have the a priori security that they will be able to appropriate the fruits of their own entrepreneurial creativity (which did not exist in society before they were discovered or created by each actor) and that these fruits will not be totally or partially expropriated by anyone and least of all by government officials.

Finally, the analysis put forward reveals the immoral nature of interventionism, understood as any system of institutional aggression used by the state against the free exercise of human action or entrepreneurship in any social sphere. Indeed, coercion against the actor prevents him from developing what is by nature most his own, i.e., his innate capacity to create and conceive of new ends and means and to act accordingly to achieve them. To the extent that state coercion prevents entrepreneurial human action, people's creative capacity will be limited, and the information or knowledge necessary to drive and coordinate society will not emerge or be discovered.

Precisely for this reason, socialism is an intellectual error, since it keeps people from generating the information the governing body needs to coordinate society via coercive commands. Moreover, our analysis has the potential to show that the socialist, interventionist system is immoral, as it is based on the forceful thwarting of human beings' appropriation of the results of their own entrepreneurial creativity. In this way, socialism reveals itself not only as theoretically erroneous and economically impossible (i.e., *inefficient*) but also, and simultaneously, as a fundamentally *immoral* system, since it goes against humans' most intimate nature and stops them from realizing their potential and freely appropriating the fruits of their own entrepreneurial creativity.

This creative, entrepreneurial drive also manifests itself in the sphere of assistance to those in need and in the prior search for and systematic detection of situations in which others need help. Hence, state coercion, through the

mechanisms of the so-called welfare state, neutralizes and, to a great extent, blocks the entrepreneurial search for situations of urgent human need and the assistance to neighbors (near and far) in need, and thus intervention stifles the natural aspirations for voluntary solidarity and collaboration which are so important to most people. ("By intervening directly and depriving society of its responsibility, the Social Assistance State leads to a loss of human energies and an inordinate increase of public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending. In fact, it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbours to those in need" (Pope John Paul II 1991, Chap. V, Sect. 48)).

The dynamic view of the market as a spontaneous order which emerges from human interaction driven by entrepreneurship makes it easier to take an ethical position and reinforces the idea that free markets fueled by entrepreneurship are not only the most efficient from a dynamic standpoint, but also they constitute the only just economic system.

Conclusion: The Social Doctrine of the Catholic Church and the Austrian School of Economics

Perhaps one of the most significant aspects of the most recent formulations of Catholic social doctrine in favor of the market economy lies in the great influence exerted on them by the views of the Austrian school of economics, specifically those of Hayek and Kirzner, an agnostic, non-practicing Catholic and a deeply religious, practicing Jew, respectively. Indeed, Michael Novak, the Catholic thinker, surprised the world when he made public the lengthy personal conversation Pope John Paul II and Hayek had before the death of the latter. ("During the last months of his life, Hayek had the opportunity for a long conversation with Pope John Paul II. There are signs of Hayek's influence in certain portions of the Pope's encyclical *Centesimus Annus*. In Sects. 31 and 32 in particular, *Centesimus Annus* employs unmistakably Hayekian insights" (Michael Novak 1993a, p. 7)). And later, in his noteworthy book, *The Catholic Ethic and the Spirit of Capitalism*, Novak (1993b, p. 117) pointed out the close parallel between the idea of creative human action developed by Pope John Paul II (1979) in his doctoral thesis entitled *The Acting Person* and the concept of entrepreneurship defined by Kirzner. ("Israel Kirzner defines enterprise as an act of discovery, an act of discerning either a new product or service to be supplied for the utility of others, or a new way of providing the same. The Pope sees creativity at work in such acts of discovery and discernment. Like religious freedom, economic initiative also flows from the "creative subjectivity" of the human person. This line of thought led the Pope to discern the role of enterprise in economic activity" (Michael Novak 1993b, p. 128)).

Pope John Paul II refined this concept in his encyclical, *Centesimus Annus*, where he expressly identifies the decisive factor in society as entrepreneurship or creative human action, or as he states in his own words, "...*man himself,* that is, his

knowledge...," in its two variants, scientific knowledge and practical knowledge, which he defines as that necessary to "...perceive the needs of others and to satisfy them." According to John Paul II, this knowledge permits people "...to express their creativity and develop their potential" and also to enter "...the network of knowledge and intercommunication..." which constitutes the market and society. Hence, from the point of view of John Paul II, "...the *role* of disciplined and creative *human work* and, as an essential part of that work, *initiative and entrepreneurial ability* becomes increasingly evident and decisive." (1991, Chap. IV, Sects. 31–33).

Without a doubt, the encyclical *Centesimus Annus* reveals the dramatic modernization in its writer's view of economic science and a great qualitative leap forward in a scientific sense, a leap which left long-standing Catholic social doctrine largely outdated and which surpassed even substantial sectors of economic science, which even now remain anchored to the mechanism of the neoclassical-Walrasian paradigm and which have not managed to introduce in their "models" the fundamentally creative and dynamic nature of entrepreneurship. Thus, for the first time in history, and due to the positive influence of the Austrian school of economics, the social doctrine of the Catholic Church has gone beyond the dominant paradigm of economic science itself, which until now has ignored human creativity and remains anchored to a static view of the market and society.

References

John Paul II (1991) Centesimus Annus: on the hundredth anniversary of Rerum Novarum. http://www.vatican.va/edocs/ENG0214/__P7.HTM

John Paul II (1993) Veritatis splendor. http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_06081993_veritatis-splendor_en.html

Hayek F (1978) The mirage of social justice. Law, legislation, and liberty, vol 2. University of Chicago Press, Chicago

Hoppe HH (1989) A theory of socialism and capitalism. Kluwer, Holland

Hoppe HH (1993) The economics and ethics of private property. Kluwer, Holland

Huerta de Soto J (1988) Conjectural history and beyond. Hum Stud Rev 6(2):10

Huerta de Soto J (2010) Socialism, economic calculation, and entrepreneurship. Edward Elgar, Cheltenham/Northampton

Kirzner I (1989) Discovery, capitalism, and distributive justice. Basil Blackwell, London

Kley R (1994) Hayek's social and political thought. Clarendon, Oxford

Novak M (1993a) Two moral ideas for business (The Hayek memorial lecture, June 22, 1992, London, England). Economic Affairs, Sept–Oct 1993, p 7

Novak M (1993b) The Catholic ethic and the spirit of capitalism. The Free Press/Macmillan International, New York

Rothbard M (1982) The ethics of liberty. Humanities Press, Atlantic Highlands, New Jersey

Wojtyla K (1979) The acting person. Reidel Publishing Company, Dordrecht/Holland

The Ethics of Money Production

Jörg Guido Hülsmann and Lucas Scrive

Contents

Abstract

Government interventions have always played a central role in the production of money. Invariably, they have been justified by invoking the common good. More than in other applications of virtue ethics, it is therefore necessary to examine the causal nexus between concrete individual actions (monetary interventions) and the common good. The groundwork for this analysis has been laid by Nicolas Oresme in the fourteenth century. In the light of his approach, the main monetary institutions of our present day – fractional-reserve banking and fiat money – appear to be questionable practices that undermine the political, economic, and moral foundations of society.

J.G. Hülsmann (✉)
University of Angers, Angers, France
e-mail: guido.hulsmann@univ-angers.fr

L. Scrive
International Academy of Philosophy in Liechtenstein, Bendern, Liechtenstein
e-mail: lucas.scrive@gmail.com

Introduction

Money is a generally accepted medium of exchange (Menger 1892). Monetary exchange makes it possible to overcome the limitations of direct (barter) exchange and thus to extend the division of labor. Money is therefore of fundamental importance for economic development and the flourishing of civilization.

Until the seventeenth century, monetary exchanges in the Western world were more or less exclusively carried out with commodity monies, especially with precious metal coins. Starting from the seventeenth century, commercial banking grew increasingly important in the West. Their growth was premised to a large extent on the production of new types of media of exchange, in particular, of banknotes redeemable into precious metal and of scriptural or accounting money redeemable into precious metal. As from the eighteenth century, Western governments have introduced fiat monies, and, in the twentieth century, fiat monies triumphed all over the world.

Producing money must not be confused with the *using* money. The latter involves hoarding, donating, and exchanging money, including the lending of money at interest. A venerable and very substantial literature deals with the ethics of using money (Noonan 1957; Hulme 1957), whereas the ethics of producing money has been neglected, especially in respect to modern monetary institutions such as central banks and fiat money.

From the point of view of virtue ethics, the production of money presents three related particularities. First, throughout all periods of monetary history, government interventions have played a central role in the production of money. They were also the main source of bad practice in this field (Burns 1965; Chown 1994; Davies 2002; Bernholz 2003). Second, government interventions involve the violation of private property rights (Bastiat 1863; Mises 1929) and are therefore *prima facie* condemnable from a virtue-ethical point of view. Third, such violations of the common law and common ethical standards are typically justified by invoking beneficial effects for the common good that could not be otherwise obtained (Aquinas 1949; Ptolemy of Lucca 1997; Messner 1966; Mises 1993). Standard arguments in the ethics of money production therefore have the logical character of "doing evil that good may come."

From the "first-person point of view" of virtue ethics (Finnis 1983; Rhonheimer 2011), this represents arguably a tension if not an outright contradiction. Do persons engaged in – and subject to – permanent wrongdoing truly develop good habits even if the ultimate outcome of this practice is beneficial from some overall point of view? At any rate, more than in other applications of virtue ethics, it is here necessary to examine the causal nexus between monetary interventionism and the common good. Whether and to which extent the two are related is a central question in the virtue ethics of money production.

Redistributive Effects of Money Production

The production of additional money units brings about a tendency for all money prices to rise, respectively, a reduction of the purchasing power of all (old and new) money units (Azpilcueta 2004 [1556]). However, this price inflation does not occur in the way of a single and simultaneous change of all prices. It springs from a great number of subsequent exchanges that affects individual prices each at a different time and to a different extent. These consequences of money production for the price structure are called "Cantillon effects," after Richard Cantillon (1997), who first described them in the early eighteenth century.

One important implication of Cantillon effects is that the first users of the new money units – those who can exchange them first – stand to benefit from the fact that their purchasing power is still relatively high. By contrast, the other money users, and especially the last users of the new money units, have to wait until their monetary revenue increases when they receive some of these new units. But until this happens, they already have to pay higher money prices out of their old revenue. In short, the production of money creates winners and losers.

In a hypothetical pure free market economy, the extent of this redistribution would be limited by the cost of producing commodity money. Money production would essentially boil down to mining and minting precious metals at high costs and at margins not significantly different from the profits obtained in any other business. Also the moral issues of mining and minting resemble those of other businesses, revolving around honesty and faithfulness to customers, employees, and fellow citizens (Hülsmann 2008a).

However, through coercion it is possible to greatly increase the production of money and thus to extend the gains and the corresponding losses. This explains why governments from the mist of times to the present day have had a very strong self-interest to intervene in the production of money (unsurprisingly this self-interest hardly ever served as a moral justification for monetary interventionism). This also explains the particular evolution of monetary systems across time: the newer monetary systems typically become more expansionist and depend to an ever greater extent on government support (Ederer 1964; Rothbard 1990; Hoppe 1994).

Debasement

The debasement of coins under the protection of the political ruler has been a widespread and often massive government practice from antiquity to the seventeenth century (Gaettens 1955). It has always been vigorously condemned (see, e.g., Innocent 1199). There is a plethora of references in biblical writings (especially Is. 1: 22–25, 60: 17; Lev. 19: 35–36; Deut. 25: 13–16; Prov. 20: 10, 23; Matt. 22: 21) but also in the medieval literature dealing with the problems of coin making. The Old Testament condemned the use of different weights and

measures, and it presented pure and unaltered coins as an ideal (Rushdoony 1975; North 1986).

In the fourteenth century, Nicolas Oresme (1956), bishop of Lisieux and confessor of the French king Charles V, wrote the first ever treatise on money (Bridrey 1906). He dealt with the origin and nature of money, as well as with monetary interventionism in the form of alterations of the coinage. His analysis established principles that not only influenced many later writer such as Copernicus (1864) and de Mariana (2002) but which are still relevant today.

Most notably, Oresme refuted the idea that money was created by the state, as well as the related idea that the money of the country was the private property of the government, so that the latter could change the coinage ad libitum. Oresme underscored that coins were precious metals of certified weight and fineness. The prince did not create the metal; he should merely certify the contents of coins because everybody knows and trusts him (see also Say 1841; Cernuschi 1877; Menger 1892).

There was no need and no legitimacy in altering the certificates. Neither the government nor any other single group or individual could rightfully change the coinage. Such alterations needed the consent of the entire community of money users, *and* they had to be the only means to confront a great emergency, such as a sudden attack by an overwhelming enemy.

By extension, Oresme's argument can be applied to refute the modern view that banks may create as many notes and deposits as they wish because credit (and thus bank credit) is the original form of money, whereas coins, notes, etc. are just means to settle deferred payments. This view was first formulated by Macleod (1855), then elaborated by Knapp (1905), and has a present-day advocate in Graeber (2011). It was refuted by Mises (1981).

Oresme analyzed in detail the different techniques for altering an already existing coinage. He argued that all of these practices were condemnable because they entailed illicit gains. These gains were "worse than usury" if the prince himself altered the coinage to gain at the expense of the citizens. Moreover, such alterations were destructive in that they undermined good faith and thus ruined commerce and credit. They also discouraged charitable donations and led to wrong investment decisions if the citizens did not realize that they were subject to a hidden tax.

Moreover, Oresme tackled the crucial question whether the policy-induced increase of the money supply served a higher purpose. He refuted the idea that debasement-induced increases of the nominal money supply were beneficial for the economy as a whole. Changes of the nominal money supply did not improve or increase the services rendered by money; they merely affected the terms of deferred payments such as in credit contracts. The economy can operate with virtually any nominal money supply. At a higher supply, the prices are higher; at a lower supply, they are lower.

Fractional-Reserve Banking

During the seventeenth and eighteenth centuries, debasement was abandoned in the Western world. Governments had discovered that the money supply could be more

efficiently inflated by promoting fractional-reserve banks. They started to create such banks on their own account and encouraged similar initiatives from businessmen (Dillen 1934).

Banks can operate according to the model of a money warehouse or to the model of a fractional-reserve bank (Rothbard 1983). A money warehouse issues redeemable banknotes and creates redeemable deposits, all of which are backed by a full or 100 % reserve in precious metal coins held in the warehouse. By contrast, a fractional-reserve bank (FRB), while it also issues redeemable banknotes and creates redeemable deposits, holds less than 100 % reserves to back up these issues.

A money warehouse does not increase the overall supply of media of exchange; it simply replaces precious metal coins by paper certificates or deposits. Conversely, FRBs do increase the overall supply of media of exchange because they create banknotes and deposits in excess of their cash holdings. An important corollary is that FRBs cannot in fact redeem all their issues at the same time. They can function only as long as their cash reserves are sufficient to satisfy ongoing redemption demands. Unsurprisingly, FRBs have held center stage of most financial crises of the past 200 years (Reinhart and Rogoff 2009).

From the very outset, the practice of fractional-reserve banking was clouded in secrecy and deception (Huerta de Soto 2006; Olszak 1998). It rose to juridical legitimacy only in the nineteenth century (Rothbard 1983) and has prompted economic debates and criticism until the present day.

The first debate played out in the seventeenth and eighteenth centuries, largely within the School of Salamanca (Dempsey 1943; Grice-Hutchinson 1952; Huerta de Soto 1996; Chafuen 2003), and concerned mostly the juridical question whether uncovered demand deposits were any different from loans. Even more famous was the great nineteenth-century international debate between the Currency School and the Banking School (Smith 1990). This time the argument revolved around the economic mechanisms and overall consequences of FRBs. In the aftermath of the triumph of the Banking School, opposition to FRBs became much more sporadic and occurred mainly during great banking crises.

Present-day advocates of fractional-reserve banking typically underscore three arguments:

1. *Liberty of contract.* A basic justification of fractional-reserve banking refers to the principle of liberty of contract. On a free market, nobody is forced to use banknotes or own a bank account. Nobody should be forced to forego the services of FRBs (Selgin and White 1996; Selgin 2000; Salin 1998). Contractual solutions can always be found to make FRBs possible (Evans 2013).
2. *Economic superiority of FRBs.* FRBs are more efficient than money warehouses, as demonstrated by the fact that they, rather than warehouses, dominate commercial banking today (Selgin 2000; Salin 2001).
3. *FRBs make the money supply elastic.* Since they can create unlimited amounts of notes and deposits as long the public is willing to hold those money substitutes, they can adjust the money supply to the demand for money at a given price level. FRBs are therefore said to have stabilizing effects on the economy (Selgin 1988).

Some authors refer to the historical case of the Scottish banking system before 1844, which featured highly leveraged FRBs yet virtually no banking crisis (White 1984, critique in Rothbard 1988).

Present-day critics of FRBs typically bring up seven objections:

1. *FRBs have been fraudulent*. They have misrepresented the nature of their activities, insinuating that their notes and deposits were fully covered, respectively, camouflaging the fact that they were not fully covered (Huerta de Soto 2006).
2. *FRBs are still operating in a legal limbo*. Basic concepts such as "deposit" have a different meaning in banking law and regulations than in other branches of the law (Rothbard 1983; Huerta de Soto 2006; Hoppe et al. 1998; Köhler 2013; Bagus et al. 2014).
3. *The practical success of FRBs is due to massive government support*. FRBs have driven cash and money warehouses out of the market, not because they are per se more efficient, but because they have benefitted from legal exemptions and also enjoyed central bank support (Hülsmann 2003; Bagus and Howden 2013; critique of Hülsmann in White 2003).
4. *FRBs cause crises*. On the one hand, this is so by the well-known fact that they issue notes and deposits in excess of their cash reserves, thus exposing themselves and others to bank runs. But they also create crises by artificially alleviating credit conditions, prompting inter-temporal equilibria within the structure of production (Mises 1981).
5. *FRBs reinforce the business cycle*. During the boom, they tend to create ever more loans, and therefore ever more money, thereby feeding the boom, and during the bust, they diminish their loans and thus the overall money supply, thereby aggravating the bust (Fisher 1933, 1935a; Allais 1999; Benes and Kumhof 2012).
6. *The stabilizing effects of FRBs are illusory*. FRBs do not passively follow the demand for money when creating notes and deposits. Rather, they have the possibility to stimulate the demand for credits by alleviating credit conditions such as interest rates, collateral, etc. (Mises 1981).
7. *Private firms should not produce money*. Some authors endorse the principle of artificial money production per se, but reject FRBs. An infinitely elastic money supply is beneficial for the economy as a whole. But the production of money substitutes through commercial banks is problematic because it allows private companies to derive substantial profits from fulfilling a public mission, and at the public's expense, without any necessity. The production of money could and should be left in the hands of the state (Huber and Robertson 2000).

It is noteworthy that, in a hypothetical free market economy, fractional-reserve banking would have a very limited scope, precisely because it is prone to bank runs.

If redemption demands are too high, an FRB cannot comply because by definition it does not hold sufficient reserves. Market participants therefore have great incentives to be vigilant and monitor FRB activities. Banks that deplete their reserves too much would lose their customers. Free competition in banking would impose a narrow limit on FRB activities (Horn 1866; Cernuschi 1866; Mises 1998; Hülsmann 2003).

However, the existing economies are not pure free market economies, but interventionist economies. Governments have always been major clients of FRBs and therefore tried to promote their development beyond those natural limits. Thus, defaults and banking crises became a regular feature of Western economies, and governments stepped in to rescue the banking system. Eventually, they decided to give legal tender status (respectively, monopoly privileges) to the notes and deposits created by central banks, and they also granted the central banks the right to suspend the redemption of their issues. Central banks were thereby transformed into fiat money producers (Hülsmann 2008a).

Fiat Money

A fiat money is characterized by the fact that its use is being imposed on the citizens, typically through monopoly privilege or through legal tender laws (Hoppe 1994; Kuznetsov 1997). While governments have imposed many different types of money, the most important cases of fiat monies are irredeemable paper notes and irredeemable accounting money, which can be produced ad libitum.

Today all countries of the world have fiat monies in the form of central bank notes and central bank deposits. There are no technical or commercial limitations to the production of fiat money. This implies most notably that a central bank cannot go bankrupt as long as its debts are denominated in its own currency. Similarly, no public or private organization can go bankrupt as long as it enjoys the unmitigated solidarity of the central bank that produces the money that it has to pay back.

The advocates of fiat stress two central arguments:

1. *Fiat money allows for unlimited expansionary monetary policy*. Fiat money can be produced ad libitum because it does not have to be redeemed. Its production is merely constrained by legal barriers, which can be eliminated through legislation or circumvented through legal loopholes. Increases of the money supply are conducive to increases in aggregate spending which are believed to encourage production (Law 1705; Macleod 1856; Keynes 1936; Bordo and Redish 2003).
2. *Fiat money allows to stabilize the economy*. Without fiat money-producing central banks, FRBs would be prone to bank runs, and the latter could entail a collapse of the entire banking system. Moreover, fiat money allows to regulate the overall money supply such that the price level is stabilized. This is helpful in dampening the business cycle. The ideal of a stable price level goes back to

Aquinas (Aquinas 1964; Wittreck 2002). Due to the impact of the Banking School on twentieth-century economists such as Irving Fisher (1935b), price-level stabilization became a dominant policy objective after World War I and until the present day (Blessing 1974; Bernanke 2002; Mishkin 2013). Though the ethical dimension has receded into the background, a stable price level is still seen as a warrant of equitable relations between debtors and creditors (Hesse and Issing 1994; Kramer 1996).

Present-day critics of fiat money emphasize eight main objections:

1. *No statistical evidence*. Central banks can bail out market participants with the help of the printing press, that is, at the expense of all other money users. But what is the overall impact of such policies? There is no statistical evidence that expansionary monetary policies deliver anything but short-term stimuli. Neither is there evidence that fiat money regimes have stabilized the economy in the long run (Atkinson and Kehoe 2004; White et al. 2010).
2. *Price-level stabilization is a questionable objective*. A stable price level is neither a necessary nor a sufficient condition for the operation of a market economy. Entrepreneurs and households can make the right decision under any price level and even under a changing price level (Mises 1981). Finally, financial busts are useful in purging the economy from malinvestments and in enforcing a circulation of economic and political elites (Mises 1981; Hülsmann 2008b, 2013).
3. *Fiat money facilitates the formation of financial bubbles* (Machlup 1931; Bagus 2008).
4. *Fiat monies often end up in hyperinflations* (Bernholz 2003).
5. *Fiat monies encourage excessive risk-taking that fragilizes the economy*. Commercial banks are encouraged to run down their cash balances and their equity ratios as far as legally allowed, because there is less need for them to take their own precautions against adverse market tendencies. For the same reason, they also make riskier investments. A significant part of the risks is "socialized" through the printing press (Hülsmann 2006, 2013).
6. *Fiat money tends to entail massive redistributions of incomes and wealth*. This results not only from the aforementioned Cantillon effects but also from the fact that foreseeable low-digit price inflation entails a flight into real values and into debt, both of which tend to benefit households that are already wealthy (Hülsmann 2013).
7. *Fiat money paves the way to political tyranny*. Fiat money unravels the natural balance between the government and the rest of society. It turns legitimate rulers into tyrants (Oresme 1956; Mariana 2002; Mises 1981; North 1993).
8. *Fiat money undermines the moral foundations of society*. When profits are private, while losses are socialized, the beneficiaries are encouraged to behave in ways that are no longer conducive to the common good. Fiat money regimes tend to encourage irresponsibility, materialism, short-termism, and insatiability on the side of individuals and a thoroughgoing politicization of the entire society

(Beutter 1965; Cantor 1994; Hülsmann 2008a, 2013). These cultural consequences are particularly relevant from a virtue-ethical point of view. Fiat money regimes destroy many economic incentives for persons to become good persons and to cultivate goodwill.

Conclusion

The history of money production is the history of questionable government interventions that have created increasingly artificial, expansionary, and fragile monetary systems, which in turn undermine the moral foundations of society. There is overwhelming evidence that these interventions are not only prima facie illicit because of their coercive nature but in fact do great harm to the common good. What can be done?

Historical experience and theoretical considerations suggest that money production should best be entrusted to private enterprise (Strigl 1932; Hayek 1976; Rothbard 1994). This would be no guarantee against abuses, but it would limit the scope of money mischief. Private counterfeiters would have to operate clandestinely, and private money producers would be forced to strive for excellence. By contrast, government intervention may institutionalize bad practice by outlawing superior competitors.

Such reforms will not be easy to achieve. Any changes to the status quo of monetary and financial institutions have huge financial stakes. They threaten the wealth of the very persons and groups who control the existing institutions. Unsurprisingly, the latter tend to finance research and writing in favor of the status quo (Gouge 1833; Sumner 1896; Connolly 1995; White 2005).

References

Allais M (1999) La crise mondiale d'aujourd'hui. Clément Juglar, Paris

Aquinas T (1949) On kingship, to the King of Cyprus. Pontifical Institute of Mediaeval Studies, Toronto

Aquinas T (1964) Commentary on the Nicomachean ethics. Regnery, Chicago

Atkeson A, Kehoe PJ (2004) Deflation and depression: is there an empirical link? AER Pap Proc 94:99–103

Azpilcueta M (2004 [1556]) Commentary on the resolution of money. J Mark Moral 7(1):171–312

Bagus P (2008) Monetary policy as bad medicine. Rev Austrian Econ 21(4):283–300

Bagus P, Howden D (2013) Some ethical dilemmas of modern banking. Bus Ethics 22(3):235–245

Bagus P, Howden D, Gabriel A (2014) Oil and water do not mix, or: Aliud Est Credere, Aliud Deponere. J Bus Ethics 128(1):197–206

Bastiat F (1863 [1850]) La Loi. In: Œuvres complètes, Guillaumin, Paris vol 4. pp 342–393

Benes J, Kumhof M (2012) The Chicago plan revisited. IMF Working Paper, Washington, DC

Bernanke B (2002) Deflation: making sure 'it' doesn't happen here. National Economists Club, Washington, DC

Bernholz P (2003) Monetary regimes and inflation. Edward Elgar, Cheltenham

Beutter F (1965) Zur sittlichen Beurteilung von Inflationen. Herder, Freiburg

Blessing K (1974) Geldwertstabilität als gesellschaftspolitisches Problem. In: Hoffman K, Weber W, Zimmer B (eds) Kirche und Wirtschaftsgesellschaft. Hanstein, Cologne

Bordo MD, Redish A (2003) Is deflation depressing? Evidence from the classical gold standard. NBER working paper #9520, Cambridge, MA

Bridrey É (1906) La théorie de la monnaie au XIVe siècle, Nicolas Oresme. Giard & Brière, Paris

Burns AR (1965 [1927]) Money and monetary policy in early times. Kelley, New York

Cantillon R (1997) La nature du commerce en général. Institut national d'études démographiques, Paris

Cantor P (1994) Hyperinflation and hyperreality: Thomas Mann in light of Austrian economics. Rev Austrian Econ 7(1):3–29

Cernuschi H (1866) Contre le billet de banque. Guillaumin, Paris

Cernuschi H (1877) Nomisma. Appleton, New York

Chafuen AA (2003) Faith and liberty: the economic thought of the late scholastics. Lexington Books, New York

Chown JE (1994) A history of money. Routledge, London

Connolly B (1995) The rotten heart of Europe. Faber and Faber, London

Copernicus N (1864) Traité de la monnaie. In: Wolowski L (ed) Traité de la première invention des monnoies, de Nicole Oresme . . . et Traité de la monnoie, de Copernic. Guillaumin, Paris

Davies G (2002) A history of money. University of Wales Press, Cardiff

Dempsey BW (1943) Interest and usury. American Council on Public Affairs, Washington, DC

Dillen JG (1934) History of the principal public banks. Nijhoff, The Hague

Ederer RJ (1964) The evolution of money. Public Affairs Press, Washington, DC

Evans JE (2013) In defence of 'demand' deposits: contractual solutions to the Barnett and Block, and Bagus and Howden debate. J Bus Ethics

Finnis JM (1983) Fundamentals of ethics. Oxford University Press, Oxford

Fisher I (1933) The debt-deflation theory of great depressions. Econometrica 1(4):337–357

Fisher I (1935a) 100% money. Adelphi, New York

Fisher I (1935b) Stabilized money: a history of the movement. Allen & Unwin, London

Gaettens R (1955) Inflationen: Das Drama der Geldentwertungen vom Altertum bis zur Gegenwart, 2nd edn. Pflaum, Munich

Gouge WM (1968 [1833]) A short history of paper money and banking in the United States. Kelley, New York

Graeber D (2011) Debt: the first 5000 years. Melville House, New York

Grice-Hutchinson M (1952) The school of Salamanca. Clarendon, Oxford

Hayek FA (1976) Free choice in currency. Institute of Economic Affairs, London

Hesse H, Issing O (eds) (1994) Geld und Moral. Vahlen, Munich

Hoppe H-H (1994) How is fiat money possible? Rev Austrian Econ 7(2) pp. 49–74

Hoppe HH, Hülsmann JG, Block W (1998) Against fiduciary media. Q J Austrian Econ 1(1):19–50

Horn JE (1866) La liberté des banques. Guillaumin, Paris

Huber J, Robertson J (2000) Creating new money. New Economics Foundation, London

Huerta de Soto J (1996) New light on the prehistory of the theory of banking and the school of Salamanca. Rev Austrian Econ 9(2):59–81

Huerta de Soto J (2006) Money, bank credit, and economic cycles. Mises Institute, Auburn

Hulme A (1957) Morals and money. St Paul Publications, London

Hülsmann JG (2003) Has fractional-reserve banking really passed the market test? Indep Rev 7(3):399–422

Hülsmann JG (2006) The political economy of moral hazard. Polit Ekon 54(1):35–47

Hülsmann JG (2008a) The ethics of money production. Mises Institute, Auburn

Hülsmann JG (2008b) Deflation and liberty. Mises Institute, Auburn

Hülsmann JG (2013) Krise der Inflationskultur. Finanzbuch-Verlag, Munich

Innocent III (1199) Quanto. Decretalium Gregorij Papae Noni Compilatio, Liber II, Titulus XXIII, Caput XVIII, col. 809-10

Keynes JM (1936) General theory of employment, interest and money. Macmillan, London

Knapp G (1905) Staatliche Theorie des Geldes. Duncker & Humblot, Leipzig

Köhler M (2013) Humes Dilemma – oder: Was ist Geld? Geldschöpfung der Banken als Vermögensrechtsverletzung. In: Freund G et al (eds) Grundlagen und Dogmatik der gesamten Strafrechtssystems. Duncker & Humblot, Berlin

Kramer R (1996) Ethik des Geldes. Duncker & Humblot, Berlin

Kuznetsov Y (1997) Fiat money as an administrative good. Rev Austrian Econ 10(2):111–114

Law J (1705) Money and trade considered etc. Anderson, Edinburgh

Machlup F (1931) Börsenkredit, Industriekredit und Kapitalbildung. Springer, Vienna

Macleod HD (1855) The theory and practice of banking. Vol. I. Longman, Brown Green, and Longmans, London

Macleod HD (1856) The theory and practice of banking. Longman, Brown Green, and Longmans, London

Mariana J (2002 [1609]) A treatise on the alteration of money. J Mark Moral 5(2):523–593

Menger C (1892) Geld. In: Handwörterbuch der Staatswissenschaften, Fischer, Jena. vol 3. pp 730–757

Messner J (1966) Das Naturrecht, 6th edn. Tyrolia, Innsbruck

Mises L (1976 [1929]) Kritik des Interventionismus. Wiss Buchgesellschaft, Darmstadt

Mises L (1981 [1912/1924]) Theory of money and credit. Liberty Fund, Indianapolis

Mises L (1993 [1927]) Liberalismus. Academia Verlag, Sankt Augustin

Mises L (1998 [1949]) Human action. Mises Institute, Auburn

Mishkin FS (2013) The economics of money, banking, and financial markets, 10th edn. Pearson, New York

Noonan JT (1957) The scholastic analysis of usury. Harvard University Press, Cambridge, MA

North G (1986) Honest money. Dominion Press, Ft Worth

North G (1993) Salvation through inflation: the economics of social credit. Institute for Christian Economics, Tyler

Olszak N (1998) Histoire des banques centrales. Presses Universitaires de France, Paris

Oresme N (1956) Treatise on the origin, nature, law, and alterations of money. In: Johnson J (ed) The De Moneta of Nicholas Oresme and English Mint documents. Nelson, London

Ptolemy of Lucca (1997) On the government of rulers. University of Pennsylvania Press, Philadelphia

Reinhart CM, Rogoff KS (2009) This time is different. Princeton University Press, Princeton

Rhonheimer M (2011) The perspective of morality. Catholic University of America Press, Washington, DC

Rothbard MN (1983) The mystery of banking. Richardson & Snyder, New York

Rothbard MN (1988) The myth of free banking in Scotland. Rev Austrian Econ 2(1):229–245

Rothbard MN (1990) What has government done to our money? 4th edn. Mises Institute, Auburn

Rothbard MN (1994) The case against the fed. Mises Institute, Auburn

Rushdoony RJ (1975) Hard money and society in the Bible. In: Sennholz H (ed) Gold is money. Greenwood, Westport

Salin P (1998) Free banking and fractional reserves: a comment. Q J Austrian Econ 1(3):61–65

Salin P (2001) In defence of fractional monetary reserves. In: 7th Austrian scholars conference, Auburn

Say JB (1841) Traité d'économie politique, 6th edn. Guillaumin, Paris

Selgin GE (1988) Theory of free banking. Rowman & Littlefield, Totowa

Selgin GE (2000) Should we let banks create money? Indep Rev 5(1):93–100

Selgin GE, White LH (1996) In defense of fiduciary media. Rev Austrian Econ 9(2):83–107

Smith VC (1990 [1936]) The rationale of central banking and the free banking alternative. Liberty Fund, Indianapolis

Strigl R (1932) Gibt es eine Sicherung gegen Inflation? Vernay, Vienna

Sumner WG (1971 [1896]) History of banking in the United States. Kelley, New York

White LH (1984) Free banking in Britain. Cambridge University Press, Cambridge, MA

White LH (2003) Accounting for fractional-reserve banknotes and deposits. Indep Rev 7(3):423–442

White LH (2005) The Federal Reserve System's influence on research in monetary economics. Econ J Watch 2(2):325–354

White LH, Lastrapes W, Selgin G (2010) Has the fed been a failure? Cato Institute Working Paper No 2, Washington, DC

Wittreck F (2002) Geld als Instrument der Gerechtigkeit. Die Geldrechtslehre des Hl. Thomas von Aquin in ihrem interkulturellen Kontext. Schöningh, Paderborn

The Ethics of Entrepreneurship and Profit

Hans-Hermann Hoppe

Contents

Abstract

With every action, we aim at substituting a more favorable future state of affairs for a less favorable one that would result if we were to act differently. In this sense, with every action we seek to increase our satisfaction and attain a psychic profit. Since all of our actions display entrepreneurship and are aimed at being successful and yielding the actor a profit, there can be nothing wrong with entrepreneurship and profit.

Property must be established through acts because only through actions, taking place in time and space, can an objective – intersubjectively ascertainable – link be established between a particular person and a particular thing.

All just property, then, goes back directly or indirectly, through a chain of mutually beneficial – and thus likewise conflict-free – property-title transfers, to original appropriators and acts of original appropriation.

The capitalist's profit indicates that he has successfully transformed socially less highly valued and appraised means of action into socially more highly valued and appraised ones and thus increased and enhanced social welfare.

H.-H. Hoppe (✉)
Las Vegas, NV, USA
e-mail: hoppe@mises.com

Introduction

In the most fundamental sense we are all, with each of our actions, always and invariably profit-seeking entrepreneurs.

Whenever we act, we employ some physical means (things valued as goods) – at a minimum our body and its standing room, but in most cases also various other, "external" things – so as to divert the "natural" course of events (the course of events we expect to happen if we were to act differently) in order to reach some more highly valued anticipated future state of affairs instead. With every action, we aim at substituting a more favorable future state of affairs for a less favorable one that would result if we were to act differently. In this sense, with every action we seek to increase our satisfaction and attain a psychic profit. "To make profits is invariably the aim sought by any action," as Ludwig von Mises has stated it (Mises 1966, p. 289).

But every action is threatened also with the possibility of loss. For every action refers to the future and the future is uncertain or at best only partially known. Every actor, in deciding on a course of action, compares the value of two anticipated states of affairs: the state he wants to effect through his action but that has not yet been realized, and another state that would result if he were to act differently but cannot come into existence, because he acts the way he does. This makes every action a risky enterprise. An actor can always fail and suffer a loss. He may not be able to effect the anticipated future state of affairs – that is, the actor's *technical* knowledge, his "know-how" may be deficient or it may be temporarily "superseded," due to some unforeseen external contingencies. Or else, even if he has successfully produced the desired state of physical affairs, he may still consider his action a failure and suffer a loss, if this state of affairs provides him with less satisfaction than what he could have attained had he chosen otherwise (some earlier-on rejected alternative course of action) – that is, the actor's *speculative* knowledge, his knowledge of the temporal change and fluctuation of values and valuations, may be deficient.

Since all of our actions display entrepreneurship and are aimed at being successful and yielding the actor a profit, there can be nothing wrong with entrepreneurship and profit. Wrong, in any meaningful sense of the term, are only failure and loss, and accordingly, in all of our actions, we always try to avoid them.

The question of *justice*, i.e., whether or not a specific action and the profit or loss resulting from it is *ethically* right or wrong, arises only in connection with *conflicts*.

Since every action requires the employment of specific physical means – a body, standing room, external objects – a conflict between different actors must arise, whenever two actors try to use the same physical means for the attainment of

different purposes. The source of conflict is always and invariably the same: the *scarcity of physical means*. Two actors cannot at the same time use the same physical means – the same bodies, spaces, and objects – for alternative purposes. If they try to do so, they must clash. Therefore, in order to avoid conflict or resolve it if it occurs, an action-able principle and criterion of justice is required, i.e., a principle regulating the just or "proper" versus the unjust or "improper" use and control (ownership) of scarce physical means.

Logically, what is required to avoid all conflict is clear: It is only necessary that every good be always and at all times owned *privately*, i.e., controlled exclusively by some specified individual (or individual partnership or association) and that it be always recognizable which good is owned and by whom, and which is not. The plans and purposes of various profit-seeking actor-entrepreneurs may then be as different as can be, and yet no conflict will arise so long as their respective actions involve only and exclusively the use of their own, private property.

Yet how can this state of affairs, the complete and unambiguously clear privatization of all goods, be practically accomplished? How can physical things become private property in the first place; and how can conflict be avoided from the beginning of mankind on?

A single – praxeological – solution to this problem exists and has been essentially known to mankind since its beginnings – even if it has only been slowly and gradually elaborated and logically reconstructed. To avoid conflict from the start, it is necessary that private property be founded through *acts of original appropriation*. Property must be established through *acts* (instead of mere words or declarations), because only through actions, taking place in time and space, can an objective – intersubjectively ascertainable – link be established between a particular person and a particular thing. And only the *first* appropriator of a previously unappropriated thing can acquire this thing as his property *without conflict*. For, by definition, as the *first* appropriator he *cannot* have run into conflict with anyone in appropriating the good in question, as everyone else appeared on the scene only *later*.

This importantly implies that while every person is the exclusive owner of its own physical body as his primary means of action, no person can ever be the owner of any other person's body. For we can use another person's body only *indirectly*, i.e., in using our directly appropriated and controlled own body *first*. Thus, direct appropriation temporally and logically precedes indirect appropriation; and accordingly, any nonconsensual use of another person's body is an unjust misappropriation of something already directly appropriated by someone else.

All *just* property, then, goes back directly or indirectly, through a chain of mutually beneficial – and thus likewise conflict-free – property-title transfers, to original appropriators and acts of original appropriation. Mutatis mutandis, all claims to and uses made of things by a person who had neither appropriated or produced these things, nor acquired them through a conflict-free exchange from some previous owner, are *unjust*.

And by implication: All profits gained or losses suffered by an actor-entrepreneur with justly acquired means are just profits (or losses); and all profits and losses accruing to him through the use of unjustly acquired means are unjust.

The *Capitalist-Entrepreneur*

This analysis applies in full also to the case of the entrepreneur in the term's narrower definition, as a *capitalist-entrepreneur*.

The capitalist entrepreneur acts with a specific goal in mind: to attain a *monetary* profit. He saves or borrows saved money; he hires labor; and he buys or rents raw materials, capital goods, and land. He then proceeds to produce his product or service, whatever it may be, and he hopes to sell this product for a monetary profit. For the capitalist, "profit appears as a surplus of money received over money expended and loss as a surplus of money expended over money received. Profit and loss can be expressed in definite amounts of money" (Mises 1966, p. 289).

As all action, a capitalist enterprise is risky. The cost of production – the money expended – does not determine the revenue received. In fact, if the cost of production determined price and revenue, no capitalist would ever fail. Rather, it is *anticipated* prices and revenues that determine what production costs the capitalist can possibly afford.

Yet the capitalist does not know what future prices will be paid or what quantity of his product will be bought at such prices. This depends exclusively on the buyers of his product, and the capitalist has no control over them. The capitalist must *speculate* what the future demand will be. If he is correct and the expected future prices do correspond to the later fixed market prices, he will earn a profit. On the other hand, while no capitalist aims at making losses – because losses imply that he must ultimately give up his function as a capitalist and become either a hired employee of another capitalist or a self-sufficient producer-consumer – every capitalist can err with his speculation and the actually realized prices fall below his expectations and his accordingly assumed production cost, in which case he does not earn a profit but incurs a loss.

While it is possible to determine exactly how much money a capitalist has gained or lost in the course of time, his money profit or loss do not imply much if anything about the capitalist's state of happiness, i.e., about his psychic profit or loss. For the capitalist, money is rarely if ever the ultimate goal (save, may be, for Scrooge McDuck, and only under a gold standard). In practically all cases, money is a *means* to further action, motivated by still more distant and ultimate goals. The capitalist may want to use it to continue or expand his role as a profit-seeking capitalist. He may use it as cash to be held for not yet determined future employments. He may want to spend it on consumer goods and personal consumption. Or he may wish to use it for philanthropic or charitable causes, etc.

What can be unambiguously stated about a capitalist's profit or loss is this: His profit or loss is the quantitative expression of the size of his contribution to the well-being of his fellow men, i.e., the buyers and consumers of his product, who have

surrendered their money in exchange for his (by the buyers) more highly valued product. The capitalist's profit indicates that he has successfully transformed socially less highly valued and appraised means of action into socially more highly valued and appraised ones and thus increased and enhanced social welfare. Mutatis mutandis, the capitalist's loss indicates that he has used some more valuable inputs for the production of a less valuable output and so wasted scarce physical means and impoverished society.

Money profits are not just good for the capitalist, then, they are also good for his fellow men. The higher a capitalist's profit, the greater has been his contribution to social welfare. Likewise, money losses are bad not only for the capitalist, but they are bad also for his fellow men, whose welfare has been impaired by his error.

The question of *justice*: of the *ethically* "right" or "wrong" of the actions of a capitalist-entrepreneur, arises, as in the case of all actions, again only in connection with conflicts, i.e., with rivalrous ownership claims and disputes regarding specific physical means of action. And the answer for the capitalist here is the same as for everyone, in any one of his actions.

The capitalist's actions and profits are *just*, if he has originally appropriated or produced his production factors or has acquired them – either bought or rented them – in a mutually beneficial exchange from a previous owner, if all his employees are hired freely at mutually agreeable terms, and if he does not physically damage the property of others in the production process. Otherwise, if some or all of the capitalist's production factors are neither appropriated or produced by him, nor bought or rented by him from a previous owner (but derived instead from the expropriation of another person's previous property), if he employs nonconsensual, "forced" labor in his production, or if he causes physical damage to others' property during production, his actions and resulting profits are *unjust*.

In that case, the unjustly harmed person, the slave, or any person in possession of proof of his own unrelinquished older title to some or all of the capitalist's means of production, has a just claim against him and can insist on restitution – exactly as the matter would be judged and handled outside the business world, in all civil affairs.

The Role of the State: The Problem of Justice

Complications in this fundamentally clear ethical landscape arise only from the presence of a *State*. The state is conventionally defined as an agency that exercises a territorial monopoly of ultimate decision-making in all cases of conflict, including conflicts involving itself and its agents. That is, the state can *legislate*, can unilaterally *make and break* law; and by implication, the state has the exclusive privilege to *tax*, i.e., to determine unilaterally the price its subjects must pay it to perform the task of ultimate decision-making.

Logically, the institution of a state has a twofold implication. First, with a state in existence all private property becomes essentially *fiat* property, i.e., property *granted* by the state and, by the same token, also property to be taken away by it via legislation or taxation. Ultimately, all private property becomes state property.

Second, none of the state's "own" land and property – misleadingly called public property – and none of its money income is derived from original appropriation, production, or voluntary exchange. Rather, all of the state's property and income is the result of prior expropriations of owners of private property.

The state, then, contrary to its own self-serving pronouncements, is not the originator or guarantor of private property. Rather, it is the conqueror of private property. Nor is the state the originator or guarantor of justice. To the contrary, it is the destroyer of justice and the embodiment of injustice.

How is a capitalist-entrepreneur (or anyone, for that matter) to act justly in a fundamentally unjust, statist world, i.e., confronted and encircled by an ethically indefensible institution – the state – whose agents live off and sustain themselves not from production and exchange but from expropriations: from the taking, redistributing, and regulating of the capitalist's and others' private property?

Since private property is just, every action in *defense* of one's private property is *just* as well – provided only that in his defense the defender does not infringe on the private property rights of others. The capitalist is ethically entitled to use all means at his disposal to defend himself against any attack on and expropriation of his property by the state, exactly as he is entitled to do against any common criminal. On the other hand, and again exactly as in the case of any common criminal, the capitalist's defensive actions are *unjust*, if they involve an attack on the property of any third party, i.e., as soon as the capitalist uses his means to play a *participatory* role in the state's expropriations.

More specifically: For the capitalist (or anyone) in the defense and for the sake of his property, it may not be *prudent* or even *dangerous* to do so, but it is certainly *just* for him to avoid or evade any and all restrictions imposed on his property by the state as best he can. Thus, it is *just* for the capitalist to deceive and lie to state agents about his properties and income. It is *just* for him, to evade tax payments on his property and income and to ignore or circumvent all legislative or regulatory restrictions imposed on the uses he may make of his factors of production (land, labor, and capital). Correspondingly, a capitalist also acts *justly*, if he bribes or otherwise lobbies state agents to help him ignore, remove, or evade the taxes and regulations imposed on him. He acts *justly* and above that becomes a *promoter of justice*, if he uses his means to lobby or bribe state agents to reduce taxes and property regulations *generally*, not only for him. And he acts justly and becomes indeed a *champion of justice*, if he actively lobbies to outlaw, as unjust, any and all expropriation, and hence all property and income taxes and all legislative restrictions on the use of property (beyond the requirement of not causing physical damage to others' property during production).

As well, it is just for the capitalist to buy state property at the lowest possible price – provided only that the property in question cannot be traced back to the expropriation of some specific third party that still retains title to it. And likewise it is just for the capitalist to sell his products to the state at the highest possible price – provided only that this product cannot be linked directly and causally to a future act of state aggression against some particular third party (as may be the case with certain weapons sales).

On the other hand, apart from any violation of the just mentioned two provisos, a capitalist acts *unjustly* and becomes a *promoter of injustice*, if and to the extent he employs his means for the purpose of maintaining or further increasing any current level of confiscation or legislative expropriation of others' property or income by the state.

Thus, for instance, the purchase of state government bonds and the monetary profit derived from it is *unjust*, because such purchase represents a lobbying effort on behalf of the *continuation* of the state and of ongoing injustice, as interest payments and final repayment of the bond require *future* taxes. Likewise and more importantly, any means expended by a capitalist on lobbying efforts to maintain or increase the current level of taxes – and hence of state income and spending – or of regulatory property restrictions are *unjust*, and any profits derived from such efforts are *corrupted*.

Conclusion

Confronted with an unjust institution, the temptation for a capitalist to act unjustly as well is systematically increased. If he becomes an accomplice in the state's business of taxing, redistributing, and legislating, new profit opportunities open up. Corruption becomes attractive, because it can offer great financial rewards.

By expending money and other means on political parties, politicians, or other state agents, a capitalist may lobby the state to subsidize his losing enterprise, or to rescue it from insolvency or bankruptcy – and so enrich or save himself at the expense of others. Through lobbying activities and expenses, a capitalist may be granted a legal privilege or monopoly concerning the production, the sale, or the purchase of certain products or services – and so gain monopoly profits at the expense of other money-profit seeking capitalists. Or he may get the state to pass legislation that raises his competitors' production costs relative to his own – and so grants him a competitive advantage at others' expense.

Yet, however tempting, all such lobbying activities and resulting profits are *unjust*. They all involve that a capitalist pays state agents for the expropriation of other, third parties, in the expectation of higher personal profit. The capitalist does not employ his means of production exclusively for the production of *goods,* to be sold to voluntarily paying consumers. Rather, the capitalist employs a portion of his means for the production of *bads*: the involuntary expropriation of others. And accordingly, the profit earned from his enterprise, whatever it may be, is no longer a correct measure of the size of his contribution to social welfare. His profits are *corrupted* and morally tainted. Some third parties would have a just claim against his enterprise and his profit – a claim that may not be enforceable against the state, but that would be a *just* claim nonetheless.

References

Hoppe H-H (2006) The economics and ethics of private property. Studies in political economy and philosophy. Ludwig von Mises Institute, Auburn

Hoppe H-H (2012) The great fiction. Property, economy, society, and the politics of decline. Laissez Faire Books, Baltimore

Rothbard MN (1988) The ethics of liberty. New York University Press, New York

von Mises L (1966) Human action. A treatise on economics. Regnery, Chicago

Part IX

Confucianism

Confucianism, Virtue, and Wisdom

Chris Provis

Contents

Abstract

As with other traditions, we need to separate doctrine from historical practice. Confucian doctrine resembles Western virtue ethics in many respects, but has some distinctive characteristics. Aiming for social harmony, it places clearer emphasis on the virtues of social life, revolving around ideas like humaneness and reciprocity. Associated with the focus on social virtues is the distinctive Confucian emphasis on conformity to lǐ, requirements of social ritual, including filial piety. Whatever limitations or distortions in practice these notions may have suffered, they remind us of the importance of people developing an understanding of the social world and the meanings of people's actions. Confucianism shares with Aristotle an awareness that for individuals to be good, they need moral wisdom as well as other dispositions of character, but Confucianism places greater emphasis on the role of reflection and study in the development of moral wisdom, an emphasis that may be timely in modern business.

C. Provis (✉)
School of Management, University of South Australia, North Terrace, Adelaide, SA, Australia
e-mail: chris.provis@unisa.edu.au

Introduction

Virtue ethics has been of resurgent interest in recent years, not least in business and management. At the same time, the influence of traditional Confucian societies continues to be consolidated in the world's political and economic order. It is natural than to consider how Confucianism and Western virtue ethics may learn from one another. There are some surprising similarities, but also some thought-provoking differences.

Confucianism: Complexities of Theory and Practice

To think about the place Confucianism may have in business ethics, we need to see Confucianism itself in perspective. It is easy for a newcomer to have an oversimplified picture. It may be seen as a rather monolithic, rigid set of norms and teachings that endured for centuries in a number of East Asian countries until pushed aside by modern economic and social development. However, it does not take long to realize that Confucianism is at least as complex as other major traditions. Christianity, Islam, Judaism, and other traditions have all had internal debates, developments, and divisions, and so has Confucianism. From Confucius onward, followers like Mencius and Xunzi were at odds not only with other teachings like Mohism and Legalism but also with one another. Later, around 1500 years later, European Reformation debates were mirrored by the divisions among Neo-Confucian thinkers as they reformulated and extended classical teachings, coming to terms with the inroads made by Daoism and Buddhism as well as by continuing social and political pressures (Ivanhoe 2000, Chaps. 4, 5; de Bary 1991, Chap. 4). More recently, "New Confucianism" has been examining and extending classical teaching in a radically new environment (Yao 2000, Chap. 5; Makeham 2005; Bell 2008).

However, the similarities between Confucianism and some other major traditions do not stop at the fact of internal division and debate. Just as in other traditions, there has often been a gap between theory and practice. If we were asked about the history of Christianity, we might tell about ideas and doctrines, but we might also tell of the role played by Christian teaching and authority in social and political history. The story would be a mixed one. In 1 Corinthians 13, St. Paul identifies love as the greatest Christian virtue, but it has often been neglected in Christian practice. So for Confucianism, the classical identification of virtues like *rén*, benevolence or humaneness, as a key imperative, has not always been reflected in practice. Even though Confucianism also formed a basis for dissenting voices to criticize governments and political orthodoxies (de Bary 1991), it was

adapted by one dynasty after another to bolster its political position and was used repeatedly to sustain the interests of dominant groups (Dull 1990). In considering Confucianism and business ethics, it is important to remember the difference between Confucianism as an abstract set of teachings and Confucianism as a historical, cultural practice.

Some important contributions to the business literature revolve around Confucianism as a practice, with its associated cultural values and customs. A well-known example is the study by Hofstede and Bond of "Confucian dynamism" and its relation to economic success (Hofstede and Bond 1988), and there are a number of other comparable studies (e.g., Lam 2003; see also Koehn and Leung 2004, pp. 267–269; Chan 2008, pp. 348–349). Nevertheless, we here focus primarily on Confucianism as a doctrine, rather than as a practice. The aim is to show how elements of Confucianism seen as a form of virtue ethics may suggest ways to approach issues that arise in business and may offer a different viewpoint than we would get from Western virtue ethics. A number of writers have suggested that Confucianism has something distinctive to offer business ethics (see, e.g., Romar 2002, 2013; Chan 2008).

Confucianism, Virtue, and the Mean

Certainly, there are some major similarities between Confucian virtue ethics and Western virtue ethics as it stems from Aristotle (Yu 1998, 2007; Yao 2000, p. 33). In both traditions, focus is on agents and their character, where character involves dispositions such as courage, honesty, benevolence, or generosity (e.g., Aristotle, *Nicomachean Ethics* II vii; Confucius, *Analects*, XVII vi). In Western virtue ethics, we can identify an emphasis on the idea of a person's life as a whole, flourishing through the exercise of such dispositions (MacIntyre 1985, pp. 201–205; Swanton 2003, p. 60; Crisp and Slote 1997, p. 3). For Confucians, a similar emphasis emerges in several ways. One is the idea of self-development, or moral self-cultivation, that figures prominently in Confucian thought (Tu 1978, 1990; Ivanhoe 2000). Another is in the idea of filial piety (Tu 1990; Shun 2004, p. 191). At least part of this idea revolves around the extent to which people are situated in communities, most especially in families, and their lives unfold in that social context. Both of these are key ideas, developed further below, but the first point is that insofar as virtue ethics is distinguished by a focus on dispositions of character that are reflected and developed in a person's whole life, we may certainly classify Confucian ethics as a type of virtue ethics.

There are also some similarities between Confucian ethics and other specific ideas of some virtue ethics. A prominent part of Aristotle's ethics is the Doctrine of the Mean (*Nicomachean Ethics* II vi, and see, e.g., Kraut 2001). A strikingly similar idea is present in classical Confucian texts such as the Zhōng Yōng and the *Analects* (see especially Yu 2007, pp. 83–90). Perhaps this accounts for another notable similarity between Aristotle and classical Confucianism: the suspicion about profit-making that was shown both by Aristotle and by early Confucians (see, e.g., Chan

2008, pp. 349–351). Although neither tradition needs to be construed as unequivocally against business or profit-making, there are important reasons for the suspicion they show (see, e.g., Solomon 1992, pp. 101–103; Chan 2008). In seeking a mean between extremes, both Aristotelian and Confucian ethics eschew unbridled maximization, whether of profit or otherwise. However, it may be that the idea of virtue as a mean between extremes has an even clearer use in Confucianism than in Aristotelian ethics. In Confucianism, the idea that ethical conduct aims at a mean between extremes is unsurprising, because it fits together very closely with another basic Confucian idea, the idea of harmony (hé).

Harmony and Social Life

The idea of harmony is central to much Confucian thought (Li 2006; Lai 2006, Chap. 8). The idea involves concord among different things, as opposed to repetition of the same things, but it may also be conceived as a central point, or mean, between those different things (Li 2006, pp. 587–588).

We shall return below to the idea of a mean, as it is related to moral judgment, but here first we note how the associated idea of harmony lies within a network of other related ideas, including a number specifically relevant to business. The general idea of harmony has been suggested as a Confucian basis for corporate social responsibility (Wang and Juslin 2009). Seeking harmony with nature is an aim Confucianism shares with Daoism (Yao 2000, pp. 229–232), with common origins in the two schools of thought, and may offer a basis for ecological awareness and responsibility. However, it is the Confucian focus on harmonious social relationships that has more often been the basis for suggestions about its relevance to business.

This focus is linked to the fact that in Confucianism we find an emphasis on virtues that are especially important in human relationships (Yu 1998; Sim 2003; Chan 2008, pp. 355–356). Confucian ethics focus on the characteristics required of individuals to live together in harmony, whereas Greek ethics emerged rather from Homeric focus on what makes an individual noble and virtuous (MacIntyre 1985, Chaps. 10, 11). Lai refers to the idea of "the interdependent self" to emphasize the Confucian idea that individuals rely on their social environment for their growth and identity (Lai 2006, 2008; see also Shun 2004). Chai and Chai put the point by saying that "For both Confucius and Mencius, one's life is to be guided by the cultivation and perfection of goodness, not only in oneself, but in everyone else to whom one is inevitably bound and related" (Chai and Chai 1973, p. 56).

While the idea of harmony is linked in one direction to the idea of a mean, or a central point between differences, in another direction the idea of harmonious social relationships is linked to important Confucian ideas of benevolence and reciprocity. The idea of an interdependent self that Lai refers to has one implication: a blurring of distinctions between self-interest and altruism (Lai 2006, p. 155). A related Confucian idea is the Principle of Reciprocity, drawn most clearly from the following passage in the Analects:

> Tsze-kung asked, saying, 'Is there one word which may serve as a rule of practice for all one's life?' The Master said, 'Is not reciprocity such a word? What you do not want done to yourself, do not do to others.' (*Analects* XV xxiii)

This principle is in turn closely related to the basic Confucian idea of *rén*, noted above as the idea of benevolence or humaneness, but this idea differs from some Western ideas of generalized benevolence in its acceptance of special relationships. As Lai notes, "in Confucian philosophy, the cultivation of mutually satisfying and beneficial relationships is an integral component of the good life" (Lai 2008, p. 23), and "the cultivation of *rén* begins with the development of family relationships with their correlative emotions and special obligations" (ibid.). The Principle of Reciprocity and the idea of *rén* are parts of a view of individuals as situated in a community of persons, with moral development shaped by development within such a community, typically within a family, where children receive "basic education in the categories of social life" (Kupperman 2004, p. 108).

Lǐ and Filial Piety

To understand the "categories of social life" is a fundamental requirement of Confucian ethics. On coming to Confucian texts like the *Analects* for the first time, Western readers are likely to be struck by the prominence of the idea of *lǐ*, variously translated as "rites," "ritual," or "propriety." To Western eyes, the idea can seem stilted and out of place, as though ethics has been replaced by etiquette. But an explanation of the idea's prominence may be found in the social orientation of Confucian ethics. Modern social psychology emphasizes the place of social scripts and schemas in guiding our behavior (Schank and Abelson 1977). Such scripts and schemas go a long way beyond mere etiquette, and their basis in people's mutual expectations often gives them ethical force (Provis 2012, Chap. 3). The fact that Confucianism recognizes the ethical force of social scripts and schemas is one reason why it can have special application in a business context. Notably, for example, it can have application to behavior in organizations (Romar 2002), where rites and rituals are the very stuff of life. Romar has noted that regard for the patterns of social behavior is tied to respect for others (Romar 2002, p. 121), and the same point is made by Kim and Strudler in their discussion of Confucianism and workplace civility (Kim and Strudler 2012).

Confucianism thus emphasizes the importance of categories of social life and the social sensitivity that is morally required of us. What is required of people will often be understanding the meaning of people's actions, meaning that emerges from the context of scripts, schemas, and rituals, as well as understanding complex cause-effect relationships of social life. This point is important in a number of the chapters in this section.

For example, Romar emphasizes the responsibilities of people in business to pay attention to the effects and context of their actions, not only within organizations but in relationships with customers and others. Another example has to do with the

nature of leadership, especially leadership in organizations. Chan suggests that humility is a Confucian virtue less often noticed than some others and in particular that humility is a virtue to be sought in leaders. Humility goes together with a willingness to learn, and to be sensitive to the meanings of others' actions, an implied requirement of *rén*. At the same time, *rén* has other implications that are especially relevant for business, not only as regards life in organizations, but more widely. In her chapter, Lai shows how reliability is another Confucian virtue tied to the need to be sensitive and responsive to others, not only being willing to respond, but understanding the appropriate way to do so. While such reliability may certainly be important for individuals within organizations, it is not only important there. It is important wherever people and businesses rely on one another, and is tied to the idea of trustworthiness, another Confucian virtue that has been the focus of some attention in a business context (Koehn 2001).

So regard for *lǐ* goes with social sensitivity that is a manifestation of *rén* and far from mere empty ritual or etiquette. But regard for *lǐ* can also have its dangers. The requirement of filial piety is one specific aspect of Confucian *lǐ* that has often been commented on with some suspicion. On the basis of such statements as "there is government, when the prince is prince, and the minister is minister; when the father is father, and the son is son" (*Analects* XII xi), filial piety has been seen to invite repression and exploitation of authority. Within society and in business, filial piety has been suspected of fostering nepotism and blind obedience (Ip 2000, p. 194) and associated with debilitating "familial collectivism" (Ip 2009, p. 474). More generally, we may wonder if regard for *lǐ* can stifle innovation and enterprise, by demanding conformity with established ways of doing things.

Nevertheless, a number of writers have noted that filial piety plays an important part in the set of Confucian ideas that revolve around social harmony. Below, Kim and colleagues note the practical importance of filial piety in Confucian societies and suggest arguments for accepting it as a genuine virtue, connected to principles of reciprocity. Other writers argue similarly. Tu Weiming says: "To learn to embody the family in our minds and hearts is to enable ourselves to move beyond self-centredness or, to borrow from modern psychology, to transform the enclosed private ego into an open self" (Tu 1990, p. 117). In seeing themselves as members of families, individuals are prepared to see themselves as members of a wider community (Ebrey 1990, p. 202), with a place in the general order of things: "The family provides an individual not only with the source of life, by which he is related to the past, but also with a sense of continuity, by which he is extended into the future" (Yao 2000, p. 203; see also de Bary 1991, p. 33). The outcome may be harmonious in various ways. For example, being assured of a place in the general order of things, individuals may be freed from some competitive pressures. Bell notes that East Asian societies like Japan and Korea show notably egalitarian characteristics in some respects, such as income distribution, despite the ritualistic hierarchy associated with filial piety. On the basis of a number of examples, he suggests that "hierarchical rituals can limit the powerful and protect the interests of the disadvantaged in the various spheres of life where power is exercised" (Bell 2008, p. 46).

Wisdom and Learning

Like many other ideas in major traditions, filial piety can have a dark side. Not only may it be distorted in practice: even in theory it has been the subject of disagreement. Not only filial piety but *lĭ* generally has been given different connotation and emphasis at different points in the *Analects* (Lai 2008, p. 25), and there has been a wealth of commentary and argument about it for thousands of years (Gardner 2003, p. 78). It may be that we shall not accept all the details of Confucius' own views, even if we accept his ideas generally. Modern virtue ethicists do not have to accept everything that Confucius believed about *lĭ* any more than they have to accept everything that Aristotle believed about slavery. Here we come to the importance in Confucian ethics as in Aristotelian of developed moral wisdom or judgment. It will be no surprise if ideas of a moral theory can be distorted. Just as exaggerating the importance of profit to business can distort the practice of business so that it cares for nothing but the greatest possible profit, so can particular virtues be distorted by focusing on them alone, neglecting other virtues, or the broader virtues they support, or the factual details of specific situations. Both theories accept the possibility that virtues may be distorted and emphasize the need for wisdom and judgment. This general principle allows constant re-examination of ideas.

In addition, of course, accepting the need for wisdom and judgment is important in practical decision making: in business not least of all. Life in business is often complex, with multiple demands on us from various sources, many of which have ethical force. To exercise *rén* in such a context requires not only good will but good moral judgment: Aristotle's *phronēsis*, or "moral wisdom" (Ross 1980, p. ix; Hursthouse 1999; Lai 2008, p. 24; Yu 2007, Chap. 5). Above, we suggested that the wariness classical Confucianism shares with Aristotle about search for profit reflects their conviction that goodness lies in a mean between extremes. Pursuing profit too much can be like any unheeding maximization, whether of self-interest, utility, or any particular good. Individuals need to develop wisdom about the best path to follow in particular circumstances, not only eschewing injunctions to maximize utility but also recognizing that any virtue can be distorted into vice if not practised wisely (e.g., *Nicomachaean Ethics* II ii, *Analects* XVII viii).

It is clear that judgment and wisdom have an important part to play in virtue ethics (Provis 2010), and both Aristotelian and Confucian traditions can draw on this point to allow evolution and development of moral understanding, but it may be Confucianism that allows for this most clearly. In the *Analects* XVII viii, there is strong emphasis on the importance of learning in practising virtue: "When one loves humaneness without loving learning, it is corrupted into foolishness. When one loves sagacity without loving learning, it is corrupted into deviousness." And so on for other virtues, in a passage strikingly resonant of Aristotle's comments on how virtues may fall into excess or deficiency (*Nicomachean Ethics*, II, ii; II, vi; II, ix), but with greater emphasis specifically on the role of learning. This may be the most notable single point that Confucian virtue ethics can contribute to business and management. It is Confucianism that most clearly stresses the fact that moral

judgment is developed not only by experience but by reflection and study, in a continuing process of self-development.

Moral self-cultivation is basic to Confucianism (Ivanhoe 2000). There are differences among Confucian writers (Tu 1978), but typically such self-cultivation is thought to require both reflection and study, as well as practical experience. Learning or study, together with reflection, has been integral to the Confucian idea that individuals need to commit themselves to their own moral development (Hall and Ames 1987, pp. 43–50). The point applies to businesspeople. Not only the technologies but the social and institutional arrangements of business are ever more demanding. As a result, business constantly poses new ethical problems. Whether the issues are ones of supply chain management, respect for data privacy, responsibilities for climate change, or myriads of others, businesspeople have to make decisions about ethical problems that call for developed moral judgment. Character may not be enough. Effective moral development will require both experience and a willingness to engage in study and reflective thought. Decision-making routines and maximization strategies will not be enough to attain a harmonious mean. Virtues of character will be needed, but so will the ability to make good moral judgments, and it is the strength of Confucianism to emphasize the place of reflection and study in the development of such judgment.

Conclusion

Confucianism shows similarities to Western virtue ethics that are notable and sometimes striking. However, it also shows notable differences of emphasis, both in highlighting the virtues of social life and in its attitude toward moral self-cultivation. Both areas are worth considering in business. Moral development is sometimes acknowledged as an aspect of Western virtue ethics that needs to be considered in a business context (e.g., Audi 2012, p. 277), but the prominence that the idea of moral self-development has in Confucianism is not reflected in Western virtue ethics. In Confucianism, however, it complements the focus on social harmony, with its attention to *rén*, *lǐ*, and filial piety, because active regard for social harmony requires understanding and knowledge that cannot be complete without study and reflection.

References

Aristotle (1934) Nicomachean ethics (trans: Rackham H). Harvard University Press, Cambridge, MA
Audi R (2012) Virtue ethics as a resource in business. Bus Ethics Q 22(2):273–291
Bell DA (2008) China's new Confucianism. Princeton University Press, Princeton
Chai Cu, Chai W (1973) Confucianism. Barron's Educational Series, Woodbury
Chan GKY (2008) The relevance and value of Confucianism in contemporary business ethics. J Bus Ethics 77(3):347–360

Confucius (1971) Confucian Analects, the great learning and the doctrine of the mean (trans: Legge J). Dover, New York. First published by Clarendon Press, Oxford, 1893

Crisp R, Slote M (1997) Introduction. In: Crisp R, Slote M (eds) Virtue ethics. Oxford University Press, Oxford, pp 1–25

de Bary WT (1991) The trouble with Confucianism. Harvard University Press, Cambridge, MA

Dull JL (1990) The evolution of government in China. In: Ropp PS (ed) Heritage of China. University of California Press, Berkeley, pp 55–85

Ebrey P (1990) Women, marriage, and the family in Chinese history. In: Ropp PS (ed) Heritage of China. University of California Press, Berkeley, pp 197–223

Gardner DK (2003) Zhu Xi's reading of the Analects. Columbia University Press, New York

Hall DL, Ames RT (1987) Thinking through Confucius. State University of New York Press, Albany

Hofstede G, Bond MH (1988) The Confucius connection: from cultural roots to economic growth. Organ Dyn 16(4):5–21

Hursthouse R (1999) On virtue ethics. Oxford University Press, Oxford

Ip PK (2000) Developing virtuous corporations with Chinese characteristics for the twenty-first century. In: Richter F-J (ed) The dragon millennium: Chinese business in the coming world economy. Quorum Books, Westport, pp 183–206

Ip PK (2009) Is Confucianism good for business ethics in China? J Bus Ethics 88(3):463–476

Ivanhoe PJ (2000) Confucian moral self cultivation, 2nd edn. Hackett, Indianapolis

Kim TW, Strudler A (2012) Workplace civility: a Confucian approach. Bus Ethics Q 22 (3):557–577

Koehn D (2001) Confucian trustworthiness and the practice of business in China. Bus Ethics Q 11 (3):415–429

Koehn D, Leung ASM (2004) Western and Asian business ethics: possibilities and problems. In: Leung K, White S (eds) Handbook of Asian management. Kluwer, Boston, pp 265–292

Kraut R (2001) Aristotle's ethics. In: Zalta EN (ed) The Stanford encyclopedia of philosophy, Winter 2012 edn. http://plato.stanford.edu/archives/win2012/entries/aristotle-ethics/

Kupperman JJ (2004) Tradition and community in the formation of character and self. In: Shun K-L, Wong DB (eds) Confucian ethics: a comparative study of self, autonomy and community. Cambridge University Press, Cambridge, pp 103–123

Lai KL (2006) Learning from Chinese philosophies. Ashgate, Aldershot

Lai KL (2008) An introduction to Chinese philosophy. Cambridge University Press, Cambridge

Lam K-CJ (2003) Confucian business ethics and the economy. J Bus Ethics 43(1–2):153–162

Li C (2006) The Confucian ideal of harmony. Philos East West 56(4):583–603

MacIntyre A (1985) After virtue, 2nd edn. Duckworth, London

Makeham J (2005) Guest editor's introduction. Contemp Chin Thought 36(2):3–17

Provis C (2010) Virtuous decision making for business ethics. J Bus Ethics 91(1):3–16

Provis C (2012) Individuals, groups and business ethics. Routledge, New York

Romar EJ (2002) Virtue is good business: Confucianism as a practical business ethic. J Bus Ethics 38(1/2):119–131

Romar EJ (2013) Confucian virtues and business ethics. In: Luetge C (ed) Handbook of the philosophical foundations of business ethics. Springer, Dordrecht, pp 983–1004

Ross D (1980) Introduction. In: Ackrill JL, Urmson JO (eds) Aristotle: the Nicomachean ethics. Oxford University Press, Oxford. Originally published 1925, pp v–xxiv

Schank RC, Abelson RP (1977) Scripts, plans, goals and understanding. Lawrence Erlbaum, Hillsdale

Shun K-L (2004) Conception of the person in early Confucian thought. In: Shun K-L, Wong DB (eds) Confucian ethics: a comparative study of self, autonomy and community. Cambridge University Press, Cambridge, pp 183–199

Sim M (2003) The moral self in Confucius and Aristotle. Int Philos Q 43(4):439–462

Solomon RC (1992) Ethics and excellence. Oxford University Press, New York

Swanton C (2003) Virtue ethics: a pluralistic view. Oxford University Press, Oxford

Tu W-m (1978) Humanity and self-cultivation: essays in Confucian thought. Cheng & Tsui, Boston

Tu W-m (1990) The Confucian tradition in Chinese history. In: Ropp PS (ed) Heritage of China. University of California Press, Berkeley, pp 112–137

Wang L, Juslin H (2009) The impact of Chinese culture on corporate social responsibility. J Bus Ethics 88(Suppl 3):433–451

Yao X (2000) An introduction to Confucianism. Cambridge University Press, Cambridge

Yu J (1998) Virtue: Confucius and Aristotle. Philos East West 48(2):323–347

Yu J (2007) The ethics of Confucius and Aristotle. Routledge, New York

Confucian Business Ethics: Reliability, Relationships, and Responsiveness

Karyn Lai

Contents

Abstract

The *Analects*, a key Confucian text, emphasizes the cultivation of an ethically responsible person who is reliable and responsive to others. This chapter highlights the centrality of reliability in a Confucian account of character. This enables a closer look at the nexus between an individual's character and his or her actions in particular situations. Some implications of this account of virtue ethics are considered, in the case of business ethics. It is proposed that the notion of reliability helps shed light on a business's decisions and practices, situating them within a picture of the business's character.

K. Lai (✉)

School of Humanities and Languages, University of New South Wales, Sydney, NSW, Australia
e-mail: k.lai@unsw.edu.au

Introduction

The Confucian *Analects*, a text closely associated with Confucius (551-479BCE), dwells at length with the dispositions and characteristics of an exemplary person (*jūnzǐ* 君子). Not only is he committed to the welfare of the common people and humanity more generally (*rén* 仁; *Analects* 12.2), he seeks to learn broadly (*bóxué* 博學; *Analects* 12.15) and conducts himself with propriety (*lǐ* 禮; *Analects* 12.2). Moreover, he has the ability tactfully to deal with different people in light of their needs (*Analects* 11.22); he skillfully draws together relevant contextual factors in decision-making (*Analects* 9.3) and possesses enviable confidence and ease (*Analects* 9.29; 12.4). This vision of authority is intermingled with his ethical burden (*Analects* 8.7).

This chapter considers some foundational elements of Confucian ethical life, centering on the notion of reliability. The discussion draws heavily on the term *xìn* (信), though it goes beyond the analysis of this term to explore important assumptions and undercurrents of other conversations in the *Analects*. Much of the literature on Confucian business ethics translates *xin* as trust, trustworthiness, or good faith (Koehn 2001; Miles and Goo 2013). In these accounts, trust features in various ways in business ethics, for example, between business partners, in employer-employee relationships, or even in organization-community relations (Huang et al. 2013). The point of this discussion is to extend the work on trust in Confucian ethics by focusing on key aspects of reliability arising from the conversations in the *Analects*.

I focus in particular on three points. First, the *Analects* emphasizes the heightened responsibility of those who hold official positions. It is critical that those whose actions have greater impact within the community are reliable and *responsible* (*Analects* 12.18; 2.1). This may be extended to businesses that, in most cases, have significant impact on the lives of individuals and communities, including in the global environment. Some of the existing literature expresses this aspect of reliability in terms of corporate social responsibility (CSR) (e.g., Wang and Juslin 2009; Romar 2004). Secondly, *xìn* in the *Analects* is an irreducibly relational notion, often used in conjunction with friendship. While many discussions on Confucian business ethics emphasize the centrality of good relationships, more widely manifest in the contemporary phrase *guānxì* (關係), this discussion highlights a critical, though often omitted, feature of relationships – that of the third party or public perception of a person or business entity. Perhaps even more so than particular relationships, passages on *xin* in the *Analects* highlight the importance of how one's ethical attainments are evaluated and appreciated (or disapproved of) by others. This places the onus on each person – and, by extension, business and organizations – constantly to assess the ways in which one's values and virtues are manifest in decisions and practices. The focus is on the *responsiveness* of businesses to stakeholder and public perceptions of its actions and interactions. This underscores the importance not only of "big-moment" ethical decisions taken by businesses but, rather, their underlying *ethical* commitment to a shared common good. The third and related

point is that such assiduous and steadfast attention to one's actions and their impact is grounded in a longer-term understanding of self. In understanding *xin* as reliability, our attention is drawn to the nexus between (a person's or an entity's) actions and longer-term goals. In Confucian terms, each action is a manifestation of a person's character and, at the same time, constitutive of it. Hence, actions are never understood as isolated instances but as expressions of the self. This provides the basis for Confucian business ethics that holds a longer-term view of businesses and that emphasizes responsiveness as an expression of ethical business commitment.

Heightened Responsibility

The *Analects* emphasizes the greater responsibility of those in positions of power. These conversations typically focus on the role of those in government, to the extent of holding those in office responsible for the moral progress – or decrepitude – of the time (*Analects* 12.18, 19). While this view of the reach of government seems idealistic and paternalistic, some discussions of Confucian philosophy in the literature attend not to the issue of blameworthiness, but to that of responsibility. For example, David Hall and Roger Ames have noted that, especially in the case of the Confucian *jūnzǐ*, an exemplary person, personal cultivation is coextensive with his contributions to the community; he is one who "has an ongoing commitment to personal growth as it is cultivated and expressed through political leadership" (Hall and Ames 1998, p. 160). The discussion here focuses on the *jūnzǐ* as it figures most frequently in the conversations within the *Analects*. However, political and moral leadership culminates in the figure of the Confucian sage (shèngrén; 聖人), whose actions are consistently directed at the common good (*Analects* 6.30; 7.26; 19.12, 25). Yet, the text knowingly admits the idealism inherent in its characterization of such a figure (Hall and Ames 1998, pp. 159–160). Such idealism is an important feature of Confucian philosophy, and the idea is crystallized in another Confucian text, the *Mencius* (*Mèngzǐ*; 孟子), where Mencius holds King Xuan of Qi (*qí xuān wáng*; 齊宣王) to account, asking why he did not feel compassion for his people when, on one occasion, he could not bear to see the suffering of an ox being led to slaughter and spared the ox (*Mencius* 1A.7; trans. Bloom 2009, pp. 6–12).

A participatory vision underlies this focus on the contributions of a person to communal well-being. Although the text stresses the greater responsibility of those in official positions, it also allows room for those engaged in ordinary activities to contribute within their own spaces:

> Someone asked Confucius, "Why are you not employed in governing?" The Master replied, "The *Book of Documents* says:
>
> It is all in filial conduct (*xiào*, 孝)! Just being filial to your parents and befriending your brothers is carrying out the work of government. In doing this I am employed in governing. Why must I be 'employed in governing'?" (*Analects* 2.21; trans. Ames and Rosemont 1998, pp. 80–81)

Hence, while some of the passages are concerned with the moral leadership of the government, the participatory model *requires* that individuals contribute ethically to the well-being of their communities. While businesses are dissimilar from individuals in important ways, they are nevertheless participants *within* a community. Indeed, more so than in the case of many individuals, businesses have a far greater impact on the community.

The *Analects* recognizes that there are power hierarchies and unequal relationships when it stresses the heightened *visibility* of those in power (*Analects* 2.1). Particularly in these unequal relationships, the reliability of those in positions of power is imperative. The legitimacy of Confucian benevolent government is grounded in the trust of the people: among the responsibilities of the government, to nurture the trust of its people is more important than safeguarding the country's borders or providing for the people (*Analects* 12.7). These qualities of a great leader, or good government, are reciprocated by trust on the part of the people. Trustworthiness or reliability is the linchpin of Confucian ethics, as drawn out in an illuminating analogy in the *Analects*:

> The Master said, "I am not sure that anyone who does not make good on their word (*xìn*; 信) is viable as a person. If a large carriage does not have the pin for its yoke, or a small carriage does not have the pin for its crossbar, how can you drive them anywhere?" (*Analects* 2.22; trans. Ames and Rosemont 1998, p. 81. See also *Analects* 1.8)

In studies on the corporate world, the directly proportional relation between responsibility and trust is articulated by Edward Romar:

> While all members of a fiduciary society are required to behave morally, the shared values of natural hierarchy and division of labor demand, even more, that leaders conduct themselves ethically. In hierarchical relationships characterized by a division of labor, power and responsibility flow upward. In this situation the higher a person is in the organization, the more control and influence he has and the more his behaviour impacts those below. Consequently, the need for trust becomes more important, since those in the lower relationships have less control over those above. (2009, p. 61. See also Miles and Goo 2013, p. 34)

An ethical approach based on individuals' or businesses' acceptance of heighted responsibility is starkly different from one with an opportunist outlook. Among other things, the former does not accept an instrumental view of its clients, partners, and opponents, and does not view the aims of the business and those in wider society in antagonistic terms. One example of an opportunistic view is in the way in which a classical Chinese text, the *Art of War*, captures the imagination of those who advocate its strategies for business (e.g., Krause 2007; Michaelson and Michaelson 2010; McNeilly 2012). As some of these widely popular books are keen only to explore the strategies raised in the classical text, the language of competition, defense, rivalry, and attack is presented in a drastically different tone from the Confucian discussions on meaningful participation and contribution. Furthermore, Confucian ethics understands the *place* within which individuals –

and, by extension, businesses – are situated as irreducible. A full understanding of self must include its interactions with and impact on others within its contexts of engagement. In brief, the Confucian self is a related and contextualized self (Lai 2006).

There remains one important issue here and that concerns the nature of the community in relation to businesses: how might we conceive of the community of a business enterprise? In the first instance, the community of a business would include the locality where the business is sited and this would, of course, include its employees, as well as other stakeholders and those who are implicated near and around its site. Beyond its physical environment, the business engages with customers, clients, business partners, competitors; and interest, social, and industry groups as well as different levels of government. There is a need as well, in some cases, to think beyond political boundaries, as is the case in multinational corporations (MNCs). In the globalized context, it is important to think of corporate citizenship more broadly, beyond geographical and political boundaries. In this light, the scope of Confucian ethics extends an individual's contributions beyond any such boundaries, to reach "all under Heaven" (*tiānxià*; 天下). For, after all, the *point* of attending to relationships and developing them is to assist in the flourishing of all under Heaven, as noted in the important Confucian text, the *Doctrine of the Mean*:

> ...exemplary persons (*jūnzǐ*; 君子) cannot but cultivate their persons.
>   In cultivating their persons, they cannot but serve their kin.
>   In serving their kin, they cannot but realize human conduct.
>   And in realizing human conduct, they cannot but realize *tiān* 天.
>   There are five ways forward (*dádào*; 達道) in the world, and three methods of advancing them. Ruler and minister, father and son, husband and wife, older and younger brother, friend and mentor—these are the five ways forward in the world. Wisdom (*zhī*; 知), authoritative conduct (*rén*; 仁), and courage (*yǒng*; 永)—these are the three methods of excelling (*dádé*; 達德) in character. How one advances along the way is one and the same. (Ames and Hall 2001, pp. 101–102)

The Confucian participatory model, which understands contributions to a common welfare as a fundamental aspect of ethical life, sees the boundaries between self, kin, other relationships, and humankind as merely theoretical. Although there are important *distinctions* between different types of relationship – and while familial relationships take a central place in Confucian ethical life – the boundaries must be transcended insofar as the reach of one's decisions and practices are concerned. This has important implications for how we think about the ethical responsibility of businesses in a global context. For example, the OECD has articulated guidelines for multi-national enterprises. Its commitment to ethical business is expressed in its fifth revision of the guidelines since 1976. The 2013 revision introduces a human rights chapter as well as responsible supply chain management. (@OECD 2014, responsibility of the Secretary-General of the OECD, http://mneguidelines.oecd.org/MNEguidelines_RBCmatters.pdf, accessed 4 January 2016). While this is not the place to rehearse the appropriateness or accuracy of the different models of corporate social responsibility (CSR), it is important to focus at least on one way in which the

place and *reach* of businesses raise important ethical issues (e.g., Low and Ang 2012). Although there have been many studies of corporate responsibility – or irresponsibility – in relation to differential labor standards and offshore pollution havens, a 10-year study of 222 firms in the United States demonstrated that simply by virtue of having to juggle its subsidiaries, internationally diversified businesses might act irresponsibly not because of malice but due to lack of attention to monitoring and control of its subsidiaries (Strike et al. 2006, pp. 851, 853). In this respect, "internationally diversified firms [may] both create value by acting responsibly and destroy it by acting irresponsibly" (ibid., p. 851). This is a good example of how lack of understanding of the scope and dynamics of increased responsibility can lead to unethical conduct that may not have been intended.

Responsiveness

A dominant interpretation of the term *xìn* is that of a person standing by his word. The picture of "a man standing by his word" was suggested by Ezra Pound, who articulated the views of his teacher Ernest Fenollosa (Pound 1951, p. 22; cited in Ames and Rosemont 1998, p. 53). This interpretation only captures part of the meaning of *xìn*. It is inward-looking and focuses only on a person's (ethical) consistency, that is, the match between his word and deeds. While this is, undeniably, an important aspect of *xìn*, it does not adequately capture the relational aspect of *xìn*. In the *Analects*, *xìn* is irreducibly interpersonal. One indication of this is the frequency with which the conversations discuss *xìn* in relation to friendship (*yǒu*; 友):

> The Master said, "Take doing your utmost (*zhōng*; 忠) and making good on your word (*xìn*; 信) as your mainstay. Do not befriend anyone who is not alike you. And where you have gone astray, do not hesitate to mend your ways." (*Analects* 9.25; adapted from the translation by Ames and Rosemont 1998, pp. 131–132. See also *Analects* 1.4, 1.7, 1.8, 5.26)

In this passage, *zhōng* and *xìn* are fundamental ethical aspects of one's relationships. *Zhōng* refers to faithfulness – sometimes translated as "loyalty" – and *xìn*, as we know, to trustworthiness. In *Analects* 4.15, Confucius comments that *zhōng* and *xìn* are the "one thread" of his Way (*dào yī yǐ guan*; 道一以貫). In this passage where relationality is highlighted, friendship is the focus, and it is important to have friends not unlike oneself. How might we understand what it means to be alike someone? What is the basis of comparison? In *Analects* 9.30, different people are compared:

> The Master said, "You can study with some, and yet not necessarily walk the same path (*dào*; 道) you can walk the same path as some, and yet not necessarily take your stand with them; you can take your stand with them, and yet not necessarily weigh things up in the same way." (trans. Ames and Rosemont 1998, pp. 132–133)

Here, the difference between self and others is are grounded in one's fundamental commitments. Beginning with the sharing of perspectives on the subject matter

of learning, the passage moves on to how two people share a trajectory, take a stance, and, finally, weigh up the important against the trivial. If we apply these considerations to friendship, to have a friend who is like oneself means, at the deepest level, that they share similar ultimate commitments.

One of the most profound benefits of friendship is that friends are the ones best placed to assess an individual's actions and behaviors. The phrase "do not befriend anyone who is not alike you" is immediately followed by the importance of correcting one's deficiencies. Trust in a close relationship works at various levels: a friend has the confidence that their criticisms will be accepted; one accepts the criticisms in good faith, making appropriate changes where necessary; these actions in turn strengthen the relationship, establishing the foundations for similar future interchanges. The key to a close relationship is responsiveness to the other.

Nevertheless, in other conversations in the *Analects*, the government and those in official life are required to be similarly responsive. Confucius notes that it is only when one is reliable that others will count upon him (*xìnzé rén rèn yān*; 信則人任焉. *Analects* 17.6). While this may at first sound circular, it in fact reveals that responsiveness is at the heart of reliability. A few points should be mentioned here. First, reliability is attributed by others to an individual or entity. Hence, a more careful translation of the phrase should read, "It is only when one is *considered* reliable..." Similarly, it is only when the government is *considered* reliable that its people will count upon it (*xìnzé mín rèn* yān; 信則民任焉. *Analects* 20.1). But what if the people are unreasonable or, in the case of businesses, what if customers and clients are unreasonable? There is some consolation from the *Analects* that demonstrates that Confucius did not believe that *each* criticism is just as legitimate as another. For example, Confucius was wary that not all opinions held equal weight. When one of his disciples, Zǐgòng (子貢), inquired about a person who was loved by all in a village, Confucius' response was that this was not necessarily a good thing, nor was it the case if all the people in the village disliked him. Confucius' detailed response was, "It would be better that the best villagers love, and the worst despise, this person" (*Analects* 13.24; trans. Ames and Rosemont 1998, p. 169. See also *Analects* 14.28). The point here is to highlight the dynamism inherent in judgments and attributions of reliability. In other words, to say that someone is reliable, and therefore to trust her, is an ongoing, dynamic process. Where a person lets down others too many times, she will cease to be considered reliable and hence will not be entrusted with certain tasks or projects in which certain measures of reliability are important. The term *rèn* 任 in this phrase signifies the trust implicit in appointing a person to office, or in assigning them a task. Thirdly, the phrase encapsulates the idea that reliability is attributed on the basis of a *track record* of past performances. And it is on the basis of one's *past* performances that judgments about one's ability to undertake *future* engagements are made. Such *consistency* – not merely of word with action, but in engaging responsively with others (employees, customers, clients, partners, and competitors) over time – is constitutive of an individual's or a business's reliability. Focusing on reliability draws our attention to ethical *life*, rather than ethical norms, though the latter are not unimportant.

An Ethical View of Business in the Longer Term

This account of reliability – together with responsiveness at its core – must be situated within the concept of ethical character. Conceptually, the focus is on character as the motivational source of a person's actions and decisions (Kupperman 2001, 2009). This picture entails a more sustained, long-term conception of ethical behavior, centering on the self. The notion of reliability within such an account may be characterized as a "thick" concept, that is, one that encompasses both a description of how reliability is expressed and constituted, as well as a normative ethical component. Such thick concepts are particularly significant within virtue ethics as they shift the focus *beyond* normative ethics to include fundamental ways in which virtues are cultivated and manifest (Kirchin 2013). An analysis of *xìn* suggested by Dim-cheuk Lau, a sinologist and translator of the *Analects*, which focuses on a long-term, multi-perspectival notion of reliability, incorporates both the normative aspects of *xìn* as well as its manifestation at a range of levels:

> To be [*xìn*] is to be reliable in word. An important part of this has, of course, to do with promise-keeping. But when Confucius talks of being [*xìn*] in word [1.7; 13.20; 15.6], he means more than that. To be [*xìn*] in word applies to all one's words. It concerns, besides promises, resolutions concerning future conduct, or even plain statements of fact. Not to carry out a resolution is to fail to be [*xìn*]; to have made a statement not borne out by facts— whether they be present or future facts—is equally to fail to be [*xìn*]...Confucius often opposes the terms [*yán*; 言] (word) and [*xíng*; 行] (deed) For one's deed to fail to match one's word is to fail to be [*xìn*]. (Lau 1979, p. 25)

This picture of ethical character suggests not only the importance of particular actions or decisions but, importantly, of how they are *manifestations* of character. The analysis focuses on the realization of character in each action taken by an individual. In his use of the past-present-future framework to understand how *xìn* is embodied and manifest in the life of an individual, D.C. Lau's analysis of *xìn* places it within the idea of an *ethical life*. To put it in a different way, a central feature of Confucian ethics is its conceptual framework that attends to the nexus of action and character. In such an account, how an individual deliberates and acts, at each point in time, is an expression of his or her knowledge and commitments (Lai 2012). Yet, on the other hand, these expressions of self are *constitutive* of their ethical life. The ethically responsible individual grounds such a conception of ethics; however, the way in which an individual handles each situation, in turn, shapes the individual (Lai 2006, pp. 122–124). This conception of ethical life cuts across a debate in contemporary discussions of ethics that understands virtue ethics as incompatible with situationist ethics, the latter of which understands situational factors as significant and irreducible in ethics (Doris 2002, Harman 2003, and Kamtekar 2004; see Mower 2013 for a discussion on how virtue and situational ethics might be reconciled in Confucian philosophy).

As far as businesses are concerned, even though we would expect greater complexities in governance and organizational control, it is not misplaced to

think about the character or virtue of a business (Moore 2005; Robinson et al. 2013; Crossan et al. 2013). Typically, we would expect that the perception and evaluation of a business's dealings, of whether they are ethical or otherwise, is based not only on each of its decisions and practices but also from a longer-term perspective (see, e.g., Chan 2008).

Conclusion

The upshot of these reflections on Confucian business ethics is to understand that there is a requirement for businesses to keep continuing vigilance on their undertakings. The motivational basis for such watchfulness arises from a deeper, sustained ethical commitment. In this account, reliability is not simply a moral obligation, couched in terms of "I *must do* X." Rather, it is a central part of virtue, embedded within the ethical orientation of a person. Irreducibly, these aspects of character are realized in one's interaction with others and manifest in one's contributions to the wider community. The focus of Confucian reflective self-awareness includes no less than the evaluation of one's interactions with, and responsiveness to, others:

> Master Zeng said, "Daily I examine my person on three counts. In my undertakings on behalf of other people, have I failed to do my utmost (*zhōng*; 忠)? In my interactions with colleagues and friends, have I failed to make good on my word (*xìn*; 信)? In what has been passed on to me, have I failed to carry it into practice? (*Analects* 1.4; trans. Ames and Rosemont 1998, p. 72

References

Ames RT, Hall DL (2001) Focusing the familiar: a translation and philosophical interpretation of the Zhongyong (trans). University of Hawai'i Press, Honolulu

Ames RT, Rosemont H (1998) The analects of Confucius: a philosophical translation (trans). Ballantine Books, New York

Bloom I (2009) Mencius (trans). Columbia University Press, New York

Chan GKY (2008) The relevance and value of Confucianism in contemporary business ethics. J Bus Ethics 77(3):347–360

Crossan M, Mazutis D, Seijts G (2013) In search of virtue: the role of virtues, values and character strengths in ethical decision making. J Bus Ethics 113(4):567–581

Doris J (2002) Lack of character: personality and moral behavior. Cambridge University Press, Cambridge

Hall DL, Ames RT (1998) Thinking from the Han: self, truth, and transcendence in Chinese and Western culture. State University of New York Press, Albany

Harman G (2003) No character or personality. Bus Ethics Q 13(1):87–94

Huang K-P, Chung T, Tung J, Lo SC (2013) Guanxi embeddedness and trust building in Chinese business markets: a Confucianism perspective. J Appl Sci 13(3):333–340

Kamtekar R (2004) Situationism and virtue ethics on the content of our character. Ethics 114(3):458–491

Kirchin S (ed) (2013) Thick concepts, Mind Association occasional series. Oxford University Press, Oxford

Koehn D (2001) Confucian trustworthiness and the practice of business in China. Bus Ethics Q 11(3):415–429

Krause DG (2007) The art of war for executives: ancient knowledge for today's business professional. Perigee Trade (Penguin), New York

Kupperman JJ (2001) The indispensability of character. Philosophy 76(2):239–250

Kupperman JJ (2009) Virtue in virtue ethics. J Ethics 13(2–3):243–255

Lai KL (2006) Learning from Chinese philosophies: ethics of interdependent and contextualised self. Ashgate, Aldershot

Lai KL (2012) Knowing to act in the moment: examples from Confucius' analects. Asian Philos 22(4):347–364

Lau D-C (1979) Confucius: the analects. Penguin, Harmondsworth

Low KCP, Ang S-L (2012) Confucian leadership and corporate social responsibility (CSR), the way forward. Asian J Bus Res 2(1):85–108

McNeilly MR (2012) Sun Tzu and the art of business: six strategic principles for managers paperback (revised edition). Oxford University Press, New York

Michaelson GA, Michaelson SW (2010) Sun Tzu: the art of war for managers: 50 strategic rules updated for today's business, 2nd edn. Adams Media Corporation, Massachusetts

Miles L, Goo SH (2013) Corporate governance in Asian countries: has Confucianism anything to offer? Bus Soc Rev 118(1):23–45

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Mower DS (2013) Situationism and Confucian virtue ethics. Ethical Theory Moral Pract 16(1):113–137

OECD responsible business conduct matters, multi-national enterprises guidelines, © OECD 2014, responsibility of the Secretary-General of the OECD, http://mneguidelines.oecd.org/MNEguidelines_RBCmatters.pdf, accessed 4 January 2016

Pound E (1951) Confucius: the great digest and unwobbling pivot (trans). New Directions, New York

Robinson B, Stey P, Alfano M (2013) Virtue and vice attributions in the business context: an experimental investigation. J Bus Ethics 113(4):649–661

Romar EJ (2004) Globalization, ethics, and opportunism: a Confucian view of business relationships. Bus Ethics Q 14(4):663–678

Romar EJ (2009) Strategic intent, Confucian harmony and firm success. Acta Polytech Hung 6(3):57–67

Strike VM, Gao J, Bansal P (2006) Being good while being bad: social responsibility and the international diversification of US firms. J Int Bus Stud 37:850–862

Wang L, Juslin H (2009) The impact of Chinese culture on corporate social responsibility: the harmony approach. J Bus Ethics 88(3):433–451

Confucianism, Virtue, and Leadership: The Focus on Humble Leadership

Gary K. Y. Chan

Contents

Abstract

The Confucian *jūn zǐ* serves as a moral exemplar for his followers and subordinates. In this regard, Confucian virtues such as benevolence and righteousness are relevant and important for leadership. The virtue of humility has been less explored. Drawing upon the Confucian classics, the paper discusses the features of the Confucian virtue of humility and its contribution to virtuous leadership. Parallels may be drawn among Confucian humility, the Chinese attitudes about leadership, and the increasing focus in the West on humble leadership. The Confucian concept of humility resonates well with recent insights on the importance of humble leadership in business contexts.

Keywords
Confucianism • Virtues • Leadership • Humility

G.K.Y. Chan (✉)
School of Law, Singapore Management University, Singapore, Singapore
e-mail: garychan@smu.edu.sg

Introduction

Virtue ethics in Confucianism is grounded in constant practice, training, and cultivation of character. Individual cultivation and development are clearly important in Confucian ethics, and this is set against the larger tapestry of familial and social relations (Chan 2008, p. 355). One manifestation of this wider social network is that the Confucian *jūn zǐ* (or gentleman) serves as a moral exemplar for his followers and subordinates. The central question is how a Confucian leader should discharge this moral role toward his followers.

Within the brief compass of this chapter, we will discuss the philosophical basis for the Confucian virtues and their relevance to leadership. What is the role of the leader in Confucianism? What are the virtues of Confucian leadership? This is followed by an examination, based on the Confucian classics, on the under-explored Confucian virtue of humility and its contribution to virtuous leadership. What are the features of humility as a virtue in Confucianism? To what extent should a leader act humbly toward his followers? Finally, interesting parallels may be drawn among Confucian humility, the Chinese attitudes about leadership, and the increasing focus in the West on humble leadership. We will find that the Confucian concept of humility resonates well with recent insights on undesirable hubris in leaders and the importance of humble leadership in global business contexts.

Confucian Virtues for Leaders

The influence of a Confucian leader on his followers is clearly significant. The *Analects* describes the influence in simple yet vivid terms:

> He who exercises government by means of his virtue may be compared to the north polar star, which keeps its place and all the stars turn towards it. (*Analects*, Book II, Chap. 1)
> The relation between superiors and inferiors, is like that between the wind and the grass. The grass must bend, when the wind blows across it. (*Analects*, Book XII, Chap. XIX)

A leader has to set the correct path ahead for his followers. The *Analects* stated "To govern means to rectify. If you lead on the people with correctness, who will dare not to be correct?" (Book XII, Chap. XVII)? The gentleman acts as a positive mentor and teacher to facilitate the transformation and development of his students. Mencius said:

> A gentleman teaches in five ways. The first is by a transforming influence like that of timely rain. The second is by helping the student to realize his virtue to the full. The third is by helping him to develop his talent. The fourth is by answering his questions. And the fifth is by setting an example others not in contact with him can emulate. (*Mencius*, Book VII, Part A, 40)

For Confucius, leadership is not ultimately assessed by his popularity. It is said that "[t]he superior man is easy to serve and difficult to please" (*Analects*, Book XIII, Chap. XXV). Moreover, the Master said, "When the multitude hate a man, it is necessary to examine into the case. When the multitude like a man, it is necessary to examine into the case" (*Analects*, Book XV, Chap. XXVII).

Virtues play a significant role in Confucian ethics though the latter is not solely based on virtues. The better view is that there is a unity of both virtue ethics and rules in Confucian ethics (Liu 2006). The concept of morality in Chinese philosophy is a combination of *dào* (the objective Way) and *dé* (subjective virtue). With reference to Confucianism in particular, the concepts of *lǐ* (propriety) and rén (benevolence) are mutually dependent. *Lǐ* represents the moral rules and rén the general virtue. The notion of rén obliges the sage "to love all men" (Book XII, Chap. XXII), and perfect virtue requires him to "return to propriety" (Book XII, Chap. I). Thus, it may be said that the outward expression in *lǐ* is part of the process of cultivating the love for others in social relations (Liu 2006, p. 226). As Yao (2012), p. 32 explained, "While the Way determines, in a metaphorical sense, what we should pursue in life, its value and importance can be fulfilled only in leading a virtuous life." After all, as the *Analects* (Book XV, Chap. XXIX) stated, "[i]t is humans who can make the Way great. It is not the Way that can make humans great."

To reinforce this mutuality of virtues and rules, we note in the *Analects* that the virtue of righteousness (yí) is intimately connected to the rule of propriety: "The superior man in everything considers righteousness to be essential. He performs it according to the rules of propriety. He brings it forth in humility. He completes it with sincerity." (*Analects*, Book XV, Chap. XVII). Moreover, Mencius refers to "benevolence" as the "heart of man" and "rightness his road" (*Mencius*, Book VI, Part A, 11) and "[t]o dwell in benevolence and to follow rightness constitute the sum total of the business of a great man" (*Mencius*, Book VII, Part A, 33). As can be seen, benevolence, righteousness, and propriety are very much integrated concepts in Confucian ethics.

Though every person has the potential to attain rén, he who practices rén wholeheartedly and persistently will possess the virtue to a substantial degree and is therefore worthy to be a leader (Luo 2012). A ruler must show benevolence toward his people. According to Mencius, "[t]here is a way to win the Empire; win the people and you will win the Empire. There is a way to win the people; win their hearts and you will win the people" (*Mencius*, Book IV, Part A, 9). The Confucian golden rule (*zhong shu*) is extended to the treatment by a leader toward his inferiors and vice versa: "What a man dislikes in his superiors, let him not display in the treatment of his inferiors; what he dislikes in inferiors, let him not display in the service of his superiors" (*The Great Learning*, Chap. X).

The rightness of an action, according to a consequentialist, is dependent on the consequences (for the Utilitarian, the balance of pleasures over pains). The deontologist would assess whether an action is right based on moral duties (in the case of Kant, the categorical imperatives). For Confucius, the rightness or righteousness (yí) of an action is based on how well a person expresses the virtues and attitudes

that make up his moral orientation in life. Mencius, on the other hand, focused on the internal predisposition toward rightness in the yí. Notwithstanding the dissimilarities in approach, virtuous character is intimately connected with the rightness of an action for both philosophers (Chong (2006), p. 74).

Confucian virtues are based on the doctrine of the Mean (*zhōng yōng*). According to the doctrine, the virtuous leader should avoid extremes as far as possible and adopt a middle path. The Mean is regulated by one's social station in the society: "The superior man does what is proper to the station in which he is; he does not desire to go beyond this" (*The Doctrine of the Mean*, Chap. XIV). According to *The Doctrine of the Mean*, taking that narrow path requires perfect calibration ("To go beyond is as wrong as to fall short" (Book XI, Chap. XV)) as well as constant efforts and meticulous study (Chap. XXVII). Moreover, the fruits of following the path are reserved to a select few ("Perfect is the virtue which is according to the Mean! Rare have they long been among the people, who could practice it" (*The Doctrine of the Mean*, Chap. III)).

The Confucian Virtue of Humility

The Confucian virtue of humility has not been sufficiently explored compared to the other virtues such as benevolence and righteousness. This paper proposes a framework for understanding Confucian humility. Based on an interpretation of the Confucian classics, the Confucian virtue of humility finds expression in the behavior of the *jūn zi* in at least four aspects: (a) the desire to learn and improve oneself, (b) recognition of personal limitations, (c) not being concerned with extolling personal achievements and merits, and (d) recognizing the strengths and contributions of others including subordinates and employees. In light of these broad and varied aspects, the concept of humility for leadership is arguably one of the core Confucian virtues.

(a) The leader's desire to learn and improve himself or herself.
    Confucius himself exemplifies the virtue of humility based on this intense desire for learning. He said, "At fifteen, I had my mind bent on learning" (*Analects*, Book II, Chap. IV). Confucius was described in the *Analects* as "simply a man, who in his eager pursuit (of knowledge) forgets his food, who in the joy of its attainment forgets his sorrows, and who does not perceive that old age is coming on" (Book VII, Chap. XVIII)? He was deeply conscious of the value of learning: "To be fond of learning is to be near to knowledge" (*The Doctrine of the Mean*, Chap. XX). He exhorted his followers to "[l]earn as if you could not reach your object, and were *always* fearing also lest you should lose it" (*Analects*, Book VIII, Chap. XVII). Contrary to the common misconception that Confucius was a hardcore traditionalist rigidly bound by outdated rituals, the Confucian *junzi* is one who consciously blends the old and the new in the area of learning: "If a man keeps cherishing his old knowledge, so as to be continually acquiring new, he may be a teacher of others" (*Analects*,

Book II, Chap. XI; see also *The Doctrine of the Mean*, Chap. XXVII). Confucius was not concerned with learning merely for its own sake, but the practical usage and benefits. "Though a man may be able to recite the three hundred odes, yet if, when entrusted with a governmental charge, he knows not how to act, or if, when sent to any quarter on a mission, he cannot give his replies unassisted, notwithstanding the extent *of his learning*, of what practical use is it?" (*Analects*, Book XIII, Chap. V)

Most importantly, Confucius emphasizes, in a very direct manner, humility in learning from others including one's subordinates. He said that "[a] learned man in high position who does not feel embarrassed about asking from his inferiors is truly learned." In the *Analects* (Book V, Chap. XIV), Confucius spoke of the virtues of Kung-wan who was "not ashamed to ask and learn from his inferiors." This attitude toward learning is clearly relevant in this burgeoning knowledge economy and information age. It is increasingly difficult for the leader alone to constantly keep abreast of the technology and knowledge in his field of expertise, and he must therefore rely on his team members and subordinates.

(b) The leader's recognition of his or her personal limitations.

The Confucian *jūn zǐ* is conscious of his personal limitations and flaws. Confucius draws upon a sporting analogy: "In archery we have something like the way of the superior man. When the archer misses the center of the target, he turns around and seeks for the cause of his failure in himself" (*The Doctrine of the Mean*, Chap. XIV). Similarly, in *Mencius* (Book II, Part A, 7), benevolence is likened to archery where the archer "simply seeks the cause within himself" should he miss the target. The Confucian gentleman should be reflective and self-critical: "When you see men of worth, we should think of equaling them; when we see men of a contrary character, we should turn inwards and examine ourselves" (*Analects*, Book IV, Chap. XVII).

Mencius also acknowledged that the recognition of one's personal limitations is a moral attribute. He was of the view that a distinguishing feature between a human and an animal is the heart. The gentleman retains the heart that he originally possesses, while the others lose theirs. Just as it is natural for a tree to grow on a mountain, all humans have incipient moral tendencies of the heart. The example of the man who was naturally moved to compassion when he, all of a sudden, saw a young child on the verge of falling into a well is often highlighted (*Mencius*, Book II, Part A, 6). These moral tendencies can be cultivated and developed so that a man can eventually become a sage. The moral tendencies and the associated virtues are the heart of compassion (benevolence), the heart of shame (dutifulness), heart of courtesy and modesty (observance of the rites), and the heart of right and wrong (wisdom). With respect to the heart of shame, Mencius said that a man must not be without shamelessness for "the shame of being without shame is shamelessness indeed" (Book VII, Part A, 6). The failure to realize one's moral inferiority is therefore an obstacle to moral progress (Lau 2003, p. xvii.).

Self-examination and reflection are also critical with respect to governance. Mencius said, "If others do not respond to your love with love, look into your own benevolence; if others fail to respond to your attempts to govern them with order, look into your own wisdom; if others do not return your courtesy, look into your own respect. In other words, look into yourself whenever you fail to achieve your purpose. When you are correct in your person, the Empire will turn to you" (*Mencius*, Book IV, Part A, 4). There are limits to self-reflection though. The leader, as long as he has acted in a benevolent and courteous way and has done his best for another person who persists in his outrageous manners, should not be perturbed by his lack of success (*Mencius*, Book IV, Part B, 28).

Similar to the importance of deriving practical benefits from one's learning, as highlighted above, the recognition of one's personal limitations is merely a step, albeit an important one, toward taking practical actions. As Confucius had advised, "[w]hen you have faults, do not fear to abandon them" (*Analects*, Book I, Chap. VIII; Book IX, Chap. XXIV). Further, "[t]o have faults and not to reform them, – this indeed, should be pronounced having faults" (*Analects*, Book XV, Chap. XXIX). The desire for self-improvement is a hallmark of the Confucian concept of humility.

(c) The leader should not be concerned with extolling his or her personal achievements and merits.

The dangers of arrogance in leaders – the failure to consult and a tendency to exaggerate their own abilities – have been well-documented (Kroll et al. (2000), pp. 117–128). The authors spoke of hubris as exaggerated pride, self-confidence or arrogance, and the dangers of successful leaders succumbing to "narcissistic inclinations" and who "allow hubris to cloud their vision" (Kroll et al. (2000), p. 126).

The Confucian *jūn zǐ*, on the other hand, does not extoll his achievements and merits. His focus is not on eliciting recognition by others but in being competent and worthy of respect. Confucius stated that "[t]he superior man is distressed by his want of ability. He is not distressed by men's not knowing him" (*Analects*, Book XV, Chap. XVIII). Moreover, he stressed that "[a] man should say, I am not concerned that I have no place, I am concerned how I may fit myself for one. I am not concerned that I am not known, I seek to be worthy to be known" (*Analects*, Book IV, Chap. XIV).

(d) The leader recognizes the strengths and contributions of others including subordinates and employees.

Finally, the Confucian leader takes pains to recognize the strengths of others including his subordinates and employees. This is an extension of the golden rule to advance the talents and capacities of subordinates. Confucius said, "The superior man seeks to perfect the admirable qualities of men, and does not seek to perfect their bad qualities. . .." (*Analects*, Book XII, Chap. XVI) and that "[n]ow the man of perfect virtue wishing to be established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others" (*Analects*, Book VI, Chap. XXVIII). This principle is extended to

the treatment of a person toward his subordinates and employees: "[e]mploy first the services of your various officers, pardon small faults, and raise to office men of virtue and talents" (*Analects*, Book XIII, Chap. II).

The Focus on Humble Leadership

The Confucian virtue of humility as described in the Confucian Classics strongly parallels the recent studies and focus on humble leadership. Even though these studies do not often mention the confucian virtue, there is a strong correspondence in terms of the conceptual dimensions of humility in leadership. In a study of as discribed in the confucian classics five eminent Chinese chief executive officers in Hong Kong, Cheung and Chan (2005, p. 56) acknowledged that the CEOs' approach toward the talents possessed by each employee reflected the Confucian virtue of humility. This humility is manifested in the CEOs' realization that every employee had a unique talent and the CEOs' admissions of their own personal limitations at work. Further, there is anecdotal evidence from business leaders in China of their expectations of humble leadership. For example, one business leader said that the Chinese people focus on the group rather than the individual and added that "if the leader tries to take credit, there will be resentment and the leader may be seen as arrogant. Actually, we want just the opposite from our leaders. We want them to be 'di diào'." The Chinese characters "di diào" may be translated as "low key" (Gallo (2011), p. 33). Another business executive echoed similar sentiments when he stated that "[b]y acting strong, [leaders] actually lowered themselves. Rather, we prefer humility. We prefer our leaders to be more silent than Western leaders try to be" (Gallo 2011, p. 34).

In the West, there appears to be a growing recognition of the importance of humility in leadership. The truth is that the notion of humility in leadership has had a long tradition in the West. Aristotle (1976, p. 106) had briefly referred to the mean of "truthfulness" as opposed to that of "boastfulness," a "pretension that goes too far." In the "sphere of feelings and emotions," Aristotle mentioned that the intermediate man is "modest" and that the one who feels too little shame or none at all is "shameless." Yet, these brief references did not gain much traction. In comparison, the seemingly paradoxical notion of "servant leadership" that was coined and developed by Greenleaf (1977), built as it were upon the moral example of Jesus Christ toward his disciples and the common people and the primacy of selfless service found in many other religious beliefs (Trompenaars and Voerman 2009, pp. 5–6), has proved to be influential in business and management studies.

The renewed search for humble leadership may also have been prompted, in part, from the excesses of infamous companies such as Enron, Worldcom, and Tyco and the fall from grace of seemingly charismatic, heroic, and celebrity leaders. Years after her exit from Enron, Sherron Watkins (2006, p. 35) offered her candid views in Time Magazine about humble leadership which is remarkably similar to the Confucian concept of humility:

> I still wonder whether we truly recognize and value the appropriate traits in our leaders. We want honest leaders who are decisive, creative, optimistic, and even courageous, but we so easily settle for talk that marks those traits instead of action. Worse, we often don't even look for one of the most critical traits of a leader: humility. A humble leader listens to others. He or she values input from employees and is ready to hear the truth, even if it is bad news. Humility is marked by the ability to admit mistakes.

The desirable qualities of a humble leader, as described by Watkins, correspond with the Confucian virtue of humility that leaders should learn from others including subordinates and employees and recognize their contributions as well as his or her own personal limitations and errors.

There are other parallels drawn from analysis and commentators. Rego et al. (2012, p. 9) cutlined the character strengths for the virtue of temperance as comprising forgiveness and mercy, humility/modesty, prudence and self-regulation, and discipline. In the global business context, the virtue of temperance involves respecting and adjusting to different cultures and people such as appreciating "glocal complexity," adopting new approaches when dealing with diverse markets, learning from cultural mistakes, and respecting the poor communities in developing countries (Rego et al. 2012, p. 155). The Confucian approach toward humility (namely, the need to derive new knowledge or methods by adapting from the old and the awareness of one's errors) and the virtue of benevolence toward the less fortunate are clearly relevant here.

Kouzes and Posner (2002) propounded the *Five Practices of Exemplary Leadership*, namely, model the way, inspire a shared vision, challenge the process, enable others to act, and encourage the heart. It More significantly, for purposes of our discussion, the authors railed against leaders who are infected with hubris and "seduced by power and importance" (Kouzes and Posner 2002, p. 347) and advised leaders to "remain humble and unassuming – to always remain open and full of wonder" (Kouzes and Posner 2002, p. 348). In line with Kouzes and Posner, but in more metaphorical language, Brook (2010) referred to the risks associated with self-confident or self-assured leaders or "board room lions." In contrast, the "humble hound" thinks less of her mental strengths than about her weakness and focuses on "metacognition – thinking about her thinking – and then building external scaffolding devices to compensate for her weaknesses." Such a "humble hound," it seems, exemplifies the strength of a Confucian leader who, being constantly conscious of his personal limitations, takes practical steps with a view to avoiding errors and to ultimately attain virtue.

In addition, Collins (2001a, p. 136) wrote about level 5 (or great) leaders who possess the paradoxical blend of "genuine personal humility" and "intense professional will." These leaders, according to a study by Collins (2001b) on US corporations, were found in good-to-great companies at the time of transition based on their cumulative stock returns as compared to the general market (Collins 2001b, p. 3). Yet there was very little written about the CEOs helming these companies as compared to some of the CEOs with huge personal egos in the other companies (Collins 2001b, pp. 22, 28 and 29). The characteristics of personal humility

mentioned by collins ([2001](#)) are consistent with (though not precisely the same as) the Confucian tenets: the leader demonstrates compelling modesty; shuns public adulation; is never boastful; acts with calm quiet deliberation; relies principally on inspired standards not inspiring charisma; channels ambition into company, not self; never blames others, external factors, or bad luck; and looks into the mirror to apportion responsibility. One facet of "professional will," i.e., the leader looks out of the window, not in the mirror, to apportion credit for the success of the company – to other people, external factors, and good luck – corresponds well with the Confucian humility in leadership in recognizing the contributions of others. Like Collins ([2001a](#)), Hoekstra et al. ([2008](#)) preferred a two-sided balance sheet of qualities comprising professional passion and personal humility. The authors also relied on five foundational ideas: fallibility, vulnerability, transparency, inadequacy, and interdependence (Hoekstra et al. ([2008](#), p. 87). Moreover, the leader must be teachable, accountable, and willing to receive feedback (Hoekstra et al. ([2008](#), pp. 92–93), qualities reminiscent of the Confucian leader's humble approach to learning.

Notwithstanding the similarities with the Confucian concept of humility as a virtue, there is an increasing emphasis on a concept of humility that focuses on accurate self-assessment and awareness of one's abilities and achievements. In comparison, the Confucian approach to humility based on the spirit of self-examination and criticism and the focus on personal weaknesses suggests that the Confucian leader's assessment of himself should be *lower* than how he might objectively rate other people with the same qualities or characteristics.

Lawrence ([2006](#)) advocates instead "neohumility," i.e., humility *without weakness* and transformed to fit business world, including characteristics such as self-awareness, valuing others' opinions, willing to learn and change, sharing power, hearing the truth and admitting mistakes, and working to create a culture of openness. Stressing accuracy in self-assessment, Morris et al. ([2005](#)) referred to humility as a "personal orientation founded on a willingness to see the self accurately and a propensity to put oneself in perspective." In similar vein, Adair ([2013](#), p. 152) remarked that humility is not about denigrating oneself but to assess one's own abilities and contributions truthfully. This aspect of humility was again evident in the recent study on organizational behavior by Owens et al. ([2013](#)) who defined "expressed humility" (i.e., humility that is externally observable by others rather than intrapersonal aspects of humility) as "an interpersonal characteristic that emerges in social contexts that connotes (a) a manifested willingness to view oneself accurately, (b) a displayed appreciation of others' strengths and contributions, and (c) teachability." The authors also found that the humble leadership approach of listening to the feedback of employees and subordinates, being open about personal limitations, and appreciating follower strengths and contributions are important for engaging employees and recruiting and retaining talent.

While certain aspects concerning the appreciation of other's strengths and contributions and teachability of the leader are remarkably similar to Confucian humility, the Confucian approach appears to place more emphasis on the leader's

awareness of his personal limitations and flaws than that of accuracy in self-assessment as proposed by the commentators above. It would be interesting to see if future empirical studies bear out such a philosophical or conceptual difference in self-assessment between the Chinese and non-Chinese leaders for this particular facet of humility. That said, it is suggested that the philosophical or conceptual difference may be bridged (or at least minimized) if one takes into account the doctrine of the Mean with a view to achieving an ideal balance in the practice of the virtues. In this regard, one approach worth considering is that of Hoekstra et al. (2008, p. 83) who apply moderating influences to the concept of humility:

> Humility is an appropriate self-awareness that avoids thinking too highly of ourselves, blended with a healthy self-respect that avoids thinking too little of ourselves, allowing us to realistically assess our own accomplishments while continuing the pursuit of our own personal development

The proposed method of moderation above is after all consistent with the Confucian doctrine of the Mean (*zhōng yōng*) in which the virtuous leader endeavors to take the middle path by eschewing extremes of self-criticism and conceit.

Conclusion

The virtue of humility alone may not be sufficient for effective leadership but is arguably an integral part of it. The empirical study of humility in leadership is a fairly recent phenomenon, while Confucian ethics on leadership and humility have been around for more than 2500 years. Yet we find that the broad contours of the Confucian virtue of humility correspond, to a considerable extent, to the attributes of humble leadership that have been recently discussed by the experts and commentators in the West. These comparisons between the Confucian and Chinese approaches to humble leadership and the Western attitudes on leadership merit further consideration and study. It is hoped that further research, whether of a philosophical or empirical nature (e.g., Oc et al (2015)), would be undertaken to illuminate and extend our understanding of leadership and the place of humility as a Confucian virtue.

References

All references to the Analects, The Great Learning and Doctrine of the Mean are extracted from James Legge (trans) Confucius (1971), New York: Dover Publications Inc. References to Mencius are taken from D C Lau (trans) Mencius (2003), Penguin, England.
Adair J (2013) Confucius on leadership. Macmillan, London
Aristotle (1976) Ethics (trans: Thomson JAK). Penguin, England
Brooks D (2010) Of boardroom lions and humble hounds. The Straits Times, 11 Apr 2010

Chan KYG (2008) The relevance and value of Confucianism in contemporary business ethics. J Bus Ethics 77:347–360

Cheung C-k, Chan AC-f (2005) Philosophical foundations of eminent Hong Kong Chinese CEOs' leadership. J Bus Ethics 60:47–62

Chong K-C (2006) Virtue and rightness: a comparative account. In: Chong K-C, Liu Y (eds) Conceptions of virtue – East and West. Marshall Cavendish, Singapore/New York

Collins J (2001a) Level 5 leadership: the triumph of humility and fierce resolve. Harv Bus Rev 79:67–76

Collins J (2001b) Good to great. Harper Business, New York

Gallo FT (2011) Business leadership in China (revised edition). Wiley, United Kingdom

Greenleaf RK (1977) Servant leadership: A journey into the Nature of legitimate power and Greatness. Paulist press, New york

Hoekstra E, Bell A, Peterson SR (2008) Humility in leadership: abandoning the pursuit of unattainable perfection. In: Quatro SA, Sims RR (eds) Executive ethics: ethical dilemmas and challenges for the C-suite. Information Age Publishing, Greenwich

Kouzes JM, Posner BY (2002) The leadership challenge, 3rd edn. Jossey-Bass, San Francisco

Kroll MJ, Toombs LA, Wright P (2000) Napoleon's tragic march home from Moscow: lessons in hubris. Acad Manag Exec 14(1): 117–128. http://pvkmenake.pbworks.com/w/file/fetch/63221758/Napoleon's%20Tragic%20March%20Home%20from%20Moscow_Lessons%20in%20Hubris.pdf

Lawrence PG (2006) Neohumility/humility and business leadership: do they belong together. J Bus Leadersh 2(1):116–126

Liu Y (2006) The unity of rule and virtue in Confucianism. In: Chong K-C, Liu Y (eds) Conceptions of virtue – East and West. Marshall Cavendish, Singapore/New York

Luo S (2012) Confucius's virtue politics: Ren as leadership virtue. Asian Philos 22(1):15–35

Morris JA, Brotheridge CM, Urbanski John C (2005) Bringing humility to leadership: antecedents and consequences of leader humility. Hum Relat 58(10):1323–1350

Oc B, Bashshur MR, Daniels MA, Greguras GJ, Diefen dorff JM (2015) Leader Humility in Singapore. The leadership Quarterly 26:68–80

Owens BP, Johnson MD, Mitchell TR (2013) Expressed humility in organizations: implications for performance, teams and leadership. Organ Sci 24:1517–1538

Rego A, Pina e Cunha M, Clegg S (2012) The virtues of leadership: contemporary challenges for global managers. Oxford University Press, Oxford

Trompenaars F, Voerman E (2009) Servant-leadership across cultures: harnessing the strength of the world's most powerful leadership philosophy. Infinite Ideas, Oxford

Watkins S (2006) Ken lay still Isn't listening. Time Magazine 167(73)

Yao XZ (2012) The way, virtue and practical skills in the analects. J Chin Philos 39(1):26–43

Confucian Virtues and Customer Relationships

Edward J. Romar

Contents

Abstract

The paper begins with a brief presentation of transaction cost analysis as the economic foundation of outsourcing and the increasing dependency of firms on the many customer relationships needed to bring products to market. It discusses Confucian virtue ethics focusing primarily on the cardinal virtue of benevolence and then applies Confucian virtue ethics in a brief analysis of the behavior of US fire arms manufacturers.

Keywords

Confucianism • Virtues • Customer relationships

Introduction

In The Firm, the Market, and the Law, Coase argues that the application of firm or market governance, performing the activity or making the component by the firm or sourcing from the market, is cost dependent. This is the foundation of "transaction cost analysis."

E.J. Romar (✉)
University of Massachusetts Boston, Boston, MA, USA
e-mail: edward.romar@umb.edu

> (A)lthough production could be carried out in a completely decentralized way by means of contracts between individuals, the fact that it costs something to enter into these transactions means that firms will emerge to organize what would otherwise be market transactions whenever their costs were less than the costs of carrying out the transactions through the market. The limit to the size of the firm is set where its costs of organizing a transaction become equal to the cost of carrying it out through the market. This determines what a firm buys, produces and sells. (Coase 1988, p. 7)

Transaction cost analysis is the economic justification for outsourcing. Organizations should focus on developing unique skills and specializations and leave other organizations to develop theirs. The result will be economic organization based upon specialized firms, making the management of up and downstream activities performed by external partners essential to firm success.

Providing products and services to customers is a complex process requiring a large number of skills and the successful execution of multiple customer relationships. Specialized skills are needed to design, make, and distribute products that meet customer expectations. Current management practices, following Coase, recommend companies develop core competencies, specialized skills in specific parts of the process of delivering products to customers (Hamel and Prahalad 1994). This approach to business involves the management of multiple customer relationships among specialized firms which play important roles in the development, manufacture, and distribution of products. Each of these firms must manage a different customer set. A supplier's customers are one set, a product producer's another, a distributor's another, and a retailer's yet another. All of these firms play an important role in providing products and services to their customers.

Specialization necessitates the development of a hierarchy of business relationships and the decentralization of business processes into up and downstream partners. This creates a chain of dependency where the success of one firm is dependent upon the success of the others and raises the challenge of managing firms and their employees who are not members of each other's organization. It also creates a situation where multiple customer relationships must be managed successfully if marketable products and services are to reach the end user, the person who ultimately benefits from and uses the product. Each customer relationship in the process is dependent upon the success of the previous customer relationship. Participants in the interfirm relationships must be willing to work toward collective goals (e.g., quality, customer satisfaction, and mutual success), which entails not only a willingness to subordinate personal/firm interests to others but also a need to trust them. In this circumstance, business issues are intertwined with ethical ones, and transaction costs may include ethical lapses as well as the actual cost of producing things.

Confucian Virtue Ethics and Business Relationships

Confucianism is a contextual, hierarchical, and relationship ethic which can be applied effectively to business. It is useful to view business in the context of the various relationships essential to firm success. Confucianism provides an ethical

framework that is applied to specific relationships, and individuals must understand the relationship and their role in it. Individuals are morally responsible in the context of the various relationships, and proper behavior must conform to the social context in any particular situation. Every person in a social relationship is viewed as a member of the community and capable of becoming ethical. This means each is given moral consideration by others, including the senior member of the hierarchy, as a full member of the community. While responsibilities are assigned according to positions within the hierarchy, the requirement to be ethical is universal. Moreover, unlike Western virtue ethics, in Confucianism every moral person is a leader regardless of their position in the hierarchy.

Confucian virtue ethics are different from Western virtue ethics. Aristotelian ethics, for example, focus primarily on the elite where lower members of the social hierarchy have limited social responsibility based upon their natural attributes and capabilities (natural slavery). It also limits full membership in the community to those capable of becoming fully human, the very top of the social system. This places primary emphasis on organizational leaders, with little importance given to the behavior of lower members in the hierarchy. This influences Western ethics pedagogy, especially in the USA, where most texts stress senior management behavior and responsibility.

Confucianism places ethical responsibility primarily on individuals, where individuals do not lead a totally individual existence but where they are rooted firmly in human relationships. Everyone is in relationships denoted by names and for the names and relationships to be executed properly and successfully, each person must be willing to and capable of fulfilling their responsibilities effectively. To do so requires people to develop capabilities in three areas: the cultivation of the self, the development of social understanding, and the acquisition of the skills required in their position. Social understanding requires the individuals to comprehend their social/hierarchical position in relationships, the requirements of filling their position well, their name, and the realization that their success depends upon the success of others in the relationship.

A business organization can be understood as a series of relationships organized to fulfill collective goals and objectives. This requires management to organize human relationships, activities, and responsibilities to achieve goals and objectives effectively. Depending upon the business, this may require the organizing of manufacturing, research and development, finance, supplier, and other business roles and relationships to achieve the desired outcomes. From an organizational perspective, this requires individuals to subordinate their interests to those of the whole and perform their roles and responsibilities willingly. Without the willingness to cooperate for common goals and objectives, organizations cannot be successful, where there is mutuality in all relationships, and individuals may need to subordinate their desires to the needs of the group. Collective success is tied to individual success, and individual success is predicated on collective success. They are inextricably tied, mutually reinforcing, and interdependent. Human flourishing, in this case business success, is realized through the proper alignment and execution of human relationships, where each role in these relationships is filled by a moral

individual, the superior person (Analects, V, xv, XV, xvii, and many others.). In the context of the various customer relationships, success is the result of the proper alignment (harmony) of a firm's internal relationships, manufacturing, marketing, finance, etc., leading to successful customer relationships. This allows each specialized firm in the process to succeed and fulfill its customer relationship, whether it is a supplier, manufacturer, distributor, or retailer.

According to Tu Weiming, benevolence (rén) is the most significant virtue, and the virtues are hierarchical and mutually reinforcing.

> (H)umanity is unequivocally the cardinal symbol in Confucian humanism... This kind of priority can be demonstrated from the fact that the classical formulations of the basic Confucian structure of virtues—"the cardinal virtue," the two primary virtues," and "the three universal virtues," "the four primordial virtues (or the Four Beginnings)," and "the five constant virtues"—can all be seen as a progressive articulation of humanity (jen, sic):
>   Humanity
>   Humanity-Wisdom
>   Humanity-Wisdom-Courage
>   Humanity-Righteousness-Propriety-Wisdom
>   Humanity-Righteousness-Propriety-Wisdom-Faithfulness
>   All the other virtues can be understood as aspects of humanity. They are internally linked to humanity, as if to enrich its inner resourcefulness. (Tu 1976, p. 83)

For Mencius, benevolence (rén) is the fundamental virtue.

> There are princes who have benevolent hearts and a reputation for benevolence, while yet the people do not receive any benefit from them, nor will they leave any example to future ages; – all because they do not put into practice the ways of the ancient kings...
>   Therefore only the benevolent ought to be in high stations. When a man destitute of benevolence is in a high station, he thereby disseminates his wickedness among all below him.
>   When the prince has no principles by which he examines his administration, and his ministers have no laws by which they keep themselves in the discharge of their duties, then in the court obedience is not paid to principle, and in the office obedience is not paid to rule. Superiors violate the laws of righteousness, and inferiors violate the penal laws. It is only by a fortunate chance that a State in such a case is preserved. (Mencius (1970), IV, 2, 7, 8, pp. 288–291)

In this passage, Mencius identifies not only the central role of benevolence but one of the fundamental managerial challenges. Management must define the desired behaviors of subordinates and through their example provide the leadership necessary for their realization. Businesses are by nature hierarchical. Management's responsibility is to determine organizational norms and behaviors and articulate them not simply by decree but more importantly by example. A moral organization manifests ethics from the top-down, and it is imperative for management to demonstrate correct behavior. It is wrong, irresponsible, and not the least bit benevolent to demand a behavior from subordinates that a superior is unwilling to exhibit. As Confucius (1971) remarked,

"To govern is to rectify. If you lead on the people with correctness, who will dare to be incorrect" (Analects, XII, xvii). Elsewhere, Confucius said, "When affairs cannot be carried to success, proprieties and music will not flourish. When proprieties and music do not flourish, punishments will not be properly awarded. When punishments are not properly awarded, the people do not know how to move hand or foot" (Analects, III. vi, 263–64).

  The virtues are mutually supporting and in many ways are reinforced by the golden rule. "Tsze-kung asked, saying 'Is there one word which might serve as a rule of practice for all one's life?' The Master said. 'Is not RECIPROCITY (sic) such a word? What you do not want done to yourself, do not do to others" (Analects, IV, xxiii p. 301)'.

On a fundamental level, the application of the golden rule means that someone should understand the situation and behave only in a way they would wish to be treated should the situation be reversed. There are at least three aspects of relationships involved in applying the golden rule: an understanding of the correct behavior in a given situation, the requirement to demonstrate empathy toward the recipient of the action so that the recipient will receive the behavior as it is intended, and it obliges that the behavior be consistent with a mutually beneficial relationship. Moreover, all members of the relationship must have achieved a sufficient level of ethical development to apply the virtues effectively in their particular situation. For Confucius, learning is a lifelong process, and moral behavior is the result of preparation, where virtue and wisdom are the result of education, ethical development, and experience. This is an important piece of managerial/ business wisdom. Individuals should not be promoted into more responsible positions until they have demonstrated competence, which includes both technical and moral achievement. If these conditions are met, a moral person will be in a position to understand a particular social situation and align the virtues into correct behavior.

  If the virtues and the golden rule are applied correctly, the result should be what Tu Weiming calls the fiduciary society (p. 81). Normal usage of fiduciary means that someone holds something of value in trust and that he/she is responsible to protect and care for that which they are the trustee. Tu's use is similar. All members of the social organization are in mutually dependent relationships and hold all social relationships in the organization, and between connected organizations, in trust. Therefore, all members are responsible for the success of the relationships and play the role of fiduciary. If each member in the many relationships necessary to business success fulfills their social roles and responsibilities virtuously and responsibly, the organization is in a good position to achieve long-term success. Following Tu, one can think of the chain of customer relationships in the supply or value chain as a series of fiduciary relationships where each of the many customer relationships is mutually dependent on each other and where the failure of one relationship may lead to the failure of all. Furthermore, Confucianism is a way to develop human flourishing, where human flourishing is defined as all human beings in the myriad relationships found in society demonstrating moral development and achieving mutually beneficial relationships. Following Mencius and Tu, it can be argued that, from the perspective of business, to achieve human flourishing means that all relationships in the business and among other connected businesses must be performed correctly. If this situation is realized, all relationships will result in

mutual benefit, and the organizations will make a positive contribution to society. This should lead to management's realization that a firm has two customer relationships: (1) the primary customer relationship based upon providing products to customers and (2) society, which will benefit if all business relationships are executed properly.

Confucian ethics is a situational ethic. It is the responsibility of each person to understand the particular situation and engage it properly. Situations have at least two components: the actual conditions someone faces at any particular moment and their position in the social relationship. In a business situation, an individual's situation depends upon his/her position within the firm as well as the firm's position in the up or downstream relationships. For example, someone may be a mid-level employee of the firm for which she works and also have relationship responsibilities with up or downstream partners. While she is expected to be moral in both relationships, the situations may require different moral behavior. She may use proprietary information, for example, within the firm and only in specific situations with external partners.

Some Western ethical systems view altruism and the pursuit of self-interest as opposite ends of a continuum, where altruism is viewed as ethical and self-interest unethical. Confucianism views the pursuit of self-interest as a normal human motivation that, in most circumstances, does not raise moral dilemmas. A moral dilemma exists only when individual and group interests conflict. When this occurs, individuals are instructed to act for the benefit of others. This leads to a discussion of profit. Some may argue that because a business makes a profit the applicability of Confucian ethics to business is inappropriate. Not so. Profit is a financial term and necessary business requirement and, in Confucian terms, is an integral part of the name business. As such, profit is morally required and necessary to fund the future and to fill the fiduciary responsibility to shareholders. Without profit, a business is not in a position to contribute to wealth production, its primary responsibility. Financial profit is a measure of business success, whereas loss or bankruptcy indicates wealth destruction, as the recent recession demonstrated. Few benefit from wealth destruction.

The use of the term profit makes for a useless misunderstanding. Confucianism's use of the term profit is not used in the financial sense of money left over after costs are paid. It is used in the sense of one's advantage over another. In fact the use of gain rather than profit may be more appropriate. When an individual could gain something at the expense of others, it can present a moral dilemma. In this situation, an individual must choose the proper, virtuous behavior that will contribute to mutually successful relationships, even if it means doing something that will not benefit him/her.

> If your Majesty say, '*What is to be done to profit my kingdom?*' the great officers will say, '*What is to be done to profit our families?*' and the [inferior] officers and the common people will say, '*What is to be done to profit our persons?*' Superiors and inferiors will try to take this profit the one from the other, and the kingdom will be endangered. (Mencius (1970), I. i, 4, p. 126, italics in the original)

What Mencius illustrates here is that an exclusive focus on individual benefit at the expense of other is destructive of relationships and the mutual benefit necessary for mutual success.

Conclusion

This chapter began with transaction cost analysis and when it makes business sense to let external partners perform some essential business activities. It added the corollary that transaction costs may include moral as well as economic costs and managers should take both categories of costs into consideration when they choose to perform an activity in-house or outsource to an external organization. One of the downstream activities that are often performed by other business organizations is product distribution. In many cases, it is more efficient to have distributors, retailers, and other intermediaries supply products to end users. This is the subject of a recent newspaper article about the ongoing controversy over gun control in the USA. According to the article, several gun manufactures argue that they have no responsibility for how their products are sold through distributors and/or gun dealers. In effect their position is that once the gun leaves the factory, their responsibility ends.

> (A) review of the (testimony and court) documents, which were obtained by The New York Times, shows the industry's leaders arguing, often with detachment and defiance, that their companies bear little responsibility, beyond what the law requires, for monitoring the distributors and dealers who sell their guns to the public.
>
> The executives claimed not to know if their guns had ever been used in a crime. They eschewed voluntary measures to lessen the risk of them falling into the wrong hands. And they denied that common danger signs — like a single person buying many guns at once or numerous "crime guns" that are traced to the same dealer — necessarily meant anything at all. (McIntire and Luo 2013)

A Confucian would argue the immorality of this position. While legal compliance is important, it is equally, if not more important, to act morally and not use the law to mask poor behavior. In this case, the managers of gun manufacturers and their intermediary partners are seeking selfish gain at other's and society's expense. There can be little doubt that society pays a high cost for the inappropriate sale of firearms and that these transactions may not be with valid customers. Furthermore, their practices have damaged the reputation of the industry. While they have yet to pay a significant price for their conduct, past history in other industries suggests that the longer it takes for them to realize their moral responsibility, the higher the cost will be for them and society. Benevolence would show the wisdom of changing behavior. Confucianism suggests a common humanity in each individual that will enable this transformation and contribute to the development of a fiduciary society. In two well-known passages, Mencius says:

> When I say that all men have a mind which cannot bear to see the sufferings of others, my meaning may be illustrated thus: – even now-a-days, if men suddenly see a child about to fall into a well, they will without exception experience a feeling of alarm and distress. They will feel so, not as a ground on which they may gain the favour of the child's parents, nor as a ground on which they may seek the praise of their neighbours and friends, nor from a dislike to the reputation of having been unmoved by such a thing. (Mencius 1970, II, I, iv 3, p. 202).
>
> 1. Mencius said, 'The ability possessed by men without having been acquired by learning is intuitive ability, and the knowledge possessed by them without the exercise of thought is their intuitive knowledge.
>
> 2. 'Children carried in the arms all know to love their parents, and when they are grown a little, they all know to love their elder brothers.
>
> 3. 'Filial affection for parents is the working of benevolence. Respect for elders is the working of righteousness. There is no other reason for those feelings; – they belong to all under heaven. (Mencius 1970, 7, I, xv p. 456)

Confucianism requires an individual not only to be moral but also to engage the world by demonstrating the value of good behavior in human relationships. This is accomplished through the development of the virtues and good character. While it is beyond the scope of this paper to discuss in depth all the marketing tools and management techniques available, from a management perspective, there are several effective channel management practices. The first is management's willingness to forego the financial profit from doing business with intermediaries who demonstrate callous behavior. This takes courage and the willingness to provide moral leadership that could reshape and transform an industry, and there are examples of just such people. Another might be a requirement that intermediaries comply not only with legal requirements but also with responsible business behavior. Again, this means a willingness to forgo the financial profit of doing business with those unwilling to change. Another method could be to train employees responsible for managing intermediary relationships in proper managerial practices and reward them for good channel management though sales plans and other incentives for monitoring external relationships for both legal and moral compliance. This will result in extra financial costs. However, the human cost of gun violence is much higher, and as the distribution channels come to understand the firm's seriousness, these costs will be reduced. Through their behavior, gun manufacturers, more so than any corporate communication or public relations activity, convey corporate values to employees, partners, customers, and the larger society and also communicate their view of the meaning of successful customer relationships.

Cross-References

▶ A Case Study of a Justice-Based Virtuous Organization
▶ Aristotle's Virtue Ethics and Virtuous Business
▶ Confucian Business Ethics: Reliability, Relationships, and Responsiveness
▶ Confucian Virtues and Customer Relationships
▶ Confucianism, Virtue, and Wisdom
▶ Virtue and Principles in Management

References

Coase RH (1988) The firm, the market and the law. The University of Chicago Press, Chicago

Confucius (1971) The Confucian Analects, The great learning and the doctrine of the mean (trans: Legge J). Dover, New York

Hamel G, Prahalad CK (1994) Competing for the future. Harvard University Press, Boston

McIntire M, Luo M (2013) Gun makers saw no role in curbing improper sales. The New York Times, 27 May 2013. http://go.galegroup.com/ps/retrieve.do?sgHitCountType=None&sort=DA-SORT&inPS=true&prodId=AONE&userGroupName=mlin_b_umass&tabID=T004&searchId=R1&resultListType=RESULT_LIST&contentSegment=&searchType=AdvancedSearchForm&currentPosition=1&contentSet=GALE%7CA331390253&&docId=GALE|A331390253&docType=GALE&role=. Accessed 16 Oct 2013.

Mencius (1970) The works of Mencius (trans: Legge J). Dover, New York

Tu W (1976) Centrality and commonality: an essay on Chung-Yung, Monograph no 3 of the society for Asian and comparative philosophy. The University Press of Hawaii, Honolulu

Filial Piety and Business Ethics: A Confucian Reflection

Richard T. Kim, Reuben Mondejar, and Chris W. L. Chu

Contents

Abstract

Filial piety, a foundational virtue within the Confucian ethical tradition, has been somewhat neglected by Western ethicists. In this paper, we aim to remedy this lacuna by arguing that filial piety, when understood properly, remains a virtue that is significant, especially in its application to the ethics of business management. The goal of the paper is twofold: (1) to provide support for a Confucian conception of filial piety as a moral virtue and (2) to demonstrate the way in which this conception of filial piety provides important insights for the ethics of business management.

R.T. Kim (✉)
Department of Philosophy, Saint Louis University, St. Louis, MO, USA
e-mail: rkim@alumni.nd.edu

R. Mondejar
Department of Management, City University of Hong Kong, Kowloon, Hong Kong
e-mail: mgreuben@cityu.edu.hk

C.W.L. Chu
The Surrey Business School, University of Surrey, Guildford, Surrey, UK
e-mail: c.chu@surrey.ac.uk

Filial piety and the strength of the family generally are perhaps the weakest point in Confucian ethics the only point where the system departs seriously from common sense.

Bertrand Russell

The gentleman applies himself to the roots. 'Once the roots are firmly established, the Way will grow.' Might we not say that filial piety and respect for elders constitute the root of goodness?

Confucius

Introduction

One of the more refreshing movements in contemporary Western moral philosophy in recent decades is the greater attention being paid to the development of an adequate moral psychology. The spirit of this movement lies in the perceived need to understand those traditional questions of moral philosophy – "what is the best way to live?" or "what makes an action right?" – in light of an empirically realistic model of how human beings feel, think, perceive, and act. One of the fruits of this line of inquiry has been a greater appreciation for the importance of character, which in turn has spurred moral philosophers to develop a greater understanding of the virtues, those character traits that dispose us to feel, think, perceive, and act in ways that are fitting to particular situations. This growing interest in the role of virtues in ethical theorizing eventually gave rise to what is now known as "virtue ethics," a rival normative theory alongside deontology and consequentialism. While both deontology and consequentialism focus on what determines the rightness of an action, with the former taking moral principles and the latter taking an action's consequences as the primary right-making feature of actions, virtue ethics centrally attends to the excellences of character, e.g., compassion, generosity, courage, and the ways in which such traits are developed, matured, and manifested within the context of a flourishing human life.

While most contemporary virtue ethicists have looked toward the ancient Greek philosophers, particularly Aristotle, for inspiration, a number of philosophers working out of East Asian ethical traditions have defended the view that early Confucian philosophers can also be fruitfully categorized as virtue ethicists, in the sense that they too, just like their counterparts in ancient Greece, took the development of one's character and the attainment of the good life as the foundational starting points of ethical inquiry. Bearing this parallel in mind, there are strong reasons to believe that paying attention to Confucian virtue ethics can also reap enormous benefits for the understanding of business ethics. One significant reason for this is a historically contingent fact about the current circumstances in which we find ourselves.

With the rapid growth of East Asian economies, particularly that of China, there is an undeniable need for a greater understanding of the particular values that inform the business practices of the East (Redding 1993; Yen 2014). Employing only ethical theories such as deontology and consequentialism, forged out of worldviews that have been shaped by modern Western values and beliefs, may not be adequate for understanding or evaluating the business practices of those who have been educated from radically different traditions and cultures. As Hofstede remarks: "[culture] is the collective programming of the mind that distinguishes the members of one group or category of people from others" (Hofestede et al. 2010, p. 6). Although virtue ethics, by our lights, fares better in capturing the moral beliefs and practices of non-Western cultures, without an active attempt to draw upon the intellectual resources of the East, it too may fail to provide adequate guidance for East Asian business practices. In order to more thoroughly understand the mindsets of those who practice business in East Asia, we need to understand the norms, values, and beliefs that permeate East Asian societies and cultures.

In order to study virtue ethics in light of Confucianism, it may be helpful to develop a basic feel for some of the Confucian values that are manifested in contemporary society. (Here and throughout, by "Confucianism" we refer to the ethical tradition that is derived from the core texts of early Confucianism, especially the *Analects* and the *Mencius*.) Let us begin by attempting to understand the culture of China, where Confucianism was borne, through the perspective of Hofstede's cultural dimension (Hofestede et al. 2010). Two dimensions in Hofstede's studies on China that will be relevant to our discussion are power distance and individualism. Firstly, Chinese culture possesses high levels of power distance, which means that obedience to formal authority and the value of social hierarchies are emphasized, with the people at the top (e.g., patriarchs or matriarchs) given considerable respect. Secondly, Chinese society possesses low individualism; Chinese people generally exhibit a collectivist mentality and so are more attuned to the interests of the group as well as to personal relationships, a mindset that is oriented toward family-centered values (Yen 2014, p. 222). The importance attached to the values of social hierarchy and collective mentality by the contemporary Chinese society reveals the deep and enduring influence of Confucianism, which takes these two values as foundational elements of any well-ordered society. This is not to say that those who belong to contemporary China will generally identify themselves as Confucian or that other non-Confucian beliefs and values such as Buddhism, Daoism, Islam, and Christianity do not inform Chinese culture. The point is that Confucian values still deeply influence the habits of the mind and heart of contemporary Chinese society. Given the eminently plausible idea that our ethical theories ought to be grounded in a culturally informed and empirically adequate understanding of human behaviors and values, knowledge of Confucianism seems indispensable for understanding business ethics that takes on a global perspective.

In this essay, we examine one of the foundational values of Confucianism, "filial piety" (孝 *xiào*), and argue for its acceptance as a virtue that not only contributes to a good human life (Ivanhoe 2007; Sarkissian 2010), but also provides helpful resources for a more satisfying ethical model of business management. Given that

filial piety has played such an enormous role in shaping the ethos of those societies heavily influenced by Confucianism – especially China, Japan, and Korea – a deeper understanding of the content and role of this virtue is essential for understanding both Confucian ethics and the business practices of East Asia. Our central task is therefore twofold: (1) to assist in the understanding of East Asian societies influenced by Confucianism by examining the Confucian account of filial piety and (2) to identify ways in which the insights of Confucian ethics, especially the value of filial piety, can be applied to the ethics of business management.

Of course, to the modern Western ear, the very concept of filial piety may seem antiquated – perhaps a value best left behind. While it is true that the fact that a particular culture, society, or tradition has endorsed a value (even for thousands of years) does not imply that the value is worthy of endorsement, it does, however, merit pause for deep reflection. We argue that filial piety *is* a genuine virtue and that there are good reasons for endorsing it. Examining these reasons, we believe, will provide insights into the ethics of business management that not only takes seriously values that are deeply entrenched in East Asian culture but also deeply rooted in fundamental aspects of human nature.

Filial Piety as a Virtue

A virtue is a characteristic trait that disposes a person to feel, think, judge, and act in ways that are proper to a particular situation. Drawing upon the ideas of Martha Nussbaum, we may also understand virtues as what allows us to act correctly within certain fundamental *spheres of human experience* that human beings generally confront in the course of a normal human life (Nussbaum 1993). For example, drawing upon Aristotle's list of virtues, Nussbaum argues that courage is necessary for overcoming fear in those situations that involve possible harm; moderation is important for curbing excessive appetite for pleasure; and justice and generosity are needed to correctly distribute and share limited resources. Of course, when it comes to specific judgments pertaining to each of the virtues – what exactly it is that, say, justice or generosity demands of us – there will undoubtedly be substantive differences between our view and that of Aristotle's. Still, as Nussbaum demonstrates, Aristotle successfully identifies a number of cross-cultural human experiences and virtues that most of us will find remarkably familiar.

Nevertheless, from a Confucian point of view, Aristotle fails to notice a key feature of human life that profoundly influences our habits, thoughts, and values: those experiences forged within the familial environment. It is within the context of the family that our initial values are formed, where we mature (or fail to mature) by developing and exercising our emotional, moral, and intellectual capacities: "A young person who is filial and respectful of his elders rarely becomes the kind of person who is inclined to defy his superiors... 'Once the roots are firmly established, the Way will grow.' Might we not say that filial piety and respect for elders constitute the root of Goodness?" (*Analects*, 1.2). Within this dynamic, complex social environment, we establish our first significant human relationships

and develop our initial thoughts about how we should relate to others, as well as the norms and expectations that govern social behavior. These experiences carry enduring influence that constitutes the essential building blocks of identity formation that undergirds a sense of who we are.

At the early stages of our lives, we are wholly dependent upon the care of our parents or other family caregivers for both physical and psychological needs. It is difficult to overemphasize the sheer attention and energy required of parents in raising a child. From the Confucian perspective, these facts about the tremendous benefits we receive from our parents during the most vulnerable period of our lives are charged with normative significance. Not only do children have a duty to look after parents in old age, but they must also carry out a 3-year mourning period after their deaths (*Analects* 2.18), obey one's parents even when they are in the wrong (*Analects* 4.18), and "give [one's] parents no cause for anxiety other than the possibility that they might fall ill" (*Analects* 2.6).

So from the Confucian perspective, there is a sphere of human experience connected to the relationships and interactions that one develops with one's parents and a corresponding virtue, filial piety, that helps us to properly feel and behave in this domain of human life. Filial piety helps us to feel and express deference and concern for those who have nurtured and cared for us during the most vulnerable period of our lives. That filial piety involves not only certain types of outward behaviors but also certain inner feelings and emotions is an important reason why filial piety can count as a virtue, for to truly possess the virtue of filial piety, one must be disposed to act out of certain kinds of motivations, namely, out of a genuine sense of gratitude, affection, and love: "Ziyou asked about filial piety. The Master said, 'Nowadays 'filial' means simply being able to provide one's parents with nourishment. But even dogs and horses are provided with nourishment. If you are not respectful, wherein lies the difference?'" (*Analects* 2.7).

Of course, just as there are substantive disputes about what justice or courage calls for in particular situations, there will be considerable debate about what filial piety requires of us under various conditions. In a well-known passage, for example, Confucius considers it to be "upright" for sons to cover the misdeeds of their fathers (*Analects* 13.18) (Confucius 2003). In another famous passage in the *Mencius*, Mencius is asked what Shun (a venerated sage king) would have done if his father had committed a murder. He replies: "Shun looked at casting aside the whole world like casting aside a worn sandal. He would have secretly carried him to his back and fled, to live in the coastland, happy to the end of his days, joyfully forgetting the world" (*Mencius* 7A35.6) (Mencius 2008). We also see Mencius endorsing the decision by Shun to make his incapable and morally corrupt brother the prince of Youbi, instead of appointing a more effective, benevolent ruler (*Mencius* 5A3). These passages can be troubling to modern readers since they seem to suggest that filial piety may involve a kind of nepotism that can, at times, require unjust behavior. There is currently a heated debate among scholars concerning whether the importance placed on filial piety by early Confucian philosophers leads to the praise and endorsement of certain actions that we ought to evaluate as morally corrupt (Liu 2003, 2007; Guo 2007; Fan 2008). These are

complex issues, requiring careful textual exegesis that cannot be carried out here. For our purposes, the main question is this: *must* accepting filial piety as a virtue require one to sometimes act immorally? We think the answer is a resounding no. For as defenders of any sensible virtue ethical view would insist, no virtue (at least in practice) can be detached from a well-developed capacity to reason practically, what Aristotle calls *phronesis* and what Mencius calls *zhì* (智), commonly translated as "practical wisdom." In order to act well in any particular situation, we not only need the relevant virtue(s) but also the ability to correctly perceive the morally salient reasons that are relevant to the particular situation and to wisely weigh those reasons and make an all-things-considered judgment. This capacity for well-formed moral judgment develops from the social interactions and feedback that we receive from our community that is initiated within the familial environment. Additionally, Provis (2013) draws attention to the way in which each member of society must learn certain "social scripts" that allows one to recognize and instantiate certain patterns of behavior that matches social expectation, thus rendering social interaction intelligible. This point is important for our discussion because the learning of such scripts is initiated within the context of the familial environment, thus providing an additional reason for taking the parent–child relationship seriously.

Of course, some cases are extremely complex and may involve deep conflicts among various values, including filial piety. The cases involving Shun carry this kind of moral complexity. But this is a general difficulty, applicable not only to virtue ethical theories but normative theories in general. And to think that an ethical theory can bypass such difficulties and always give a clear and definitive verdict for every moral situation seems to involve an underappreciation for the complex nature of the moral landscape.

We may now glean a few insights from the above discussion of filial piety:

1. *The moral significance of roles.* Filial piety is by its very nature a role-constituted virtue. That is to say, it requires the recognition that the kind of role one occupies has moral relevance for determining the proper way one ought to feel and act toward others; this is perhaps a by-product of the high power distance and emphasis on social hierarchy exhibited by Confucian-influenced societies. Whether one is interacting with a colleague, student, teacher, business partner, friend, child, spouse, or parent influences what kind of behaviors is impermissible, permissible, warranted, or fitting.
2. *The importance of the family.* A deeper understanding of filial piety helps us to strengthen our grasp of the enduring impact that one's familial environment has on just about every aspect of our psychological and behavioral tendencies. This is an instance of a more general fact that external conditions play a powerful role in determining the kind of person one becomes. With the support of decades of psychological and sociological research at our disposal, we need to be more attentive to the ways in which our social environment influences our psychological and behavioral tendencies. Both our characters and actions are marked by situational sensitivity.

3. *The importance of gratitude in moral life*. For the early Confucians, one's need to express gratitude for the significant benefits received by one's parents is the cornerstone of filial piety. Genuine filial piety requires one to not only behave in certain ways but also to possess the proper emotion of gratitude toward one's parents. To put it differently, one must not only perform actions that are merely *in accordance with* gratitude but act *from* the motive of gratitude.

Application of Filial Piety to Confucian-Influenced Businesses

Our next task will be to show how these three insights drawn from filial piety can be fruitfully applied to the ethics of business management. One of the primary goals of business ethics is to obtain a richer understanding of the ways in which the workplace environment, in the inclusive sense of involving both physical and social aspects, can have a tremendous impact on the moral behaviors of workers. A deeper appreciation of this fact can lead to the advancement of positive motivations for creating a good, peaceful social environment that ultimately discourages corruption.

Looking again at Hofstede's cultural dimensions, one can see how Confucian-influenced organizations are predisposed toward the adoption of familial values in the workplace. For instance, a high power distance workforce will ideally consist of employees who defer gratefully and obediently to the company leader, whom they may regard with as much respect as children would a father, with the expectation that the leader, like a good father, will be wise, magnanimous, and benevolent. Additionally, in line with the collectivist mentality of most Confucian-influenced societies, workers should help one another in the spirit of fraternity and the greater good; to continue the family analogy, employees must act as brothers and sisters under a single parental figure (the CEO or manager). As emphasized earlier, each individual has a role to play in the Confucian family, and only if these roles are practiced according to the expected norms can the family function properly, with its members encouraged to work in harmony and discouraged from instigating discord.

Accepting that familial values are firmly entrenched in Confucian-based workplaces, we can now explore in depth the notion that filial piety, and all that it entails – a sense of gratitude toward parental figures and the desire to reciprocate their support, as well as the attentiveness to familial roles – can be effectively applied to the fields of business management, particular in Confucian-influenced societies. The remainder of this essay will focus on three fundamental Confucian principles that encapsulate the central elements of filial piety as outlined above. The first is the Principle of Five Relations, which encompasses the following relationship types: ruler-subject, husband-wife, father-son, brother-brother, and friend-friend. The second is the way in which the family is accepted as the basic unit of Confucian society. The third is the relationship between filial piety and the principle of the "golden rule," which is present in a variety of cultures and religions and traditions in different forms.

The Principle of the Five Relationships

In essence, the Principle of the Five Relationships involves the recognition of the authority of one person over the other (with the exception of the friend-friend relationship, which can be an egalitarian one). The five relationships are pertinent to this discussion because they can serve as the lens by which we view the societal roles and relationships between employees and executives within Confucian-based businesses. The ruler-subject relationship, for example, can be analogous to the relationship between the CEO and the rest of a company's employees, in which the former leads those under her care with integrity and hard work: "Zixia said, 'The gentleman imposes labors upon his people only after earning their trust'" (*Analects* 19.10). "The Master replied, 'Precede the common people in acceding the burden of labor. . .Do not slacken in your efforts'" (*Analects* 13.1). Conversely, the employees (the "subject") have the duty to reciprocate by treating their superior with obedience, loyalty, and dedication: "In serving your lord, show respect for the tasks you have been assigned. Do not make the salary you will receive your priority" (*Analects*, 15.38).

The husband-wife relationship manifests itself in business and management as a series of specified roles assigned to the different actors in the organization that function in a way analogous to the traditional Confucian conception of the roles of husband and wife. The husband role figure is expected to be the provider, protector, and overall leader – management or executives would fit into this type of role. The "wife" role, on the other hand, is assumed by those in the organization whose duty it is to implement house rules and keep the general premises orderly by making sure organizational instructions, prescriptions, and company regulations are faithfully observed by everybody – essentially, a supervisory role.

The implications of the father-son relationship on business and management overlap with the implications of the ruler-subject relationship. Both zero in the near-absolute deference accorded to the reigning father figure, especially in family-run organizations, with regard to areas such as decision-making. The father-son relationship implies that father always knows best and his decisions are not questioned. (Confucius does, however, allow for "gently remonstrating" with one's parents [*Analects* 4.18].) His wisdom is presumed, and even in cases where there may be grounds to consider better courses of action other than the one that the father figure (as applied to business, often the chairman of the corporate board) decides upon, it will take a fair amount of courage to even suggest a possible challenge. In turn, the person in the "son" role (in this case the company's nonmanagerial employees, particularly those being groomed to succeed the incumbent management) must obey his more experienced father and follow his example, so that someday he himself may also be capable of taking up his father's position. It should be noted that with the growing number of women occupying roles of leadership, we may see the "father figure" as a role that can be represented by women and men alike. In this way, the five fundamental relationships can still generate insights even though there are significant differences in values and practices between traditional Confucian societies and the modern societies that we inhabit.

The brother-brother relationship is the expected fraternal concern that should prevail among the members of the organization. It is assumed that the fortunes of the business will also elevate the fortunes of everyone in the company and that while obviously there may be competition among coworkers, merit and fraternal concern should not carry conflicts of interest (Yen 2014, p. 207). Additionally, the Confucian concept of "face" (miànzi 面子) – a notion connected to the concepts of "dignity" and "self-respect" – demands that employees be corrected privately, allowing them to save face and be protected from public ridicule. Moreover, an "older brother" with an experiential knowledge of the company's culture and practices is expected to receive deference from newcomers and, in turn, provide them with care and guidance. Therefore, all things being equal, older members of the group generally receive more rewards commensurate to their age in the organization. This explains why lifetime employment has been a standard arrangement in Japan, Korea, and many Confucian-influenced organizations, although there are some signs of change with the adoption of Western organizational practices (Wartzman 2009).

Finally, we turn to the nature of the friend-friend relationship. In some ways, this relationship is merely a secondary extension of the brother-brother relationship, but one that can nevertheless be equally strong. The key difference between the two relationships is that although friendship need not always be hierarchical, in the way that the relationships between two siblings is within the Confucian ideal, older friends usually deserve a greater share of one's loyalty and consideration due to the greater significance they often carry in our life stories. Again, those coworkers who have been in the company longer likely have earned more rapport, trust, and respect with larger number of their coworkers by virtue of their longevity as a part of the company. Guānxì (关系) – preferential treatment between businessmen or businesses in the form of the exchange of gifts or favors, such as bank loans, financial equity injections, preferred corporate shares, and even jobs – is widely practiced in China (Yang 1994; Luo 2007). It also comprises one area where the friend-friend dynamics manifest themselves. In the case of bank loans, collaterals are often waived for old friends and preferential or favorable lending rates are offered to them. For example, an employee can get hired solely on the basis of bearing a familial relation to a member of the organization.

It is notable, however, that none of the five-relation dynamics account for business relationships with strangers or foreigners. They do not figure in the Confucian equation, and thus it is difficult to integrate this set of individuals into traditional discussions about filial piety and the five Confucian relationships without some adjustments. Bearing this in mind, one can see why traditional Confucian-influenced organizations were initially reluctant to take on the process of globalization. For instance, the Chinese government implemented the Canton System in the eighteenth century, in which foreign trade in China was limited to Canton (now Guangzhou). (It is worth noting though that the period was initiated in part because of China's suspicions about foreign "businesses," e.g., the British East India Company, during the height of the British Empire and colonialism.) The entry into the fray of internationalization and globalization by Korea, China, Japan, and

other Confucian-influenced countries was a phenomenon that only rose to prominence in the late twentieth century.

Family as the Basic Unit of Society

A number of aspects of Confucian societies show evidence of the importance attributed to the family. One may be the fact that there are fewer family names compared to other cultures. Approximately 22.4 % of the Chinese population can be accounted for by just three family names: Li/Lee (7.9 %), Wang/Wong (7.4 %), Zhang (7.1 %), and their derivative names. The ubiquity of the three most common family names in Korea, a much smaller region than China, is more pronounced still – approximately 45 % of all Koreans possess the surnames Park, Kim, or Lee (Bin 2005). This may be argued to be an example of the importance with which family ancestry is regarded, perhaps following in line with Confucian principle of the Doctrine of Rectification of Names (*zhèngmíng* [正名]), which argues that nomenclature that attaches clear meaning is foundational for social harmony and order.

The importance of the family is also shown by the fact that family-run businesses are still very common in East Asian societies, where private enterprises are allowed. Although in mainland China state-owned enterprises comprise the most common form of business organization, in Hong Kong around 75 % of all publicly listed companies are family businesses, a phenomenon particularly evident in the real estate sector. The same can also be observed for other Confucian-influenced societies such as Korea, Japan, and Singapore, as well as the Chinese populations in Indonesia, Malaysia, and the Philippines (Panjwani et al. 2008).

Reflecting on these points as well as Hofstede's cultural studies, we can observe that family ancestry is paramount in Confucian societies. Loyalty toward familial units is demanded from the individual, and gratitude is always expected. Within a company, every position, from memberships in the board of directors of family-run corporations to rank-and-file employees, will exhibit partiality according to the established "family tree." An example of this in a traditional Confucian business is the still-extant Wing On company, which, after its inception in Hong Kong in 1907, saw decades of strong familial domination of ownership and management involving its founders, the brothers Kwok Lock and Kwok Chin, with the latter's son controlling Wing On's major branch in Shanghai (Yen 2014, pp. 213–215).

In a traditional Confucian-influenced business model such as that of the Wing On company, the organization takes into account one's familial rank. The family pedigree is of prime importance, with one's qualifications only a secondary concern. However, given the demands, challenges, and intricacies of running businesses today, meritocracy irrespective of family status has also been gradually incorporated into organizational leadership succession in modern East Asian businesses alongside family kinship, as a way to incorporate up-to-date managerial training into the "family rankings." An example of this would be Li Ka Shing's Hong Kong-based conglomerate, Hutchison-Whampoa, and its selective screening

process, which recruits only a few hundred employees every year, with an approximately 1:2 quota for foreigners and local Chinese, respectively (Yen 2014, p. 227).

The Golden Rule

Having noted arguments for considering filial piety as a virtue, and seeing evidence of its importance in Confucian societies, we can finally note also that in both theory and practice, it can be allied with the principle of the "golden rule." Along with most other cultures, Confucian-influenced societies also adhere to this principle (sometimes called the "principle of reciprocity"): "Do not impose upon others what you yourself do not desire" (*Analects*, 15.24). The key concept underlying the golden rule is *shù* 恕, or "understanding," which involves the capacity to see another person as worthy of sympathy and concern. David Nivison makes the following suggestive remark about the importance of *shù*:

> [*Shù*] is the very ground of community, without which no morality could develop at all: it is the attitude that the other person is not just a physical object, or a (possibly hostile) animal, that I might use or manipulate, and that might shove back or bite, but a person like myself, whom I should treat accordingly even in trivial ways, thereby reassuring both that person and myself of our common humanity. (Nivison 1996, p. 76)

The golden rule expresses in an imperative form the dignity that we share as human beings and that raises us above the status of mere physical objects and gives rise to the duty to maintain an attitude of respect in our dealings with others. And although it is formulated as a negative prohibition by Confucius, the core idea seems to be more encompassing, covering not only what we should not do but how we should positively behave in all our human interactions.

Filial piety can be seen as a reflection of this general principle of reciprocity. We should all ask ourselves: "how would *I* want to be treated by *my* children?" Given not only the sacrifices undergone for the well-being of one's children but also the affection and love a parent has for them, the answer seems to clearly involve the recognition of deep gratitude and respect. Such attitude of respect and gratitude that naturally develop out of the benefits received by the good will of others will also apply to the context of Confucian businesses, since as outlined above, such businesses take up a family-based organizational structure. (This is not to claim that non-Confucian businesses cannot also promote gratitude, but that the familial structure of Confucian businesses can provide additional resources for fostering this positive emotion.) Because the father figure is obligated to uphold the exemplary Confucian value of *rén* (仁), or "benevolence" (*Analects* 6:3) – basically, in an altruistic, protective, and humane way – his subordinates in turn should feel indebted to reciprocate his good treatment toward them, specifically with a grateful attitude. This engenders a sense of diligence, loyalty, devotion, and a common goal for the "family unit" (i.e., the organization) among the father's "children" or subordinates and ultimately encourages positive energy and harmony in the

workplace. Gratitude can play a powerful psychological role in sustaining a working environment that is not merely absent of hostility or resentment, but charged with other positive feelings of contentment, satisfaction, optimism, and trust. According to psychologist Barbara Fredrickson, gratitude is a positive emotion that creates an "urge to behave pro-socially oneself, either toward the benefactor, toward others, or both (i.e., gratitude functions as a moral motive)" (Fredrickson 2004, p. 150). The familial organizational structure of Confucian businesses will ideally move away from envisioning each worker and leader as an autonomous individual working only to maximize his or her self-interest, but rather as seeing the organization as a cohesive unit that accepts each member as part of a family, thus providing a social context in which gratitude can be more easily nurtured and sustained.

Conclusion

This essay has aimed at demonstrating the value of filial piety within the context of virtue ethics and business management. What justifies seeing filial piety as a virtue is its grounding in certain fundamental aspects of human life, those experiences that profoundly shape our values and habits during childhood, the period wherein we are most vulnerable and dependent. By taking seriously the importance of the familial environment and its role in moral self-cultivation, the Confucian ethical tradition may provide key insights into issues that have been less attended to by contemporary Western philosophers.

Furthermore, as we have argued, examining the Confucian account of filial piety can yield fruitful and deep insights into the ethics of business management. The family-centered normative ideal, emphasis on the duties attached to one's station or role, and the social expectation of gratitude are all deeply entrenched elements of Confucianism that shape and sustain business practices in Confucian-influenced societies. A deeper reflection on these points may help provide novel resources for building a flourishing workplace environment.

References

Bin S (2005) Chinese and Korean family names. http://sun-bin.blogspot.hk/2005/12/chinese-and-korean-family-names.html

Confucius (2003) Confucius: analects with selections from traditional commentaries (trans: Slingerland E). Hackett, Indianapolis

Fan R (2008) Consanguinism, corruption, and humane love: remembering why Confucian morality is not western morality. Dao 7(1):21–26

Fredrickson B (2004) Gratitude, like other positive emotions, broadens and builds. In: Emmons R, McCullough M (eds) The psychology of gratitude. Oxford University Press, New York

Guo Q (2007) Is Confucian ethics a "consanguinism"? Dao 6:21–37

Hofestede G, Hofstede J, Minkov M (2010) Cultures and organizations: software of the mind, 3rd edn. McGraw-Hill, New York

Ivanhoe P (2007) Filial piety as a virtue. In: Walker R, Ivanhoe J (eds) Working virtue: virtue ethics and contemporary moral problems. Oxford, New York

Liu Q (2003) Filiality versus sociality and individuality: on Confucianism as 'consanguinitism'. Philos East West 53(2):234–250

Liu Q (2007) Filial piety: the root of morality or the source of corruption? Dao 6(1):1–19

Luo Y (2007) Guanxi and business, 2nd edn. World Scientific, River Edge

Mencius (2008) Mengzi: with selections from traditional commentaries (trans: Van Norden B). Hackett, Indianapolis

Nivison D (1996) The ways of Confucianism: investigations in Chinese philosophy. Open Court, Chicago

Nussbaum M (1993) Non-relative virtues: an Aristotelian approach. In: Nussbaum M, Sen A (eds) The quality of life. Oxford University Press, New York

Panjwani A, Aggarwal V, Dhameja N (2008) Family business: yesterday, today, and tomorrow. Indian J Relat 44(2):272–291

Provis C (2013) Judgment, virtue and social practice. In: Harris H et al (eds) The heart of the good institution: virtue ethics as a framework for responsible management. Issues in business ethics, vol 38. Springer, Dordrecht

Redding G (1993) The spirit of Chinese capitalism. De Gruyter, Berlin

Sarkissian H (2010) Recent approaches to Confucian filial morality. Philos Compass 5(9):725–734

Van Norden B (2008) Mengzi: with selections from traditional commentaries (trans). Hackett, Indianapolis

Wartzman R (2009) Japan: rethinking lifetime employment. In: Bloomberg business week, 4 Sept 2009. http://www.businessweek.com/managing/content/sep2009/ca2009094_141933.htm

Yang M (1994) Gifts, favors, and banquets – the art of social relationships in China. Cornell University Press, Ithaca/London

Yen C (2014) Ethnic Chinese business management. In: Yen C (ed) Ethnic Chinese business in Asia: history, culture, and business enterprise. World Scientific, Singapore

Part X

Psychology

Moral Intuition Is a Virtue, Sometimes

Eugene Sadler-Smith

Contents

Abstract

As well as setting the scene for the section and contextualizing the four main contributions, this chapter also reviews how insights from fields such as the psychology of thinking and reasoning, social psychology, social cognitive neuroscience, and evolutionary psychology have implications both for how virtue is construed theoretically and its implications for the practice of leadership and management in business organizations. In this chapter it is argued that the principles of the social intuitionist model and moral foundations theory suggest strongly that moral behaviors are partially innate and hence universally available but also socially shaped and hence malleable. Therefore, individuals have the potential to intuit and habituate not only the virtues of the organizational cultures they live by but also their vices. On this basis moral intuition, as the proper automatic reaction to ethically relevant events, can be a mark of virtue, sometimes but not always.

E. Sadler-Smith (✉)
Surrey Business School, University of Surrey, Guildford, UK
e-mail: e.sadler-smith@surrey.ac.uk

Introduction

At the time of writing (September 2015) the Volkswagen-Audi emissions testing scandal hit the headlines across the world. Volkswagen-Audi Group (VAG) was caught out using clever software on millions of its VW, Audi, and Skoda vehicles which kicked in to artificially meet US fuel emission standards under test conditions (the cars "knew" when they were being tested) and then reverted to much higher emissions levels under normal driving conditions. Corporate "cheating" by a technical clique within VAG evoked a sense of moral outrage and indignation among politicians, press, and public alike (Rhodes 2015). Regrettably, this failure of moral judgment (which led to the immediate resignation of the company's CEO, Martin Winterkorn) was only the latest in an enduring litany of corporate scandals that are reducible, fundamentally, to questions of virtue or more precisely the mis-calibration by small, but influential, numbers of people of what it means to be virtuous in a business organization. As future readers of this chapter will doubtless be able to testify, Volkswagen-Audi was not the last in the line. Organizational scholars need to be able to make sense of why such events happen and also offer suggestions for how they might be militated against.

The psychology of virtue is helpful in understanding moral failures in business. Aristotle's writings are a familiar starting position for many virtue ethicists (Hartman 2013); moreover, they have become a source of insight and guidance for management and leadership practitioners also (Bradberry 2015; Brendel 2014). The reciprocity between individuals and institutions (Moore and Beadle 2006) which is at the fulcrum of the application of Aristotelian virtue ethics in business was captured succinctly by Solomon (2004) thus: "it is individual virtue and integrity that count and that good corporate and social policy encourage and nourish individual virtue and integrity" (p. 1021).

Miller (see Miller's "▶ Moral Foundations Theory: Building Value Through Moral Pluralism"), taking *The Nicomachean Ethics* (*NE*) as his basis, delineates that "being virtuous" requires the moral actor to exhibit virtuous behavior for virtuous reasons across a variety of situations and to do so reliably and stably over time. However, Miller is also keen to point out that such patterns of behavior must be examined "in a variety of morally relevant situations" so as to be able to understand the relationships between situational forces (Doris 1998; Harman 2003; Milgram 1974) and those individual attributes that are most likely to influence virtuous behavior in workplace contexts. Miller frames the requisite individual attributes not in Aristotelian terms of "firm and unchangeable [virtuous] character" [*NE*, 1105a], but psychologically with the proposal that personality (e.g., conscientiousness) has a powerful and pervasive effect on a person's moral behavior. Robinson (see Robinson's "▶ Virtues and Psychology: Do We Have Virtues and How Can We Know?") takes a step back from such questions and addresses a more fundamental issue: do we actually have virtue and how can we know? Robinson considers specifically the challenges that situationism (questioning "the likelihood that virtues and vices exist at all," p. 5) and the epistemic problem that the fundamental attribution error ("most of our attributions of virtues and vices are

unjustified," ibid.) pose to virtue ethicists in general and business ethicists in particular. Both Miller's proposals and Robinson's problems present interesting and important challenges for virtue ethics theory.

Business ethics, in common with management and organization studies in general, is essentially an applied field. Therefore in the light of the various ethical issues thrown up by ongoing scandals in the corporate world, there also is a pressing need to close the gap between business ethicists' scholarly accounts of virtue, vice, and moral character and the practices of ethical and unethical leadership in business organizations (Crossan et al. 2013). Taking a MacIntyrean/neo-Aristotelian prescription of character (a "set of dispositions to behave systematically in one way or another, to lead one to a particular kind of life," MacIntyre 2007, p. 38), Crossan, Mazutis, Reno, and Rea (see Crossan, Mazutis, Reno, and Rea's "▶ Leadership Virtues and Character: A Perspective in Practice") have sought to define a set of leadership virtues that are relevant to management practice and can be used in organizational development (OD) programs in businesses. Their research has led them to propose a "holistic framework" incorporating a normative content (and thereby distinctive from "general personality traits," Crossan et al. op. cit. p. 4) and depicted as a core surrounded by ten discrete leadership virtues. The focal point of Crossan et al.'s framework is "judgment" characterized as being "situationally aware; cognitively complex; analytical; decisive; critical think[ing]; intuitive; insightful; pragmatic; adaptable" (ibid.) (cf. practical wisdom and *phronēsis*, φρόνησις). Crossan et al.'s ten leadership virtues contain several which may be familiar as the "cardinal" virtues (e.g., "justice" defined as "fair; equitable; proportionate; even-handed; socially responsible," op. cit., p. 7) along with other virtues which are relevant especially in modern workplace settings (e.g., "drive" which has the attributes "passionate; vigorous; results-oriented; demonstrates initiative; strives for excellence," ibid.). The values framework is not a "menu" from which organizations can pick and choose the virtues that happen to be convenient, instead it is offered as an integrated and holistic framework for helping to support and safeguard businesses' moral performance and continued success (Crossan et al., op. cit.).

An alternative view of virtue, one that is grounded in human beings' social, psychological, and biological nature, contrasts and complements the various interpretations, insights, and applications referred to above. In the remainder of this chapter, I will review how recent insights from fields such as the psychology of thinking and reasoning, social psychology, neuroscience, and evolutionary psychology have implications for how virtue is construed theoretically and its implications for the practice of leadership and management in business organizations.

Background

The psychology of human information processing challenges the view that ethical decision-making is an intendedly rational and deliberatively reasoned process. Instead, a theoretically compelling picture has begun to emerge, supported by

accumulating empirical evidence, which proposes that ethical decision-making is driven primarily by intuition and affect rather than by rationality and reason. Before considering the specifics of "moral intuition" (Haidt 2001) or "intuitive ethics" (Haidt and Joseph 2004), it is necessary to outline the underpinning theoretical argument, encapsulated cogently by Evans (2003) as "two minds in one brain" (p. 454): a potent metaphor for the duality of human information processing, but one which requires some explanation and elaboration.

A multiplicity of so-called dual-process or dual-system theories exist in psychology (Stanovich and West 2000), by and large each positing an essentially similar argument: human information processing is accomplished in two dissimilar but complementary ways (namely, "analytically" or "intuitively") by means of two substantially different, and differently evolved, types of thinking "one fast and intuitive [System 1], the other slow and deliberative [System 2]" (Evans and Stanovich 2013, p. 223). System 1 processes are reflexive, comparatively fast in operation/slow in formation, parallel, holistic, involuntary, high capacity, cognitively undemanding, and imagistic/narrative based; the operations of System 1 do not require access to working memory, and they are unavailable to conscious awareness (note that intuition as an *output* is available to conscious awareness, whereas the *process* of intuiting is not (see Dane and Pratt 2007)). System 2 processes are reflective, comparatively slow in operation/fast in formation, serial, detail focused, intentional, of low capacity, cognitively demanding, and abstract/symbolic; the operations of System 2 require access to working memory and are accessible to conscious awareness (Epstein et al. 1996; Evans 2003, 2010; Kahneman and Frederick 2002; Lieberman 2007).

The System 1/System 2 distinction presents a general human information processing architecture within which intuitions can be positioned and defined as "affectively charged judgements that arise through rapid, non-conscious and holistic associations" (Dane and Pratt 2007, p. 40). Intuitions are an output of System 1 processes and manifest in a number of different domains: expert intuition, creative intuition, social intuition, and moral intuition (Dane and Pratt 2009; Gore and Sadler-Smith 2011). Moral intuition, in common with expert intuition (see Klein 1998), has developed a literature of its own alongside the main body of dual-process theory; it is to the specifics of this stream of research that we now turn.

Moral Intuition

Haidt's (2001) "social intuitionist model" (SIM) of moral judgment is foundational in moral intuition research. It has been adopted and adapted by a number of business ethics researchers (e.g., Reynolds 2006; Sadler-Smith 2012; Sonenshein 2007). The fundamental precept of Haidt's model is that "moral judgment is generally the result of quick, automatic," and affectively charged evaluations (Haidt 2001, p. 814). Even though individuals may ascribe their moral judgments and behaviors to their self-perceived rationality, the intuitionist component of the theory suggests that "individuals first use intuitions and then use post-hoc (moral)

reasoning" (Sonenshein 2007, p. 1027). These "emotion-backed" concerns about social interactions (i.e., moral intuitions) are a result of evolution "equipping [*Homo sapiens*], and other primates, for an intensely social life" (Haidt 2004, p. 286). It should be noted that the model has not been without its critics (see Saltzstein and Kasachkoff 2004).

Dual-process theories and the social intuitionist model provide a conceptual basis for defining moral intuition, reflecting a broad consensus: (1) "the sudden appearance in consciousness, or at the fringe of consciousness, and an evaluative feeling (like-dislike, good-bad) about a person or an event without any conscious awareness of having gone through the steps of weighing evidence, crafting evaluative arguments, or inferring a conclusion" (Haidt and Bjorklund 2007, p. 188); (2) "Automatic, rapid, affect-based judgment made in response to an ethical dilemma, arrived at non-consciously, rationalized post-hoc, and relatively impervious to disconfirmation" (Gore and Sadler-Smith 2011, p. 311); (3) "a rapid (i.e., automatic), non-deliberative (i.e., non-inferential), evaluative experience that is often emotionally laden (i.e., accompanied by affective reactions, such as disgust, anger, elevation, etc.)" (Weaver et al. 2014, p. 101).

In a further development of this line of theorizing, Haidt and colleagues developed a "moral foundations theory" (MFT). MFT is based on four claims: (1) innate preparedness, there is a first, but subsequently "well-edited", "draft" of the moral mind; (2) cultural learning, the moral mind's "first draft" gets edited during its development within a particular culture; (3) intuitionism, intuitions come first, strategic reasoning second; and (4) pluralism, there were many recurrent social challenges in the ancestral environment, so there are many moral foundations (Graham et al. 2013). The plurality in the latter claim is instantiated in five related but distinct "moral foundations" of paired virtues and vices: care/harm, fairness/cheating, loyalty/betrayal, authority/subversion, and purity/degradation (Graham et al. 2013). Each is associated (see Claim [3] above) with an "instant feeling of approval or disapproval" (Greene and Haidt 2002, p. 517), for example, an intuitive and affectively charged disapproval of the business practice of child labor, invoked by the moral foundation of "care/harm."

The social intuitionist model and, by extension, moral foundations theory are both intuitionist *and* social simultaneously and link individual and group levels of analysis. While the model and the theory entail that moral judgment is at the nexus of cognition and affect (quick, automatic, affect-laden appraisals signaling good/bad), the model is social in that it emphasizes the significance of collective social and cultural influences on individual intuitive moral judgment. In other words "a flash of intuition is not a virtue" (Haidt and Joseph 2004, p. 63); something else is required. The first draft of the "moral mind" gets "heavily edited" by experiences and the environment (Graham et al. 2013), for example, via society's teachings about kindness and compassion found in the stories told to children that are designed to evoke feelings of sympathy for the victim of immoral behaviors and condemnation of the perpetrators (Haidt and Joseph 2004). Through cultural learnings, automatic intuitive moral reactions are built and fine-tuned, usually positively, within limits circumscribed by the innately prepared moral foundations and in order

to support "flourishing" (*eudaimonia*, εὐδαιμονία) within a human community (Sadler-Smith 2012). As Haidt and Joseph (2004) noted, however, cultural learnings are potentially powerful to the extent that the moral modules can be exploited and fine-tuned negatively as in the case of teaching racism by "invoking the purity[/degradation] module and [thereby] triggering flashes of disgust at the "dirtiness" of certain groups" (p. 63).

Social intuitions are learned gradually and implicitly by observation and imitation within the custom complexes of their sociocultural setting (Haidt 2001), whereby culture "undoubtedly shapes and influences the acceptable ethical codes of its members" (Dane and Pratt 2009, p. 8). Hence, moral intuitions may come to be expressed differentially according to the sociocultural complex in which they occur, even though there may be underlying psychological and neural processes that are common across societies (Greene and Haidt 2002; Haidt and Joseph 2004; Mikhail 2007). The social intuitionist model and moral foundations theory afford a compelling theorization for the innate preparedness and cultural shaping of the "prototypes of ethical situations" (Reynolds 2006, p. 739) that underlie ethical decision-making in many sociocultural complexes, including those of business organizations.

Practical Implications and Conclusion

Koleva, Beall, and Graham (see Koleva, Beall, and Graham's "► Moral Foundations Theory: Building Value through Moral Pluralism") propose two practical applications of moral foundations theory in business and management: (1) *fostering organizational value fit*: organizations might try to use moral foundations to create cultures that foster desirable ethical values, for example, by hiring individuals whose beliefs and values resonate with the organizational value of sustainability reflecting moral concerns rooted in the appropriate moral foundation(s) (see Sadler-Smith 2013 for a further application of moral intuitions to organizational environmental virtuousness and sustainability); (2) *value-based marketing*: companies can use the foundations to better identify and serve their customer base, for example, accessing moral foundations to market a product by using approaches that embody moral intuitions and virtues related to relevant foundations; Koleva et al. (op.cit.) illustrate this idea with an example of the "care/harm" foundation.

The application of moral foundations theory does not, of course, exclude companies using it in unscrupulous ways, for example, by appealing intuitively to the moral foundations in order to encourage customers to buy products that may be environmentally unethical (as in companies leveraging purity in the advertising campaigns to market environmentally unsustainable bottled mineral waters, Sadler-Smith 2012). It is not inconceivable, moreover, that members of organizations could displace or deny personal responsibility for unethical behavior on the grounds that their knowingly immoral actions are commensurate with the values or "social pressures" of the organization (Sonenshein 2007, p. 1034). Furthermore, employees who find themselves in environments of "bad character" (one such is the financial

sector, according to Alasdair MacIntyre (Cornwell 2010)) may even be habituated to the extent of being oblivious to the immorality of their actions.

In sum: morality is both "innate (as a small set of modules) and socially-constructed (as sets of interlocking virtues)" (Haidt and Joseph 2004, p. 64). Organizational and professional cultures have immense power to shape the ethical codes and moral behaviors of their members (Dane and Pratt 2009). The principles of the social intuitionist model and moral foundations theory suggest strongly that moral behaviors are partially innate and hence universally available but also socially shaped and hence malleable. Hence, individuals have the potential to intuit and habituate not only the virtues of the organizational cultures they live by but also their vices. Therefore, only to experience moral intuitions "at the right times on the right grounds towards the right people for the right motive and in the right way" (*NE* 1106b) may be considered a mark of virtue.

References

Bradberry T (2015) 12 habits of exceptional leaders. Forbes Magazine. http://www.forbes.com/sites/travisbradberry/2015/03/19/12-habits-of-exceptional-leaders/. Accessed 5 Oct 2015

Brendel D (2014) How philosophy makes you a better leader. Harv Bus Rev. https://hbr.org/2014/09/how-philosophy-makes-you-a-better-leader/. Accessed 5 Oct 2015

Cornwell J (2010) MacIntyre on money. Prospect Magazine. http://www.prospectmagazine.co.uk/features/alasdair-macintyre-on-money. Accessed 5 Oct 2015

Crossan M, Mazutis D, Seijts G (2013) In search of virtue: the role of virtues, values and character strengths in ethical decision making. J Bus Ethics 113(4):567–581

Dane E, Pratt MG (2007) Exploring intuition and its role in managerial decision making. Acad Manag Rev 32(1):33–54

Dane E, Pratt MG (2009) Conceptualizing and measuring intuition: a review of recent trends. In: Hodgkinson GP, Ford JK (eds) International review of industrial and organizational psychology, vol 24. Wiley, Chichester, pp 1–40

Doris J (1998) Persons, situations, and virtue ethics. Noûs 32(4):504–540

Epstein S, Pacini R, Denes-Raj V, Heier H (1996) Individual differences in intuitive-experiential and analytical-rational thinking styles. J Pers Soc Psychol 71(2):390–405

Evans JSB (2003) In two minds: dual-process accounts of reasoning. Trends Cogn Sci 7(10):454–459

Evans JSB (2010) Intuition and reasoning: a dual-process perspective. Psychol Inq 21(4):313–326

Evans JSB, Stanovich KE (2013) Dual-process theories of higher cognition advancing the debate. Perspect Psychol Sci 8(3):223–241

Gore J, Sadler-Smith E (2011) Unpacking intuition: a process and outcome framework. Rev Gen Psychol 15(4):304

Graham J, Haidt J, Koleva S, Motyl M, Iyer R, Wojcik S, Ditto PH (2013) Moral foundations theory: the pragmatic validity of moral pluralism. Adv Exp Soc Psychol 47:55–130

Greene J, Haidt J (2002) How (and where) does moral judgment work? Trends Cogn Sci 6(12):517–523

Haidt J (2001) The emotional dog and its rational tail: a social intuitionist approach to moral judgment. Psychol Rev 108(4):814–834

Haidt J (2004) The emotional dog gets mistaken for a possum. Rev Gen Psychol 8(4):283–290

Haidt J, Bjorklund F (2007) Social intuitionists answer six questions about morality. In: Sinnott-Armstrong W (ed) Moral psychology, vol 2, The cognitive science of morality. MIT Press, Cambridge, MA, pp 181–217

Haidt J, Joseph C (2004) Intuitive ethics: how innately prepared intuitions generate culturally variable virtues. Daedalus 133(4):55–66

Harman G (2003) No character or personality. Bus Ethics Q 13(1):87–94

Hartman E (2013) Virtue in business: conversations with Aristotle. Cambridge University Press, Cambridge, MA

Hutchinson DS (1995) Ethics. In: Barnes J (ed) The Cambridge companion to Aristotle. Cambridge University Press, Cambridge, MA, pp 195–232

Kahneman D, Frederick S (2002) Representativeness revisited: attribute substitution in social judgment. In: Gilovich T, Griffin D, Kahneman D (eds) Heuristics and biases: the psychology of intuitive judgment. Cambridge University Press, New York, pp 49–81

Klein GA (1998) Sources of power: how people make decisions. MIT Press, Cambridge, MA

Lieberman MD (2007) Social cognitive neuroscience: a review of core processes. Annu Rev Psychol 58:259–289

MacIntyre A (2007) After virtue. University of Notre Dame Press, Notre Dame

Mikhail J (2007) Universal moral grammar: theory, evidence and the future. Trends Cogn Sci 11 (4):143–152

Milgram S (1974) Obedience to authority. Harper Collins, New York

Moore G, Beadle R (2006) In search of organizational virtue in business: agents, goods, practices, institutions and environments. Organ Stud 27(3):369–389

Reynolds SJ (2006) A neuro-cognitive model of the ethical decision making process: implications for study and practice. J Appl Psychol 91(4):737–748

Rhodes C (2015) Volkswagen outrage shows limits of corporate power. https://theconversation.com/volkswagen-outrage-shows-limits-of-corporate-power-48302. Accessed 5 Oct 2015

Sadler-Smith E (2012) Before virtue: biology, brain, behavior, and the "moral sense". Bus Ethics Q 22(2):351–376

Sadler-Smith E (2013) Toward organizational environmental virtuousness. J Appl Behav Sci 49 (1):123–148

Saltzstein HD, Kasachkoff T (2004) Haidt's moral intuitionist theory: a psychological and philosophical critique. Rev Gen Psychol 8(4):273–282

Solomon RC (2004) Aristotle, ethics and business organizations. Organ Stud 25(6):1021–1043

Sonenshein S (2007) The role of construction, intuition, and justification in responding to ethical issues at work: the sensemaking-intuition model. Acad Manag Rev 32(4):1022–1040

Stanovich KE, West RF (2000) Individual differences in reasoning: implications for the rationality debate? Behav Brain Sci 23:645–665

Weaver GR, Reynolds SJ, Brown ME (2014) Moral intuition connecting current knowledge to future organizational research and practice. J Manag 40(1):100–129

The Psychology of Virtue

Christian B. Miller

Contents

Abstract

This chapter provides a brief overview of recent work in psychology on virtue, with a focus on the implications for business. It begins by characterizing what is involved in having a virtuous character trait. It then reviews some of the claims made in two of the leading research traditions on traits in psychology: situationism and the Big Five model. Finally, it ends with an application of research on the Big Five trait of conscientiousness to the business environment.

Keywords

Virtue • Character • Situationism • Big Five • Conscientiousness

C.B. Miller (✉)
Department of Philosophy, Wake Forest University, Winston-Salem, NC, USA
e-mail: millerc@wfu.edu

Introduction

This chapter briefly reviews two of the leading movements in psychology which can help us to better understand people's moral character. The first movement, situationism, takes a pessimistic approach to the existence of moral virtues and vices and was especially prominent in social psychology in the 1960s and 1970s. The second movement, in support of the Big Five model, takes a more optimistic approach to moral character and continues to dominate the field of personality psychology today. Given limitations of space, other approaches to thinking about moral character, such as the cognitive-affective personality system (CAPS) model (Mischel and Shoda 1995), will have to be saved for another occasion (see Miller 2014).

Throughout my focus will be on certain aspects of the empirical research literature and what connections they might have to business. Section "What is Virtue?" clarifies what virtues are. Sections "The Pessimistic Approach: Situationism" and "The Optimistic Approach: The Big Five Model of Personality" review the two movements in psychology. Finally, section "Applying the Big Five: Conscientiousness and Business" applies one strand of the Big Five research to ethics and the business environment.

What is Virtue?

Before we can look at the empirical literature, it is important to spend a moment getting clearer on what we are looking for. Unfortunately, there is no consensus among ethicists about how to understand the nature of a virtue. But the good news is that there is one leading tradition – the Aristotelian one – which continues to dominate contemporary thinking in this area. Its approach will be assumed in what follows (see Hursthouse 1999 for an overview).

Let me start with an example of Anne picking up dropped papers for her colleague at work. This, let us suppose, is a virtuous action. By that I mean only that we can assume it is the very same action that a fully virtuous person would also have done in the circumstances. Is this action sufficient for Anne to have a virtue, in this case compassion or helpfulness?

Clearly not. For one thing, her motivation might not be morally appropriate. She could, for instance, have been motivated primarily by guilt-avoidance, embarrassment-relief, or positive mood maintenance. These are all egoistic motives in this case, not virtuous motives.

Suppose, though, that she was in fact motivated by a desire to help her colleague for altruistic reasons, say because she intrinsically did not want this person to look bad in front of others or be late for a meeting. Even then, that is not sufficient for having the virtue. For she could be acting well in this context, but in a variety of other situations where people need help – including her other colleagues – she is cold and callous toward them.

So let us add that in this particular week she has been reliable in her virtuous motivation and behavior in a variety of situations relevant to helping others. Now we are close – but there needs to be some more stability to her character. If this was

just a momentary aberration in her life, and after the week is over she reverts to being coldhearted, then she really doesn't have the virtue of compassion still.

This example has hopefully helped to highlight some of the central features of a moral virtue in the Aristotelian approach. Other things being equal, it reliably leads to behavior which is (a) virtuous, (b) done for primarily virtuous reasons or motives, (c) performed in a variety of different relevant situations, and (d) performed stably over time in the same relevant situations. This is not intended to be an exhaustive list of all the features of a virtue, but it does help to identify important features which are relevant to the psychological study of virtue, to which we now turn.

The Pessimistic Approach: Situationism

The so-called situationist movement in psychology caused quite a stir in the late 1960s and 1970s, launching the long-standing "person-situation debate" and calling into question widely held assumptions about personality and indeed about the viability of the entire discipline of personality psychology as a whole. The movement is historically associated with Walter Mischel's 1968 book *Personality and Assessment*, but there is no one position or set of clearly articulated claims which goes by the name of "situationism," and the view is difficult to pin down. So in what follows I will identify one negative thesis and one positive thesis which are commonly associated with situationist approaches in psychology, even if they might not have been uniformly held by all advocates of the view.

Here is the central negative claim (NC) about traits, the claim that the situationist position is perhaps most famous for advocating:

NC   There is a large body of experimental evidence which is incompatible with
       the widespread possession of certain personality traits.

Terms frequently used to label the conception of traits which is being called into question (for references see Miller 2014) include behavioral dispositions, psychological realities, causes of behavior, broad traits, global traits, stable traits, cross-situationally consistent traits, and situation- or context-free traits. Under the heading of these traits would fall the virtues in particular, such as compassion or honesty.

If the situationists are right, then there is good reason to think that most people do not possess any moral virtues. In the business context, this means that most people do not have the virtues of loyalty or integrity or honesty. This is not because we can expect them to be vicious instead, such as being dishonest, since the empirical evidence is supposed to count against the vices as well. Rather, it is because these traits, whether virtues or vices, are just not held by most people.

The evidence mentioned in NC comes in different forms, but the most famous kind has been the correlational evidence and related issues about the predictability of an individual's behavior in particular situations (for a review see Ross and Nisbett 1991). On the one hand, correlations between certain items on personality

questionnaires tend to be quite high (Mischel 1968, pp. 24, 81, 177, Ross and Nisbett 1991, p. 99). But, on the other hand, when scores for a group of participants on such questionnaires are related to their actual behavior, or when trait-relevant behavior in one particular situation is related to behavior in another situation, correlations are surprisingly low, rarely exceeding 0.30 (Mischel 1968, p. 78). Ninety-one percent of the variance would then remain unexplained. And situationists like to stress that a 0.30 correlation would be on the high end of what is typically found. Often correlations are lower than 0.30, with the conclusion that such traits play much less of a role in behavior than would have been expected (Mischel 1968, pp. 38, 83, 147, Ross and Nisbett 1991, pp. 3, 95).

Earlier we said that there is also a positive claim (PC) associated with situationism, and one way to express it is as follows:

PC   Behavior is primarily a product of situational forces. Personality only has a modest causal contribution to make (Funder and Ozer 1983; Ross and Nisbett 1991, p. xiv).

To illustrate the idea, consider the Milgram experiments (1974). In the most famous version, the majority of participants acted the same way, even though they had different personalities. They gradually turned up the shock dial when administering a test to another person, all the way to the XXX lethal level under pressure from an authority figure who was supervising the test. According to PC, it was the pressures from the situation that led these people to act the way that they did, not their moral character. And this is meant to generalize to our lives as a whole. As a result, we should spend less time thinking about virtue and character and much more time thinking about the situations in which we find ourselves and their impact on our behavior.

This is not the place to enter into a proper assessment of the situationist movement in psychology or the claims outlined above. Briefly, though, here are a few common criticisms (see Miller 2014 for references). With respect to NC, other studies not cited by situationists, it is claimed, have found larger correlations between measures of personality and behavior. Furthermore, concerns have been raised about certain methodological decisions made in particular studies cited by situationists. And third, there is controversy about how to interpret the size of a correlation like 0.30, whether it is in fact small, and whether it would only account for 9% of the variance (and, indeed, what that even means). Many familiar guidelines show much smaller correlations, such as 0.02 between taking aspirin and reducing the risk of a heart attack, 0.03 between chemotherapy and breast cancer survival, and 0.11 between antihistamines and a decreased runny nose/sneezing (Meyer et al. 2001).

With respect to PC, a frequent criticism is that the situations which we encounter do not directly produce intentional actions on our part. Rather, their influence is shaped by our beliefs and desires and the interpretations which we give to situations. The causal relationship also often goes in the other direction as well; our

beliefs and desires have a significant impact in creating, selecting, and shaping the situations in which we are present (Bowers 1973; Wachtel 1973). And a second criticism is that the correlations which have been calculated with respect to situational variables are not that much greater than the personality correlations reported by situationists (Funder and Ozer 1983).

Despite the continued influence of the situationist movement in social psychology, the study of personality and traits is alive and well in personality psychology. One major reason for this has been significant research in identifying the so-called Big Five personality traits, which helps paint a much more optimistic picture about the virtues.

The Optimistic Approach: The Big Five Model of Personality

Many personality psychologists today believe in the existence and importance of five basic dimensions of personality (for a review see John et al. 2008). Here are the most commonly used labels for these dimensions: extraversion (also labeled surgency, energy, enthusiasm), agreeableness (also labeled altruism, affection), conscientiousness (also labeled constraint, control of impulse), neuroticism (also labeled emotional instability, negative emotionality, nervousness), and openness (also labeled intellect, culture, originality, open-mindedness).

There are two avenues of research which each arrived at this Big Five taxonomy (or five-factor model). The first is represented most prominently in the work of Lewis Goldberg, who claimed that over time our language has come to be shaped by the different patterns of behavior people exhibit and so can serve as a reliable guide to categorizing those patterns. Building on this so-called lexical hypothesis, Goldberg analyzed lists of trait adjectives in ordinary language, had participants rate the degree to which they (or their peers) are describable by those adjectives, did factor analyses on the data, and tested the generalizability of the findings across methods and data sources (Goldberg 1992, 1993). For instance, here are three of the trait adjectives from Goldberg's 1992 list of 100 Unipolar Markers (1992, p. 41): fearful, fretful, and generous. Participants have to rate how accurately the trait describes them on a 1 (extremely inaccurate) to 9 (extremely accurate) scale. Responses to this and other questions can then be factor analyzed to see which adjectives are highly correlated with each other, thereby suggested an underlying factor or latent variable which is more basic and which can account for these relations. For instance, fearful and fretful might tend to cluster together but not generous. The first two can then be related to an underlying factor often labeled "neuroticism." Note that the evidence that would be gathered in this example (and in many of the actual studies) is self-report data involving categorizing oneself using broad trait labels.

The second prominent avenue of research which led to the Big Five taxonomy focused not on using trait adjectives, but on having participants fill out personality questionnaires. There are many such questionnaires in use today, including the NEO-Five Factor Inventory, Trait Descriptive Adjectives (TDA), Big Five Aspects

Scale (BFAS), and Big Five Inventory (BFI), but the leading measure continues to be the NEO Personality Inventory Revised (NEO-PI-R), developed by Robert McCrae and Paul Costa (for an overview, see John et al. 2008). Here are a few examples from their instrument (Costa and McCrae 1992, p. 3): "I am easily frightened," "I don't get much pleasure from chatting with people," and "I don't take civic duties like voting very seriously." Participants respond on a 1 to 5 scale ranging from *strongly disagree* to *strongly agree*. These items are longer than mere trait adjectives, thereby (the thought is) serving to mitigate the errors that might result if different participants define a trait adjective on Goldberg's list such as "deep" or "imperturbable" in different ways (Goldberg 1992, p. 41).

Numerous factor analyses have been run on self-report data using the adjective and questionnaire scales. Comparisons have also been made between self-reports and friend, spouse, and expert reports. Analyses have been done between the NEO-PI-R and other personality instruments not tied specifically to the Big Five. The trait adjectives and NEO scales have also been translated into dozens of languages, and extensive data has been gathered using non-American subjects. The results of all of this work have seemed to many personality psychologists to point in the direction of the five basic dimensions of personality listed at the start of this section.

The idea, then, is that in a typical group, there will be people who differ in their ratings on each of these five dimensions. Some, for instance, might be high on extraversion, which can be interpreted as involving an energetic approach toward social interaction manifested in, for instance, the behavior of attending more parties and introducing themselves to strangers (John et al. 2008, p. 120). Others might be quite introverted instead. And perhaps some of the extraverts and introverts are also highly conscientious, as manifested by, for instance, showing up on time or cleaning the house regularly.

So a person's rating on the Big Five dimensions is believed to correlate with certain patterns of thought and actual behavior, as well as with consequences for oneself and others. And studies have indeed suggested that this is the case (Ozer and Benet-Martínez 2006), as we will see in the next section with high conscientiousness and job performance criteria.

The Big Five are not the only personality traits in the picture, even if they are the broadest and most comprehensive. Advocates typically have hierarchical models of personality traits in mind, where the Big Five are subdivided into different facets that are less broad and so are claimed to have increased accuracy (see Paunonen 1998 for discussion). Unfortunately, there is little consensus about how many facets there are or even what to call them (Ozer and Benet-Martínez 2006, p. 403). But to cite one example in order to focus the discussion, here are the 30 facets from McCrae and Costa's version of the five-factor model (Costa and McCrae 1995, p. 28):

Neuroticism: Anxiety, Angry Hostility, Depression, Self-Consciousness, Impulsiveness, Vulnerability
Extraversion: Warmth, Gregariousness, Assertiveness, Activity, Excitement Seeking, Positive Emotions
Openness to Experience: Fantasy, Aesthetics, Feelings, Actions, Ideas, Values

Agreeableness: Trust, Straightforwardness, Altruism, Compliance, Modesty, Tender-Mindedness
Conscientiousness: Competence, Order, Dutifulness, Achievement Striving, Self-Discipline, Deliberation

In the 240-item NEO-PI-R, 8 items are designed to measure each of these facets. For instance, "I keep my belongings neat and clean" and "I like to keep everything in its place so I know just where it is" are two items for the conscientiousness facet of order (Costa and McCrae 1992, p. 73).

For our purposes here, it is worth noting that terms are being used for Big Five traits and their facets which are also used for virtues, such as "conscientiousness" and "modesty." In other words, moral virtues can be understood as a subset of the personality traits captured by the Big Five model. So in contrast to the pessimism of the situationist movement, there is a more optimistic approach available which ascribes a degree of virtue to all human beings, although that degree might be quite low in some cases. Whereas situationists held that very few people would have a virtue like modesty, for instance, here we see that everyone is alleged to have the virtue to some degree or other.

Nevertheless, concerns arise with the Big Five approach as well, and here I briefly mention a few pertaining specifically to what the approach can tell us about people's virtues. First, it relies on self-report data, which is vulnerable to impression management and is also not sensitive to subconscious motives and to a person's misinterpretation or simple ignorance of what is going on in various situations (for details, see Miller 2013, Chap. 8). Furthermore, the self-report items themselves are often crude instruments for the purposes of determining someone's virtue, as they are typically not carefully developed enough to reliably assess the cross-situational consistency and stability of his or her behavior as well as the nature of the underlying motivation (see Miller 2014, Chap. 6). And finally, the approach omits certain areas of central moral concern, such as honesty, humility, and justice, and therefore represents only a partial view of virtue, although revised so-called Big Six approaches have tried to accommodate broader areas (Ashton and Lee 2005).

Despite these concerns, there have been some interesting correlations between Big Five traits and particular patterns of behavior, and let me end by focusing on just one trait that is relevant to the business community alluded to earlier, that of conscientiousness. Since conscientiousness is not only a personality trait but also more specifically a virtue, the relevance of the study of virtue to business can become more apparent in what follows.

Applying the Big Five: Conscientiousness and Business

There has been a flurry of activity in the past 20 years connecting the Big Five to various aspects of behavior in business management. Let me briefly highlight three interesting connections: to job success, to job interviewing, and to counterproductive work behavior.

A classic study in this area is by Barrick and Mount (1991), who performed a meta-analysis of Big Five studies and various criteria of job performance across the five occupational groups of professionals, police, managers, sales, and skilled/semiskilled employees. Their most significant finding was with respect to conscientiousness, which had a mean correlation with job performance of 0.22 across the occupations (1991, p. 13). On more specific criteria, correlations with conscientiousness and salary were 0.17, and with turnover/tenure were 0.12 (1991, p. 16). In one sense these correlations are intuitive, since conscientiousness encompasses traits like competence, dutifulness, and self-discipline (see also Barrick et al. 2001).

Given these findings, presumably employers would be highly motivated to try to pick out the most conscientious applicants for their jobs. And that is what they indeed tend to report as one of their main criteria, along with general intelligence (Moy 2006). But when it actually comes to interview success, it is extraversion that in fact becomes the most important of the Big Five traits, not conscientiousness (Caldwell and Burger 1998; Moy 2006). Again this may not be overly surprising, since extraversion is comparatively much easier to detect in an interview setting than, say, how hardworking the candidate really is.

One thing that companies care a great deal about with respect to their current employees and in their hiring of future ones is the avoidance of counterproductive work behavior. Examples include theft, fraud, and absenteeism. Here too conscientiousness has been found to inversely predict such behavior (Berry et al. 2007). For instance, Smithikrai (2008) found an average correlation of −0.49 between self-reported measures of conscientiousness and counterproductive work behavior.

Such a high correlation is rare, though, in this research. Most correlations are in the neighborhood that Barrick and Mount found, rarely exceeding the 0.30 threshold that became a key dividing line at the time for Mischel and other situationists who followed him in the 1960s. Indeed, some recent critics have wondered whether we have really made any more progress predicting actual behavior from personality measures in the intervening 40 years, including in the business context. As the contemporary situationist John Doris writes, "correlations between personality measures and job performance measures that exceed 0.30 are considerably more the exception than the rule...The predictability ceiling endures; the data have not changed so much...[we should doubt that] personality factors as measured through models such as the [Big Five] are powerfully and pervasively implicated in how particular individuals behave" (Doris 2002, p. 68). The debate between situationism and the Big Five model persists.

Conclusion

The empirical study of virtue is one of the leading areas of new and exciting research in psychology today. This chapter has contributed to our thinking about virtue, the central notion in virtue ethical approaches to morality, by reviewing the two most influential movements in psychology that pertain to whether virtue even exists in the first place and if so in what capacity. Whether the data end up

supporting the widespread possession of the moral virtues will depend on having a clearer conceptual understanding of what is required to possess a virtue in the first place, together with much more empirical research which ideally would examine the same participants and their patterns of behavior both across time and in a variety of morally relevant situations.

Acknowledgments

References

Ashton M, Lee K (2005) Honesty-humility, the Big Five, and the Five-Factor model. J Pers 73:1321–1353

Barrick M, Mount M (1991) The Big Five personality dimensions and job performance: a meta-analysis. Pers Psychol 44:1–26

Barrick M, Mount M, Judge T (2001) Personality and performance at the beginning of the new millennium: what do we know and where do we go next? Int J Sel Assess 9:9–30

Berry J Jr, Cleveland J, Murphy K (2007) Interpersonal deviance, organizational deviance, and their common correlates: a review and meta-analysis. J Appl Psychol 92:410–424

Bowers K (1973) Situationism in psychology: an analysis and a critique. Psychol Rev 80:307–336

Caldwell D, Burger J (1998) Personality characteristics of job applicants and success in screening interviews. Pers Psychol 51:119–136

Costa P, McCrae R (1992) Revised NEO personality inventory (NEO-PI-R) and NEO five-factor inventory (NEO-FFI) professional manual. Psychological Assessment Resources, Odessa

Costa P, McCrae R (1995) Domains and facets: hierarchical personality assessment using the revised NEO personality inventory. J Pers Assess 64:21–50

Doris J (2002) Lack of character: personality and moral behavior. Cambridge University Press, Cambridge

Funder D, Ozer D (1983) Behavior as a function of the situation. J Pers Soc Psychol 44:107–112

Goldberg L (1992) The development of markers for the Big-Five factor structure. Psychol Assess 4:26–42

Goldberg L (1993) The structure of phenotypic personality traits. Am Psychol 48:26–34

Hursthouse R (1999) On virtue ethics. Oxford University Press, Oxford

John O, Naumann L, Soto C (2008) Paradigm shift to the integrative big five trait taxonomy: history, measurement, and conceptual issues. In: John O, Robins R, Pervin L (eds) Handbook of personality: theory and research, 3rd edn. The Guilford Press, New York, pp 114–158

Meyer G, Finn S, Eyde L et al (2001) Psychological testing and psychological assessment. A review of evidence and issues. Am Psychol 56:128–165

Milgram S (1974) Obedience to authority. Harper & Row, New York

Miller C (2013) Moral character: an empirical theory. Oxford University Press, Oxford

Miller C (2014) Character and moral psychology. Oxford University Press, Oxford

Mischel W (1968) Personality and assessment. Wiley, New York

Mischel W, Shoda Y (1995) A cognitive-affective system theory of personality: reconceptualizing situations, dispositions, dynamics, and invariance in personality structure. Psychol Rev 102:246–268

Moy J (2006) Are employers assessing the right traits in hiring? Evidence from Hong Kong companies. Int J Hum Resour Manag 17:734–754

Ozer D, Benet-Martínez V (2006) Personality and the prediction of consequential outcomes. Annu Rev Psychol 57:401–421

Paunonen S (1998) Hierarchical organization of personality and prediction of behavior. J Pers Soc Psychol 74:538–556

Ross L, Nisbett R (1991) The person and the situation: perspectives of social psychology. McGraw-Hill, New York

Smithikrai C (2008) Moderating effect of situational strength on the relationship between personality traits and counterproductive work behavior. Asian J Soc Psychol 11:253–263

Wachtel P (1973) Psychodynamics, behavior therapy, and the implacable experimenter: an inquiry into the consistency of personality. J Abnorm Psychol 82:324–334

Virtues and Psychology: Do We Have Virtues and How Can We Know?

Brian Robinson

Contents

Abstract

Attribution of virtues and vices is commonplace. Saying someone has a virtue helps us explain her behavior and form expectations about how she will behave in the future. Built on the universality of these attributions, virtue ethics has had a long tradition in philosophy, with Aristotle standing at the pinnacle, as well as a modern resurgence. Recently, however, empirical evidence has cast doubt on the existence of virtues and vices. People's behavior, it seems, is governed more by morally irrelevant situational factors than by robust, internal dispositions like virtues. Yet a new line of argument is beginning to emerge that virtue ethics is still relevant even if virtues do not exist.

B. Robinson (✉)
Department of Philosophy, Michigan State University, East Lansing, MI, USA
e-mail: brian.robinson.phd@gmail.com

Introduction

We all attribute virtues (and vices) to others every day. Jane person is kind. William person is generous. Bernie Madoff is greedy. In recent years, there has been an increased interest in virtues as a distinct form of ethical theory and as a valuable focal point for business ethics. The idea of a virtue-based system of ethics is hardly new. Aristotle articulated a theory of virtue ethics that has been influential. The twentieth century saw a reemergence of virtue ethics with the neo-Aristotelians such as Rosalind Hursthouse (1999), Alasdair MacIntyre (1985), Philippa Foot (1978, 1994, 1995, 2001), and others. One of the central underlying assumptions of Aristotle and the neo-Aristotelians is that (some) people actually do have virtues (or vices). In the past two decades, however, this account has been challenged on empirical grounds. Situationism, as chiefly espoused by John Doris (1998, 2002) and Gilbert Harman (1999, 2000, 2001, 2003), claims that situational influences play a much larger role in determining our behavior than any alleged character traits like virtues and vices. This debate, colloquially called the "character wars," is ongoing. At its core are two questions. Do we actually have virtues (and vices) and how can we know? These are the two questions I will explore in this chapter, which will serve as up-to-date and concise summary of the character wars. I will conclude with a brief consideration of how gossip could play a role in this debate.

Neo-Aristotelian Virtue Ethics

Virtues and vices are value-laden personality dispositions. Virtues are (supposedly, at least) good traits to possess, while vices are bad for us. What it means for a virtue to be good for us and whether they are culturally determined, we will set aside for today. To possess a virtue or a vice is to regularly exhibit a certain type of behavior in the relevant circumstances. A liar, for instance, will lie regularly. It needn't even be the majority of the time, just significantly more than normal. A patient person will usually wait patiently when appropriate, though too much waiting (or for too long) ceases to be a virtue, as Aristotle (1908 *Nicomachean Ethics*, 1106a).

Part of the reason we attribute virtues and vices is that, by doing so, we evaluate not only people's behavior but their character as well. After observing Jane (the CEO of a large corporation) make a sizable charitable donation, we call her "generous." By this attribution, we praise the moral status not only of her action but of Jane herself as well. This normative component of virtue (and vice) attributions is unquestionably present but won't be our focus here. Instead, we will devote our attention to the descriptive component of virtue and vice attributions, since there is another reason besides moral evaluation that we make these attributions. They help us predict people's behaviors. If Jane is generous, then we can reliably expect her to behave generously in the future as well because her trait of generosity

disposes her to do so when appropriate. We can take this picture of virtues as a pure reliability account, which more or less conforms to the folk conception of what it means to have a virtue.

The problem with this pure reliability account is that it is under-described. One could appear compassionate by consistently and reliably behaving compassionately but actually be faking it for the sake of appearances. Thus, the pure reliability account immediately raises the problem of telling the truly virtuous from those merely faking. They will act very similarly, it would seem, since the fakers could demonstrate the same reliably virtue-consistent behavior as the virtuous themselves demonstrate. So reliable behavioral patterns are a necessary but not sufficient condition for a virtue or a vice. Aristotle stated the following to elucidate the nature of the virtuous person: "The agent also must be in a certain condition when he does [virtuous actions]; in the first place he must have knowledge, secondly he must choose the acts, and choose them for their own sakes, and thirdly his action must proceed from a firm and unchangeable character" (*Nicomachean Ethics*, 1105a). Virtues, then, are a matter of character. They entail a reliable disposition to act a certain way because the person in question has an underlying trait that motivates them to behave that way. Thus, to attribute a virtue to someone is not only to state that you expect him or her to reliably behave similarly in the future but also to offer an explanation for why he or she behaved in a virtuous way. He or she did it *because* he or she possesses the virtue. The epistemic difficulty is how one can know whether this "firm and unchangeable character" is present based on the reliable behavior.

Hursthouse (1999, p. 10ff.) lays out several criteria for possessing a virtue, which help with this epistemic difficulty. First, as we have already seen, one must have a disposition so that he or she reliably acts in a manner consistent with that virtue. Second, there must be a corresponding attitude in the person. For instance, an honest person will not only act honestly but will praise and admire honest behavior in others and condemn others' dishonest behavior. Thus, the honest person demonstrates that he or she does not merely act honestly but does so because he or she values honesty. Third, one must also possess (and perhaps demonstrate) corresponding emotions. A kind person will be emotionally distressed by dishonesty around them.

Though Aristotle and Hursthouse are not focusing on vices, a similar account could be given. If Frank is a vicious person, he not only will reliably act viciously, but he will do so because he possesses a vicious character trait. He will know his actions are vicious and do them for that reason. He will praise and have positive emotions toward similar vicious behavior. Bernie Madoff can then serve as an interesting test case for how we can know that someone has a vice. After his multi-billion-dollar Ponzi scheme came to light, many people felt justified to attribute a host of vices to Bernie Madoff. He certainly seems to demonstrate a reliability for dishonest and greedy behavior, at least in his business. Questions remain, however, whether Madoff was equally greedy and dishonest in other situations and circumstances. Virtues and vices require reliability in a wide range of situations, not just in business.

Situationism

Since the rise of neo-Aristotelian virtue ethics, Doris (1998, 2002) and Harman (1999, 2000, 2001, 2003) have argued that neo-Aristotelian virtue ethics is empirically implausible. Specifically, they contend that there is ample evidence from social psychology that people do not demonstrate the situational reliability required to have virtues or vices. Their view accordingly has been named situationism. To understand the situationist argument, it is best to begin with the empirical data situationists rely on to make their case.

Many of the studies Doris and Harman point to are ones in which researchers varied a nonmoral situational feature and observed very different behavior. For instance, Isen and Levin (1972) staged a scene in which an experimental assistant dropped a large stack of papers in public setting to see whether people would stop and help a stranger pick up the papers. One might think that if people have virtues or vices, then the virtuous would help while the vicious would not. To test that notion, Isen and Levin introduced a nonmoral situational variable, specifically some experimental participants first found a dime in a phone booth while others did not. If people's actions are a result of their character, then it generally should not matter whether they found a dime or not. Isen and Levin found just the opposite, however. Of those who found a dime, 14 out of 16 stopped and helped pick up the papers. But of the 25 that did not first find a dime, only one person stopped to help.

Taken by itself, this dime study would not amount to a significant challenge to virtue ethics. It is, however, one of a veritable cornucopia of studies demonstrating people's resounding tendency to act differently based on morally irrelevant changes to the situation. A number of studies find that people are more likely to help someone in distress when in a group and less likely to help when alone (cf. Latané and Darley 1970, Latané and Rodin 1969). Another study of seminary students found that priming some with the story of the good Samaritan (wherein a Samaritan helps a man beaten, robbed, and left for dead) made no difference in how often the seminarians stopped to help an experimental assistant pretending to be in great distress and immediate need of aid. Instead, those that were told they were a little early before they needed to be at the next phase of the study were significantly more willing to stop and help than those that were told they were running on time or running late. For Doris (2002), some of the most damning evidence against virtue ethics comes from the Milgram experiments on people's response to authority. In a series of studies involving over 1000 participants, Milgram (or research assistants) told participants that they must continue with the experiment, which appeared to involve fatally electrocuting another participant who was already screaming in pain from previous electric shocks. (In fact, no one was actually being shocked at all; the screams were recordings that participants later reported they believed to be genuine.) Quite disturbingly, Milgram (1974) found that most people (65 % in one version of the experiment) will administer what they believe to be a fatal electric shock when prompted to do so by an authority figure. Obviously most of us haven't killed anyone. But Milgram's experiments show that most people can be induced to administer pain and act in a way that may be lethal (without moral justification,

such as self-defense) in the certain situations. Milgram could not find any character-based way to predict who would administer the apparently fatal electric shock.

Situationism challenges the notion that people can have character traits such as virtues and vices. The thrust of Doris's and Harman's claims are that there simply is not sufficient evidence for people's behaviors being reliable across different, morally indistinct situations, as it would have to be if they possessed a firm and unchangeable character. So the alternate hypothesis, i.e., that character traits do not exist, is the more plausible. There is still an ongoing debate between the situationists and the neo-Aristotelians in this character war, which we need not survey here. Harman (1999) points to a separate (though related) problem for virtue ethics that is of immediate concern to us, namely, the fundamental attribution error (Ross 1977; Ross and Nisbett 2011). Put simply, the fundamental attribution error is the very common mistake people make when they attribute traits to others based on very little evidence, including witnessing the subject of the attribution perform one action. To offer an example of the frequency of the error, consider how willing you were to attribute a range of vices to Tony Hayward (former CEO of BP) when the Deepwater Horizon oil spill (and environmental disaster) occurred. Each of us observed very little of Hayward directly (besides the famously botched apology). Yet many condemned not only his actions but Hayward's character with little evidence.

As we have already noted, virtue ethics requires that someone reliably act in a virtue-consistent manner in order to be a candidate for possessing that virtue. If I observe Jane perform one kind action or Bernie perform one greedy action, I have nowhere near enough evidence to be justified in attributing the traits of kindness or greed to them. It may be the case that Jane is kind and Bernie is greedy, but I can't possibly know that yet. The fundamental attribution error then stands as a separate problem from situationism. Situationism questions the likelihood that virtues and vices exist at all. The fundamental attribution error presents an epistemic problem, namely, that (at least) most of our attributions of virtues and vices are unjustified. So we must ask ourselves if we *ever* can truly know if someone has a virtue or a vice.

Responses

In light of the problems raised by the fundamental attribution error and situationism, there are roughly three responses possible. First, following Doris and Harman, we could conclude that the entire program of virtue ethics is descriptively hopeless and must be abandoned. Included in this response is the work of Miller (2013, 2014), who argues for a modified, empirically informed account of character traits but one which is essentially of no help to neo-Aristotelian virtue ethics. So, according to this line of thinking, virtues and vices do not exist, no one possesses them, and they should not be attributed to people. Therefore, working out problems in business ethics, according to these theorists, is nothing more than a fool's errand.

Not surprisingly, virtue ethicists have not meekly conceded defeat to the situationists in the character wars. There have been a number of different responses attempting to revalidate virtue ethics, typically either by arguing against the empirical findings or by denying the conclusions Doris and Harman draw from the empirical findings. Alfano (2013, pp. 67–75) surveys (and criticizes) many of the different virtue counterattacks (cf. Sreenivasan 2002, 2008; Sabini and Silver 2005; Kamtekar 2004; Kristjansson 2008; and Upton 2009). Julia Annas's defense of virtue ethics (2003) is an interesting one. She turns to introspection as evidence for the existence of virtues, regardless of what social psychologists claim. As she puts it, "we understand our own dispositions" (2003, p. 23). So, I can introspect as to why I behave generously and whether or not I possess a disposition to be generous on a regular basis. Thus, the most reliable attributions of virtues are those we make of ourselves, according to Annas.

Besides the options of abandoning virtue ethics or retrenchment in it, a third alternative has emerged, most notably lead by Alfano (2013). This response to the apparent descriptive failings of virtue ethics is to look instead to the normative function of virtue and vice attributions. Specifically, Alfano argues for "factitious virtues." He accepts the situationist line that people do not actually possess virtues. Nevertheless, certain virtue attributions can induce them to behave as if they were virtuous. He bases this claim on extensive evidence from social psychology and behavioral economics studying the effects on behavior of trait attributions. For instance, Miller et al. (1975) examined two groups of fifth graders. The first group was repeatedly asked by the principal, the janitor, and the teachers to keep their classroom tidy. The second group, however, were repeatedly and falsely congratulated on tidiness. The first group briefly kept their classroom cleaner but quickly reverted back to their previous untidy behavior. On the other hand, the fifth graders that were told they were tidy demonstrated higher levels of tidy behavior for a longer time. Based on this and other empirical data, Alfano claims that public, plausible, and repeated virtue attributions can induce people to behave in a virtue-consistent manner. Such attributions become self-fulfilling prophecies.

The application of Alfano's theory is readily apparent. Suppose Jane generously gives an employee with cancer more sick days than originally allotted. If her boss praises her for doing so by saying, "Jane, you were very generous then," and the praise is public, then Jane has incentive to behave in a similar fashion in the future. Not only does the virtue attribution build a positive self-image that Jane would like to reinforce with future generous acts, she knows that others heard the virtue attribution and will now expect her to behave generously as well.

While intriguing, Alfano's account of the normative value of virtue attributions has its limitations, the most significant of which is that it only covers second-person attributions. It also has little to say about vice attributions. Both of these features seem important since we might still want to be able to claim, "Bernie Madoff is greedy." Making a second-person attribution of greed to Madoff probably will not do much to prevent him from future Ponzi schemes (since imprisonment will presumably accomplish that end). Perhaps, however, there can be some normative

function that telling someone else about Madoff's greed fulfills (presuming the other party knows of Madoff's misdeeds).

Cases in business ethics appear especially suited for helping us discover a normative function for third-person vice attributions. To simplify matters, let's set aside the descriptive question of whether or not anyone actually has vices. This normative function would exist regardless of our position in the character wars. Suppose after being ripped off by Gary, who owns a business, I tell you, "Gary is greedy." It would seem I've accomplished several things. First, I've expressed to you (and anyone else listening) a moral norm and condemned Gary's business practices for violating that norm. Behavior like Gary just demonstrated is not morally acceptable. Second, I'm calling on you to ostracize Gary by not doing business with him in the future. Such ostracism is a way of enforcing norms and limiting the potential Gary to violate the norm in the future. Third, my vice attribution can serve as warning to you that if you behave like Gary, you too will be subject to the same ostracism. I may not know whether Gary possesses the vice of greed (and in fact I may have committed the fundamental attribution error), but my vice attribution seems to still have significant normative force, perhaps enough to justify it on its own.

Conclusion

It might seem obvious that people possess different virtues and vices. Almost everyone attributes virtues and vices to themselves and others on a daily basis. So it would seem only natural to want to work out various moral issues (including in business ethics) in terms of virtues and vices. As we have seen, however, things are not as simple as they appear. It takes more evidence to justify a trait attribution that we normally have. It is also a hotly debated matter whether anyone possesses virtues and vices at all. Therefore, in working out problems in business ethics by means of virtue ethics, we must be mindful of what justifies such attributions and whether they are being used merely normatively or also descriptively.

References

Alfano M (2013) Character as moral fiction. Cambridge University Press, Cambridge

Annas J (2003) Virtue ethics and social psychology. A Priori 2:20–59

Aristotle (1908) Nicomachean ethics (trans: Ross WD). In: Ross WD, Smith JA (eds) The works of Aristotle. Clarendon Press, Oxford

Doris J (1998) Persons, situations, and virtue ethics. Nous 32(4):504–540

Doris J (2002) Lack of character: personality and moral behavior. Cambridge University Press, New York

Foot P (1978) Virtues and vices. Blackwell, Oxford

Foot P (1994) Rationality and virtue. In: Pauer-Studer H (ed) Norms, values and society. Kluwer, Amsterdam, pp 205–216

Foot P (1995) Does moral subjectivism rest on a mistake? Oxf J Leg Stud 15:1–14

Foot P (2001) Natural goodness. Clarendon, Oxford

Harman G (1999) Moral philosophy meets social psychology: virtue ethics and the fundamental attribution error. Proc Aristot Soc New Ser 119:316–331

Harman G (2000) The nonexistence of character traits. Proc Aristot Soc 100:223–226

Harman G (2001) Virtue ethics without character traits. In: Byrne A, Stalnaker R, Wedgwood R (eds) Fact and value. MIT Press, Cambridge, pp 117–127

Harman G (2003) No character or personality. Bus Ethics Q 13(1):87–94

Hursthouse R (1999) On virtue ethics. Oxford University Press, Oxford

Isen AM, Levin PF (1972) The effect of feeling good on helping: cookies and kindness. J Pers Soc Psychol 21:384–388

Kamtekar R (2004) Situationism and virtue ethics on the content of our character. Ethics 114:458–491

Kristjansson K (2008) An Aristotelian critique of situationism. Philosophy 83:55–76

Latané B, Darley J (1970) The unresponsive bystander: why doesn't he help? Appleton, New York

Latané B, Rodin J (1969) A lady in distress: inhibiting effects of friends and strangers on bystander intervention. J Exp Psychol 5:189–202

MacIntyre A (1985) After virtue, 2nd edn. Duckworth, London

Milgram S (1974) Obedience to authority. Harper Collins, New York

Miller CB (2013) Moral character: an empirical theory. Oxford University Press, Oxford

Miller CB (2014) Character and moral psychology. Oxford University Press, Oxford

Miller R, Brickman P, Bolen D (1975) Attribution versus persuasion as a means for modifying behavior. J Pers Soc Psychol 31(3):430–441

Ross L (1977) The intuitive psychologist and his shortcomings: Distortions in the attribution process. In: Berkowitz L (ed), Advances in experimental social psychology (vol. 10). New York: Academic Press

Ross L, Nisbett RE (2011) The person and the situation, 2nd edn. London: Pinter & Martin

Sabini J, Silver M (2005) Lack of character? situationism critiqued. Ethics 115:535–562

Sreenivasan G (2002) Errors about errors: virtue theory and trait attribution. Mind 111:47–68

Sreenivasan G (2008) Character and consistency: still more errors. Mind 117:603–612

Upton C (2009) The structure of character. J Ethics 13:175–193

Leadership Virtues and Character: A Perspective in Practice

Mary Crossan, Daina Mazutis, Mark Reno, and Peter Rea

Contents

Abstract

Our research has sought to close the gap between theory and practice by engaging executives in discussions about leader character and examining what it means to apply virtues in practice at work. We describe a holistic framework of leader character derived from a research program seeking to close the theory/practice gap. We employ the case study of Parker Hannifin Corporation to illustrate its application in practice.

Keywords

Leadership • Character • Virtues • Practice

M. Crossan (✉) • M. Reno
Ivey Business School, Western University, London, ON, Canada
e-mail: mcrossan@ivey.ca; mreno@uwo.ca

D. Mazutis
Telfer School of Management, University of Ottawa, Ottawa, ON, Canada
e-mail: daina.mazutis@telfer.uottawa.ca

P. Rea
Ethics and Integrity-Enterprise Wide, Parker Hannifin, Cleveland, OH, USA
e-mail: peter.rea@parker.com

Introduction

Debates about what constitutes the nature of "good character" have raged for millennia, dating back to Aristotle's *Nicomachean Ethics* (Hursthouse 2001; MacIntyre 2007, pp. 181–203). While some progress has been made recently by positive psychology in moving beyond these traditionally normative ethical arguments, there also exists a major gap between the academic and scholarly account of character and the understanding of its application in the practice of business leadership (Crossan et al. 2013a). Yet character is of central importance to leadership since it fundamentally shapes how we engage the world around us, what we notice, what we reinforce, who we engage in conversation, what we value, what we choose to act on, and the decisions we make. Our research has sought to close this theory/practice gap by engaging executives in discussions around character and examining what it means to apply the virtues in practice at work. This chapter first describes a holistic framework of leadership character derived from this exploration and employs the case study of Parker Hannifin Corporation to illustrate its application in practice.

We employ MacIntyre's (2007) definition of character as a "set of dispositions to behave systematically in one way or another, to lead one particular kind of life" (2007, p. 38). "Good character" is distinguished by a mutually-reinforcing combination of strengths that not only enable the individual to achieve excellence in the practice of these dispositions (virtues) "but will also sustain us in the relevant kind of quest for the good, by enabling us to overcome the harms, dangers, temptations, and distractions which we encounter, and which will furnish us with increasing self-knowledge and knowledge of the good" (2007, p. 219). Thus, MacIntyre suggests that good character is a kind of integration of many character strengths, aimed at achieving an intended good, as directed by practical wisdom. This concept of "practical wisdom," similar to Aristotle's concept of "phronesis," is the opposite of thoughtless, insensitive, reckless, impulsive, narrow, or short-sighted judgment and conduct. It involves knowing how to secure the intended good effectively in any situation (Mele 2009, 2010, 2012; Roca 2008; Smith and Dubbink 2011). This requires situational appreciation – the capacity to recognize, in any particular situation, the features that are ethically salient (Price 2000; Rest 1986, 1994). It also involves being practically astute about human beings and human life and of the consequences of possible actions. The practically wise understand what is truly worthwhile, truly important, and thereby truly advantageous in life, as well as effective ways to achieve this (Beabout 2012). Practical wisdom accomplishes the foregoing by coordinating, balancing, and guiding the expression of the character elements altogether in complex and dynamic ways, thereby supplying functional coherence and integration.

As defined by Peterson and Seligman, character strengths are "the psychological ingredients – processes or mechanisms – that define the virtues ... they are distinguishable routes to displaying one or another of the virtues" (2004, p. 13). We concur with Peterson and Seligman and build on the view that these character strengths present themselves as actual behavioral dispositions. However, we use the

term character "element" instead of "strength." Also, we concur with Aristotle who conceived of virtues as desirable states between vices of deficiency and vices of excess. For example, courage is a virtue between cowardliness (vice of deficiency) and recklessness (vice of excess) (Aristotle, *Nicomachean Ethics*, 1106a26-b28). The courageous person correctly determines that some dangers are worth facing, and experiences fear to a degree that is appropriate to the circumstances. Aristotle holds that this applies to every virtue, but he is careful to clarify that there is no universal rule or formula to determine the right position. Rather, this determination requires a complete account of the individual's specific circumstances (1106a15-1107b) to formulate a position that is appropriate to the situation.

We also agree with Gottlieb (2009), who argues that in order to accomplish this, the virtuous individual requires a balanced disposition that enables her or him to perceive clearly and fully, experience the appropriate emotions, arrive at balanced and sound assessments of various situations, and decide and act accordingly. This involves deepening their dispositions toward the virtues by practicing the different elements associated with specific virtues (e.g., bravery, determination, tenacity, confidence, and resilience together combine to form the virtue of courage). Otherwise, deficiencies or excesses result in imbalances that undermine appropriate perceptions, interpretations, emotions, decisions, and conduct. Thus, in effect, the virtuous individual achieves a kind of dynamic equilibrium on an ongoing basis among a full range of character elements, and this balance integrates her or his emotions and reason. In summary, a virtuous person is "someone of integrity... [who] needs to have all of the ethical virtues in order to confront all eventualities in life without falling out of kilter...[and] to have their emotions and reason going hand in hand" (Gottlieb 2009, pp. 10–11).

It is important to note that while the character elements represent observable behavioral dispositions, the virtues they represent offer a link to the normative content of what is widely considered to be good character (Peterson and Seligman 2004) and thus help fuse the descriptive and normative domains (Birnbacher 1999; Hoffmaster and Hooker 2009). This normative connection is important since it provides the opportunity to move beyond observable description to consider what "ought" to be (Anscombe 1958; Crisp and Slote 1997; Hursthouse 2001). Virtues are developed over time and formed through habitual practice of the virtues and regular repetition of the "right" actions (Deci and Ryan 2008; Dudzinski 2004; Ramsay 1997; Sheldon and Kasser 1995; Graafland 2009; Sadler-Smith 2012). It is this normative content that distinguishes virtues from general personality traits.

Defining Leadership Virtues in Practice

There is no doubt that Peterson and Seligman (2004) did some very heavy lifting in their 800-page book providing thorough documentation for the six virtues and their associated 24 character strengths. However, these were drawn from philosophy, psychology, sociology, religion, and other literatures and had not been assessed specifically for their resonance in the practice of management, and thus it was not

surprising that practicing managers would note missing elements. We began by broadening the set of possible character elements relevant within a leadership context and subjected these character elements to the same criteria employed by Peterson and Seligman (2004) to assess their validity. These character elements had to be: fulfilling – intrinsically valuable in an ethical sense (gifts, skills, aptitudes, and expertise can be squandered, but character strengths and virtues cannot); non-rivalrous – not the opposite of a desirable trait (a counterexample is steadfast and flexible, which are opposites but are both commonly seen as desirable); trait-like (habitual patterns that are relatively stable over time) – not a combination of the other character strengths; personified (at least in the popular imagination) by people made famous through story, song, etc.; absent in some individuals; and nurtured by societal norms and institutions (we excluded the criterion "observable in child prodigies" since it was less relevant to the practice of management and even for Peterson and Seligman it was not deemed to be applicable to all character strengths). Generally, when in doubt we erred on the side of inclusion.

We also reviewed publicly available documentation from companies, such as websites, annual reports, and articles, and employed our expert judgment to identify missing elements and dimensions. In addition we had many opportunities to test the face validity of the evolving set of elements and dimensions given presentations and leadership development workshops that were being conducted during the study period, which lasted about two years. We also took note of words that were commonly used by practitioners that might substitute for terms in the Peterson and Seligman (2004) framework. For example, the term "judgment" was frequently found in practice, and it could be used to capture the term "wisdom" that is infrequently used and seemed to bring unwanted connotations such as needing to be "old and gray" as one participant described.

In the course of assessing whether additional character elements should be added to a holistic framework of leadership virtues in practice, we also encountered a more difficult question of whether the six virtues adequately captured the way in which practicing managers experienced them. We refer to the virtues level as "dimensions." It became apparent that some character elements needed to be added and others promoted to the level of dimension to recognize the weight placed on them in practice. Specifically, whereas integrity was a character element in the Peterson and Seligman framework, we identified it as a dimension with associated character elements. This was not simply prompted by practice but also by the burgeoning theory supporting leader integrity. Similarly, we included drive and accountability as dimensions, given their importance in business leadership parlance. Whereas humility had been housed under temperance in the Peterson and Seligman framework, we identified it as a dimension with associated character elements. Finally, we included collaboration as a dimension given the heavy emphasis in practice on teaming activity. However, collaboration is distinguished from teamwork by elements such as being interconnected and open-minded, virtuous elements that are often missing in teams. As with the character elements, our intention in defining the dimensions was to err on a broader rather than narrow conceptualization and allow participants in the study to modify as they saw fit.

Fig. 1 Leadership character framework

We used a Q-sort technique with 50 executives to confirm the salience of the elements of leader character. The framework of leadership virtues we derived is depicted in Fig. 1.

According to this framework, leadership based upon good character would therefore involve the following:

- *Drive* is essential in leaders so that they establish stretch goals and the plans to achieve them. Leaders with drive demonstrate initiative, a passion to achieve results, the vigor to motivate others, and a desire to excel.
- *Accountability* includes a sense of ownership, being conscientious in the discharge of leadership mandates, and accepting of the consequences of one's actions. Organizations demand their leaders to demonstrate high levels of accountability for results and the ways in which they are achieved.
- *Collaboration* is highly prized as a dimension of leadership character. It is essential for leaders to form effective teams, to cooperate with others, and to

work collegially. They have to be open-minded and flexible so that they can cooperate with those in their own organizations as well as in external groups.

- *Humanity*, which we describe as consideration for others, empathy, compassion, magnanimity, and the capacity for forgiveness, is essential to leadership. Without it, a person can be an effective boss, but never a good leader. We do not view humanity as a soft or weak dimension of leadership character but, rather, as a fundamental quality that is often at the core of fostering trust, candid conversations, and is essential in supporting other dimensions of character.

- *Humility* has long been regarded as an essential quality for leaders. Without humility, it is impossible to learn from others or from one's own mistakes. This dimension embraces a degree of self-awareness, the capacity for reflection, and a sense of gratitude toward those who have helped one learn or achieve success.

- *Temperance* allows leaders to be calm when others around them panic, to think things through, and act in the best long-term interests of the organization. It helps them avoid overreacting to short-term success or failure and to assess both the risks and the rewards of alternative courses of action. Temperance as a dimension is one that is often not top-of-mind until some risk blows up – when it becomes highly prized.

- *Justice* is a dimension of a leader that is central to followers' decisions to accept an individual's leadership. Justice incorporates fairness and even-handedness in both procedures and outcomes, such as the allocation of work and dispensation of rewards. It includes a sense of proportionality with respect to praise or censure and – in a broader sense – recognition of the requirement of a leader to contribute to the growth and development of the societies within which they operate.

- *Courage*, both mental and sometimes physical, is a requisite character dimension for leaders. It includes preparedness to take risks, to challenge the status quo, to test uncharted waters, to speak out against perceived wrongdoing, and to be prepared to admit to concepts such as "I don't know" or "I screwed up." Sometimes it requires courage to adopt a lower-risk strategy, forgoing the immediate returns of a higher-risk route. It may include a degree of resilience as leaders fail in their first efforts to accomplish something.

- *Transcendence* is the dimension that allows leaders to see the big picture and take the long view. It means doing what's right for their organizations rather than pursuing the expedient or momentarily satisfying route, climbing above petty rivalries or personal feelings. It often requires creativity. Transcendent leaders are optimistic: they focus on the future and inspire others to do the same.

- *Integrity* is essentially about wholeness, completeness, balance, and soundness of leadership character. It is most readily apparent in principles such as honesty, authenticity, transparency, candor, and consistency, but it is also used to describe high moral standards.

- *Judgment* has a central place in an individual's character. Each of the other dimensions of character represents reservoirs of varying depth – people may have lots of courage or a little, or great integrity or not so much. Judgment serves to regulate the other dimensions, which ultimately activate individuals' perceptions, emotions, beliefs, decisions, and behaviors in different situations.

Judgment acts like the "air traffic controller," determining when courage should be shown and when it is better suppressed, when collaboration is appropriate and when a leader should go it alone, when to be temperate and when to be bold, and so on.

Having described the motivation and methodology for our study and the Leadership Character Framework we developed through the combination of theory and practice, we now explore the case of Parker Hannifin to illustrate how one organization has taken a similar virtue-based perspective to defining what it means to lead and win with character.

Parker Hannifin Mini Case

Parker Hannifin (PH) Corporation is the world's leading diversified manufacturer of motion and control technologies and systems (core motion and control technologies include electromechanical, hydraulic and pneumatic, fluid and gas handling, filtration, sealing and shielding, climate control, process control, and aerospace applications), providing precision engineered solutions for mobile, industrial, and aerospace markets. Founded in Cleveland, Ohio in 1918, almost a century later, PH has grown to a $13B USD global company with over 865,000 products, distributed through 13,000 outlets in 1100 markets, employing approximately 58,000 people in 139 divisions and 341 manufacturing plants in 49 countries around the world.

From the beginning, PH has attributed much of its success to its values-based culture and employee engagement. The organization prides itself on its history of fair dealings, valued customer relationships, and ongoing adherence to the core values of integrity, honesty, respect, and ethical behavior. Since 2001, empowered employees have represented the foundation of PH's "Win Strategy" to become the world's number one motion and control company. In addition, given PH's long tradition of community involvement and breakthrough innovations, in 2011, the company introduced "Winovation," a new product development approach which is specifically designed to ensure that only those technologies that can make a significant contribution to solving some of the world's largest social and environmental issues make it through the process. Employees at PH therefore have a great sense of pride for the company they work for and are hardwired to think about the legacy they want to leave behind.

A Focus on Virtues

In April of 2012, in light of its growing operations and internationalization, the Board of Directors of PH approved a new approach to "winning through ethical behavior" built around the seven classical virtues of: compassion, courage, trust, justice, wisdom, temperance, and hope. Given that the company felt that the strong

values-based employee culture at PH was part of its competitive advantage, the board and top management were concerned about preserving and protecting its reputation through its global growth and acquisition strategy. Rather than retrenching around more formal compliance-based tools and tactics which were seen to have a negative focus, PH opted instead to take the more positive strength-based approach to crafting culture rooted in the virtues. Although one could already characterize the culture at PH as reflective of these virtues, senior leaders saw value in trying to crystallize what makes PH so distinct in order to safeguard this source of competitive advantage in the future.

The Process

Beginning with a series of senior manager, employee, and stakeholder consultations, Peter Rea, VP of Ethics and Integrity at PH, first secured buy-in on the virtues-based approach before presenting his plan to the board. Vital to laying this foundation was setting the business case for a focus on virtues. With over 70 % or more of all organizational costs tied to human capital, companies need to pay close attention to the level of employee engagement in the workplace. Recent studies have indicated that "as many as two-thirds of today's workers are either actively looking for new jobs or merely going through the motions at their current jobs. While they still show up for work each day, in the ways that count, many have quit" (Amacom Books 2007). A focus on virtues is then one way in which employees can align their own personal values with those of the organization to increase trust and pride, both of which have been linked to positive outcomes such as increased productivity, customer satisfaction, profitability and reduced turnover, absenteeism, and employee theft (Gallup Consulting 2008). The objective at PH, therefore, was to raise employee *awareness* of the virtues, draw their *attention* to how these virtues help PH win in the marketplace and commit to future *actions* based on these virtues (an awareness – attention – action model) in order to empower employees and solidify employee engagement.

Given the many different existing virtue typologies, PH chose a narrow set of virtues specifically applicable to their business. These were drawn primarily from the writings of Aristotle in his *Nicomachean Ethics*, although attention was also paid to labeling such that the virtues would be more applicable to a workplace setting (e.g., using compassion instead of love; trust rather than faith). In developing the program, Rea also consulted with a broad variety of academics in business, positive psychology, education, and the military, even visiting each of the United States Service Academies (West Point, Air Force, and Navy) to better understand how these organizations drive their cultures around the virtues. All of these efforts resulted in full top management support that a virtues-based approach was the way forward. The virtues were then carefully linked to PH's traditional leadership philosophy and described formally as – "Winning with Integrity." Rather than creating another program, "Winning with Integrity" was more about enhancing

what people already do. At PH, the following virtues are considered strategically and tactically smart. They also happen to be a better way to live:

- *Trust*: We look out for the interests of others as if their interests were our own.
- *Compassion*: We demonstrate care and concern for our customers, colleagues, and partners.
- *Courage*: We live by our convictions not our circumstances even when the burden is great.
- *Justice*: We are fair, objective, and impartial when serving all stakeholders.
- *Wisdom*: We practice resiliency in the face of adversity and humility in times of prosperity.
- *Temperance*: We practice self-control, restraint, and self-discipline.
- *Hope*: We are grateful for opportunities to be part of a purpose greater than ourselves.

Parker Hannifin summarized "Winning with Integrity" by stating that "Character defined by virtue transcends every culture and language and provides a common platform for guiding our behaviors, actions and decisions including execution of the Win Strategy. Together we can preserve Parker's reputation and protect our financial strength" (Parker Hannifin Internal Documents "Winning with Integrity").

Rea then began engaging small groups of employees in discussions and workshops around the virtues, which allowed for an open and transparent exploration of the meaning of the virtues in practice. For example, employees would be asked not only "what is courage" but also "why is courage important to Parker Hannifin" and "how can we foster more courage in our organization." Through a process of personal reflection and peer feedback, employees had a chance to uncover which virtues are most salient to them and how they've already brought these character strengths successfully to practice.

The rollout of "Winning with Integrity" also included the development of a cultural instrument tool based on the virtues and an educational website with exercises where employees could explore what it meant to engage the virtues at work. Pilot talent review processes and various coaching models that select and develop compassion, courage, trust, justice, wisdom, temperance, and hope were also developed. Although still a work in progress, PH employees have been open to the virtues-based focus of this initiative finding personal as well as professional meaning in the application of a character-based approach to business.

Conclusion

In this chapter we have sought to describe what it means to lead with character in a business context. Working with executives from a broad variety of industries and nationalities, we developed the Leadership Character Framework that is comprised of eleven different dimensions of leadership character each supported by a variety of different character elements all necessary for effective leadership in practice. We

also explored how one organization, Parker Hannifin, has taken a similar virtue and character-based approach to defining what it takes to develop a strength-based culture. For Parker Hannifin, it is this unique culture specifically that it believes will provide it with a valuable and rare source of competitive advantage through its global growth and acquisition strategies.

Although our typologies of the virtues differ slightly, there is a great deal of overlap. Courage, justice, and temperance are all defined as core leadership virtues in both frameworks, as is wisdom, although our framework refers to this as judgment. We see hope as a character element related to transcendence and compassion as one related to humanity. While we position integrity to be a character dimension, at PH, integrity forms the core of their overall approach to winning, with trust as core element of integrity. The similarities support the importance of character and the application of leader character in practice. The differences merit some discussion since our work underscores the important inter-relationship between the dimensions of character. For example, many leaders and organizations espouse the importance of integrity, yet fail to consider that integrity is only as strong as the weakest dimension of character. When a leader is lacking in courage or accountability, for example, integrity becomes simply an aspiration that is difficult to exercise. As well, we seek to emphasize that values play a role as they relate to virtues and character; however, these are not just any values but those that can be considered virtuous. We are not against values, particularly as they are aligned with strategic priorities, for example. However, whereas there is an extensive menu of values from which organizations can pick and choose, the dimensions of character are more limited and are not a menu but rather an integrated framework.

It was our objective in this chapter to illustrate that leading with character is an approach that resonates with business executives in practice. From a theoretical perspective, executives were easily able to sort the different elements of character that are important for leadership into what became our Leadership Character Framework. Practically, we provided an example of how organizations are currently taking a virtues-based approach to culture development in order to safeguard performance and ensure continued business success. In so doing, we hope to have bridged the academic/practitioner divide on an issue we feel is an important determinant for leading in increasingly complex and dynamic environments. Elsewhere we have articulated how business schools can begin to develop leadership character (Crossan et al. 2013b) and we are optimistic about the potential that exists to develop and embed leader character in organizations.

References

Amacom Books (2007) Nearly two-thirds of U.S. workers don't care about their work. http://www.csrwire.com/press_releases/15133-nearly-two-thirds-of-U-S-workers-don-t-care-about-their-work. Accessed 1 Dec 2013

Anscombe GEM (1958/1997) Modern moral philosophy. In: Crisp R, Slote M (eds) Virtue ethics. Oxford University Press, New York, pp 26–44

Aristotle (1999) Nicomachean ethics. T. Irwin, Trans. Indianapolis, IN: Hacket Publishing

Beabout GR (2012) Management as a domain-relative practice that requires and develops practical wisdom. Bus Ethics Q 22(2):405–432

Birnbacher D (1999) Ethics and social science: which kind of cooperation? Ethical Theor Moral Pract 2:319–336

Crisp R, Slote M (1997) Virtue ethics. Oxford University Press, New York

Crossan M, Mazutis D, Seijts G (2013a) In search of virtue: the role of virtues, values and character strengths in ethical decision making. J Bus Ethics 13:1–15

Crossan M, Mazutis D, Seijts G, Gandz J (2013b) Developing leadership character in business programs. Acad Manag Learn Educ 12(2):265–284

Deci EL, Ryan RM (2008) Self-determination theory: a macrotheory of human motivation, development, and health. Can Psychol 49(8):182–185

Dudzinski DM (2004) Integrity: principled coherence, virtue, or both? J Value Inq 38:299–313

Gallup Consulting (2008) Employee engagement: what's your engagement ratio? http://www.gallup.com/strategicconsulting/121535/Employee-Engagement-Overview-Brochure.aspx. Accessed 1 Dec 2013

Gottlieb P (2009) The virtue of Aristotle's ethics. Cambridge University Press, New York

Graafland JJ (2009) Do markets crowd out virtues? An Aristotelian framework. J Bus Ethics 91:1–19

Hoffmaster B, Hooker C (2009) How experience confronts ethics. Bioethics 23(4):214–225

Hursthouse R (2001) On virtue ethics. Oxford University Press, New York

MacIntyre A (2007) After virtue, 3rd edn. University of Notre Dame Press, Notre Dame

Mele D (2009) Integrating personalism into virtue-based business ethics: the personalist and the common good principles. J Bus Ethics 88:227–244

Mele D (2010) Practical wisdom in managerial decision making. J Manag Develop 29 (7/8):637–645

Mele D (2012) The firm as a "community of persons": a pillar of humanistic business ethos. J Bus Ethics 106:89–101

Peterson C, Seligman MEP (2004) Character strengths and virtues: a handbook and classification. Oxford University Press, New York

Price, T. L. (2003). The ethics of authentic transformational leadership. The Leadership Quarterly, 14(1): 67–81

Ramsay H (1997) Beyond virtue: integrity and morality. Saint Martin's Press, New York

Rest, J. R. (1986). Moral development: Advances in research and theory. New York: Praeger Publishers

Rest, J. R. (Ed.). (1994). Moral development in the professions: Psychology and applied ethics. Psychology Press

Roca E (2008) Introducing practical wisdom in business schools. J Bus Ethics 82:607–620

Sadler-Smith E (2012) Before virtue: biology, brain, behavior, and "moral sense". Bus Ethics Q 22:351–376

Sheldon KM, Kasser T (1995) Coherence and congruence: two aspects of personality integration. J Pers Soc Psychol 68(3):531–543

Smith J, Dubbink W (2011) Understanding the role of moral principles in business ethics: a Kantian perspective. Bus Ethics Q 21(2):205–331

Moral Foundations Theory: Building Value Through Moral Pluralism

Spassena Koleva, Erica Beall, and Jesse Graham

Contents

Abstract

Moral foundations theory (MFT) is a novel psychological framework that advances a pluralist view of morality, expandng it beyond commonly discussed themes of preventing harms and injustices to individuals. According to MFT societies construct moral virtues, norms, and meanings based upon multiple psychological systems (*moral foundations*): Care/harm, Fairness/cheating, Loyalty/betrayal, Authority/subversion, and Purity/degradation. MFT thus identifies moral concerns which govern how we treat other individuals, as well as how we operate within groups. Insights and concepts from MFT, particularly its attention to group-level moral concerns and virtues, have a range of potential applications in business, from increased understanding of clients and employees to improving organizational culture and leadership and to value-based marketing.

S.S. Koleva (✉)
California State University, Los Angeles, CA, USA
e-mail: skoleva@uci.edu

E. Beall • J. Graham
Department of Psychology, University of Southern California, Los Angeles, CA, USA
e-mail: ebeall@usc.edu; jesse.graham@usc.edu

Introduction

Moral judgments and observations are a simple fact of everyday life. Whenever a situation strikes us as morally relevant, we quickly and automatically cast a judgment of "that's good" or "that's bad" upon the actions of our friends, our neighbors, people we've never met, and even ourselves. There are a number of scholarly approaches to conceptualizing morality and virtue, such as virtue ethics in philosophy, moral reasoning in developmental psychology, and social intuitionism in social psychology. In this chapter we briefly discuss the limitations of virtue ethics from a psychological perspective, present a pluralistic psychological theory of moral judgment and virtue, and offer two applications of this theory to the business world: fostering organizational value fit and value-based marketing. Integral to the study of virtue ethics is the question of how to effect a practical application of its theories in human affairs. By bridging empirical findings in psychology with philosophical theorizing in virtue ethics we hope to enrich both areas, while simultaneously bringing them out of the Ivory Tower and applying them to practical questions in business.

The Limitations of Virtue Ethics

What exactly do we mean when we identify someone as a "decent person" or write them off as "no good"? In the philosophical tradition of virtue ethics, such judgments are made in reference to virtues and vices – traits like courage, honesty, fidelity, industriousness, or cruelty, duplicity, gluttony, and so on – that are assumed to guide an individual's behavior in a consistent way across various situations and circumstances. This, however, leaves open the crucial question: what defines virtue? Aristotle, considered by many to be the founder of virtue ethics, offered as a basic definition the idea that a virtue is a "state of character" – not simply knowledge about virtuous actions, or skills that might promote them, but a consistent underlying tendency to behave in the right ways. He also held that such dispositions do not come about naturally but require both practice and habituation (Nichomachean Ethics, Bk. 2). As the theory goes, virtues are essentially properties of persons themselves – cultivated "states of character" that give the individual a stable and consistent propensity for a certain kind of virtuous action.

Research in social psychology over the last century has stoked heated debate over the legitimacy of a virtue ethics framework, particularly as a descriptive account of ethically relevant human behavior (e.g., Harman 1999; Sabini and Silver 2005). A virtue ethics perspective predicts (and normatively demands) that virtuous

individuals will exhibit consistent, habitually "good" behavior, regardless of the circumstances (Aristotle, Doris 2009). Empirical results suggest, however, that individual tendencies to behave "ethically" or "unethically" are not necessarily guided inflexibly by properties of the persons themselves. In particular, the infamous Milgram obedience experiments provide evidence for the underlying potential in all of us, given the right (or wrong) circumstances, to behave in ways that we ourselves would otherwise deem atrocious (Milgram 1963). Even when it comes to acts of virtue, the classic Good Samaritan study suggests that it is not so much the generous people who engage in acts of generosity but those for whom generosity constitutes the smoothest course of action (Darley and Batson 1973). Again, the execution of virtuous behavior seems to be guided not only by a "state of character" belonging to the individual but also by the situation in which that individual is placed. The question of how contextual factors affect moral behavior continues to fascinate researchers in this area. Importantly, what is considered a feature of "the context" has been viewed broadly, ranging from parts of the world (e.g., east vs. west) to properties of the physical environment (e.g., cleanliness, lighting) to words or pictures flashed subliminally during a previous task.

If individual behaviors are not necessarily, or even primarily, rooted in "states of character" (or what psychologists call "personality"), then perhaps it is necessary to look beyond the idea of character to answer our original question regarding what, exactly, people are reacting to when they engage in moral judgments of others' or their own behavior. For example, work on moral identity (Aquino and Reed 2002; Smith et al. 2014) views moral behavior as a function not so much of specific virtues but as a reflection of the general mental accessibility of moral constructs and a person's tendency to view moral traits as central to his/her core sense of self. Similarly, Rai and Fiske (2011) have proposed a model in which moral judgment is a function not of the moral actors' personalities but of the relationship between them, wherein the same act (e.g., refusing to help) can be viewed as morally acceptable when occurring between strangers but as morally suspect when occurring between friends or family members.

Moral Foundations Theory

Moral foundations theory (MFT; Graham et al. 2013) is a recent approach with broad and growing application across disciplines; it is also the focus of the current chapter. At its core is the idea that, instead of organized around notions of individuals' virtues and vices, moral judgments are guided primarily by intuitive responses to the moral value of actions themselves, and the general principles that those actions affirm or violate. This framework suggests that insofar as they pertain to moral judgments, morally relevant behavior must be approached not as habituated propensities but as characteristics whose moral valence is in the eyes (or as we will see, "in the guts") of the beholder.

MFT aims to describe and explain why individuals and groups differ in what they see as moral right and wrong. The theory rests on four key premises about

human morality. The first premise is nativism, according to which moral concerns are at least partially innate. This is not to say that morality is "hardwired" or "built-in" but simply that the moral mind has a "first draft," i.e., that moral concerns and judgments are organized "in advance of experience." However, the second key premise is that this "first draft" of the moral mind gets heavily edited by experience and environment, such as by one's upbringing into a specific culture. For example, people in all cultures develop moral concerns about fairness very early in life, but in some cultures these concerns are encoded in norms about standing in line (Japan), while in others this is not the case (China). In short, morality is both innate *and* highly dependent on environmental influences.

The third key premise of MFT is that *moral intuitions* precede moral reasoning – we quickly and automatically "sense" that something is morally good or bad, and only then recruit deliberate and "rational" reasons that justify our judgment (Haidt 2001). Furthermore, the sources of these flashes of moral approval and disapproval may or may not match the content of their explicit justification (e.g., moral disapproval of same-sex marriage is most strongly predicted by moral concerns about purity and sanctity and its associated emotion of social disgust and not by moral concerns about respect for traditional institutions or individual rights; Koleva et al. 2012). Thus, MFT is particularly helpful not just for *describing* the psychology of moral concerns and judgments but also for *explaining* the psychological roots of morally complex attitudes.

Lastly, MFT is built around the idea that there is more to morality than concerns about preventing harm and unfairness, which dominate Western moral teachings (e.g., the familiar notion that if it does not hurt anyone or violate anyone's rights, then it is not morally wrong). Indeed, according to MFT moral judgments are rooted in at least five related but distinct *moral foundations*: care/harm, fairness/cheating, loyalty/betrayal, authority/subversion, and purity/degradation. (In the original formulation of the theory, the moral foundations were called harm, fairness, ingroup, authority, and purity. Colleagues noted the incongruence in valence (i.e., harm is negative, ingroup's valence is unclear), so we moved to change the names to reflect a pair of virtues and vices associated with each foundation.) Briefly, intuitions based on the care foundation might lead us to disapprove of individuals that cause pain and suffering and to admire those who prevent or alleviate harm (e.g., doctors, firefighters). The fairness foundation is activated by perceiving violations of reciprocity, equality, justice, and individual rights. The loyalty foundation arises from our sense of attachment and obligation to groups that we identify with (e.g., family, sports team, or country) and thus to approve of those who contribute to or sacrifice for the group (e.g., soldiers). The Authority foundation is based on our tendency to create hierarchically structured societies of dominance and subordination, and it underlies intuitions that favor leadership, respect, or deference and to disapprove of those who skirt their duties. Finally, the purity foundation engenders concerns about sanctity and desecration and physical (e.g., feces or rotten food) and spiritual corruption (e.g., being unable to control one's animalistic impulses). It also underlies our tendency to imbue entities (God, nature) with sacred meaning.

In line with the above nativism and cultural learning premises, concerns driven by these moral foundations are posited to be universally available but socially constructed and culturally variable (see also Graham et al. 2013; Haidt and Joseph 2007; Haidt and Kesebir 2010). Thus, different societies, as well as cultural sub-groups in the same society, can build their moral virtues, claims, and institutions to varying degrees on each moral foundation. The theory's constructs have been used to explain a broad range of phenomena, including ideological disagreements (Graham et al. 2009; Iyer et al. 2012), gender differences in morality (Koleva et al. 2014), moral links between seemingly unrelated attitudes (Koleva et al. 2012), accuracy of moral stereotypes (Graham et al. 2012), and morality-based persuasive appeals (Feinberg and Willer 2013).

Moral Foundations Theory at Work

Two exciting potential applications of MFT in business are the creation of internal and external value fit. Internally, companies can use the moral foundations to create organizational cultures that foster desired values. Externally, companies can use the foundations to better identify, as well as target, their customer base. In the remainder of this chapter we elaborate on these possibilities.

Fostering a Value-Centered Corporate Culture

Many organizations have discovered the broad utility that can be derived from internal cultivation of certain morally relevant values. For example, the concrete economic and social benefits of intraorganizational values such as mindfulness and sustainability have begun to be elaborated empirically (Dane 2011; Epstein and Roy 2003).

Of particular importance to instilling a value-based organizational culture is the hiring of individuals who will be likely to assimilate successfully into that value environment. It is almost universally the case that the hiring process seeks a "fit" between the person and the organization, broadly defined as "the congruence of an individual's beliefs and values with the culture, norms, and values of an organization" (Chatman 1989; Vandenberghe 1999). Research done on the theory of work adjustment (TWA) has demonstrated a strong relationship between person-organization fit and numerous measures of employee satisfaction and job performance (Bretz and Judge 1994; Caldwell and O'Reilley 1990). At the same time, research in MFT has reinforced the notion that moral value fit, including in terms of moral foundation concerns, is predictive of a variety of positive outcomes (Motyl et al. 2014). Taken together, the research on MFT and person-organization fit suggests that an optimally healthy workplace environment should facilitate value congruence, both between the employee and the organization itself, as well as among the workforce.

In order to fully reap the psychological benefits of moral value fit, employees would need to not only accept but internalize and seek to uphold and "live" the organization's values. The challenge then becomes: how can organizations take a plurality of employee values and channel them into a cohesive culture centered around the target values and virtues of the organization? One example of a particularly sought-after organizational value is sustainability – the consideration of social equity and environmental responsibility in calculations of "bottom line" outcomes and profitability (Epstein 2008). It is one thing to simply declare "we, as an organization, value sustainability," and quite another to succeed in fostering virtuous actions such as turning off lights, recycling, conserving office materials, and carpooling to work. How, then, can an organization promote internalization of values such as sustainability in such a way that they will lead to employees "living their values"?

MFT suggests that one way to ensure that organizational values are readily adopted and "lived" by its employees is to build such values around the employees' underlying moral intuitions. One of MFT's most valuable contributions to the field of psychology is that it provides an understanding of the underlying emotional needs and intuitions that ground people's endorsement (or rejection) of more specific secondary values. By secondary values, we mean beliefs or judgments about particular behaviors and issues that arise in specific contexts, as opposed to the moral foundations themselves, which are universal domains of intuitive moral concern. Examples of secondary values would include the many political views and issue positions that are predicted by levels of concern for the various foundations, e.g., everything from animal rights to same-sex marriage to fiscal policies (Koleva et al. 2012). Such judgments and values are not themselves universal foundations of moral sensibility but the concrete manifestation of the evolved moral concerns articulated by MFT in the form of specific beliefs about the particular societies in which we live and the groups to which we belong. Armed with such an understanding, it is possible to frame a desired secondary value or policy position – e.g., sustainability, generosity, the importance of a healthy lifestyle – in such a way that it will appeal to a plurality of underlying moral intuitions. Research has also demonstrated that there are specific behavioral outcomes associated with particular moral foundations. For example, high intuitive concern for binding foundations (loyalty and authority) coupled with relatively low concern for individualizing foundations (care and fairness) predict individuals' willingness to commit unethical behaviors for the sake of benefitting the organization (Teo and Chan-Serafin 2013). Although this particular study presents a case of the relationship between moral intuitions and virtue lapses, it demonstrates the ways in which moral foundations can deeply affect individuals' construal of what constitutes virtuous behavior and further underscores the potential utility of capitalizing on these intuitions to produce desired behaviors. A system of embedded pluralistic values can provide a solid foundation on which to cultivate virtuous behaviors such as honesty, adherence to organizational policy, and positive representation of the organization outside the workplace so long as these virtues are connected explicitly to individuals' underlying moral intuitions.

Of the five moral foundations, loyalty in particular can be central to the success and internal health of groups, including corporations (Ewin 1993; Haidt and Kesebir 2010). Indeed, much research has focused on ways to cultivate and reap the benefits of employees' loyalty to their organizations (Roehling et al. 2001). This work has demonstrated the benefits of strong employee loyalty, such as reducing turnover and making it possible to place greater trust in employees without excessive direct supervision (Hiltrop 1995; Mowday et al. 1982).

To a certain extent, capitalizing on individuals' intuitive moral concern for loyalty may be a good strategy for encouraging employees' sense of identification with and obligation to the organization. But MFT has demonstrated that intuitive moral concerns for loyalty are not necessarily universally beneficial in an organizational context. In some cases, other moral foundations provide a better basis for the cultivation of virtuous workplace behavior. For example, it may seem intuitive that a high degree of loyalty would predict employees' willingness to report others' ethical lapses at work. However, recent research has demonstrated that individuals who are induced to focus on the fairness foundation are more likely than those encouraged to focus on loyalty to support reporting of unethical behavior in the workplace (Waytz et al. 2013). Thus, while a sense of loyalty might seem to be the driving force behind actions like whistle-blowing that protect the integrity of the organization, empirical evidence from MFT demonstrates that placing an emphasis on individuals' moral concerns for the fairness foundation is the most effective strategy for encouraging such virtuous behavior.

In general, the pluralism of deeply rooted intuitive moral values demonstrated by MFT underscores that many workplace values and behaviors cannot simply be presumed to be universally virtuous (or unvirtuous) in and of themselves. One of the most important lessons that MFT offers us is that the moral meaning of actions can be construed quite differently depending on individuals' underlying moral intuitions (Graham et al. 2009). At the same time, MFT makes it possible to characterize with great specificity the underlying moral intuitions that are most likely to support or discourage particular actions. This has important implications for both the cultivation of organizational values like loyalty and sustainability and for the establishment of virtuous behavioral norms in the workplace.

Value-Based Marketing

Perhaps the most promising application of MFT is to value-based marketing (VBM). While we do not claim to have marketing expertise, it seems reasonable to expect that the moral foundations can be used to brand and sell a product. Firstly, a business can identify which moral foundations are, or would ideally be, associated with their product and then develop marketing approaches that embody intuitions and virtues related to said foundation(s). In some cases the links between a product and a moral foundation are highly intuitive and thus commonly used already, e.g., a diaper ad showing a mother lovingly caring for her baby intends to trigger positive moral intuitions related to the care/harm foundation (e.g., a "good" mother uses

Huggies). But more often, such links can be subtle or multipotential, offering businesses many opportunities to stand out with a unique value-based campaign, even for products that at first glance have nothing to do with morality. For example, a private vehicle can be marketed as exceptionally safe (appealing to the care foundation), affordable to people of all walks of life (fairness), an American tradition (loyalty), a wise parental choice for a first-time teen driver (authority), or a pristine sanctuary in the chaos and pollution of traffic (purity). Companies can choose to appeal to multiple foundations creating a patchwork of moral associations that can connect with a broad audience (e.g., the car example above), or they can single out a foundation as the guiding principle of a targeted campaign (e.g., "our brand is about safety and caring for those you love").

A second form of value-based marketing takes advantage of the empirically demonstrated individual differences in foundation endorsement. Numerous studies have revealed stable individual differences in valuing/endorsement of the moral foundations, such as gender (Graham et al. 2011; Koleva et al. 2014), political ideology (Graham et al. 2009; McAdams et al. 2008; Van Leeuwen and Park 2009), or culture (Graham et al. 2011; Kim et al. 2012). Businesses and marketers can use this information to tailor their message to uniquely resonate with the moral profile of their target audience. Indeed, several studies support the utility of moral foundation framing framing in a persuasive context. Drawing on empirical demonstrations of a liberal-conservative differences in moral foundation concerns Feinberg and Willer (2013) framed a persuasive message about environmental policy as either focusing on care (with images of habitat destruction caused by human actions) or on purity (with images of garbage and pollution). The care frame is dominant in environmental messages and did not appear to change liberals nor conservatives attitudes, relative to a control frame. However, the purity frame was uniquely persuasive for conservative participants, whose support for the environmental policy rose to the levels report by the liberals. Similarly, Kidwell et al. (2013) assessed their audience's political attitudes, created ideologically tailored foundation-based appeals to recycling, and successfully increased both intended and actual recycling behavior. Finally, Winterich and colleagues (2012) demonstrated that when a charity is positioned in terms of moral foundations that are aligned with potential donors' political identity (e.g., care and fairness for liberals; loyalty, authority, and purity for conservatives), donations to that charity increase. Thus, recent empirical findings support the idea that a product, or event of an entire organization, can be marketed using specific moral foundations as a method for branding as well as morality-based audience targeting.

Conclusion

In this chapter we have highlighted how one particular form of moral pluralism – moral foundations theory – can be of use to organizational scholars and practitioners. Although MFT is focused on providing a descriptive understanding of the full range and variety of human moral concerns (including explanations of how

"morality" can mean such different things to different people and groups), its approach can have applied benefits in business settings as well, from maximizing employee-organization value fit to understanding the moral conflicts inherent in whistle-blowing situations and to value-based marketing. As the fields of social psychology and organizational behavior continue to become more integrated, both theoretically and methodologically, moral pluralism and moral psychological theory in general are poised to play a more central role in empirical business ethics.

References

Aquino K, Reed A (2002) The self-importance of moral identity. J Pers Soc Psychol 83 (6):1423–1440

Bretz RB, Judge TA (1994) Person-organization fit and the theory of work adjustment: implications for satisfaction, tenure, and career success. J Vocat Behav 44:32–54

Caldwell DF, O'Reilly CA (1990) Measuring person-job fit with a profile-comparison process. J Appl Psychol 75(6):648

Chatman JA (1989) Improving interactional organizational research: a model of person-organization fit. Acad Manage Rev 14(3):333–349

Dane E (2011) Paying attention to mindfulness and its effects on task performance in the workplace. J Air Waste Manage 37(4):997–1018

Darley JM, Batson CD (1973) From Jerusalem to Jericho: a study of situational and dispositional variables in helping behavior. J Pers Soc Psychol 27(1):100–108

Doris JM (2009) Persons, situations, and virtue ethics. Ethics 32(4):504–530

Epstein MJ (2008) Making sustainability work: best practices in managing and measuring corporate social, environmental, and economic impacts. Berrett-Koehler Store, San Francisco

Epstein MJ, Roy MJ (2003) Making the business case for sustainability. J Corp Citizenship 2003 (9):79–96

Ewin RE (1993) Corporate loyalty: its objects and its grounds. J Bus Ethics 12(5):387–396

Feinberg M, Willer R (2013) The moral roots of environmental attitudes. Psychol Sci 24:56–62

Graham J, Haidt J, Nosek BA (2009) Liberals and conservatives rely on different sets of moral foundations. J Pers Soc Psychol 96:1029–1046

Graham J, Nosek BA, Haidt J, Iyer R, Koleva S, Ditto PH (2011) Mapping the moral domain. J Pers Soc Psychol 101:366–385

Graham J, Nosek BA, Haidt J (2012) The moral stereotypes of liberals and conservatives: Exaggeration of differences across the political spectrum. PloS one 7(12):e50092

Graham J, Haidt J, Koleva S, Motyl M, Iyer R, Wojcik S, Ditto PH (2013) Moral foundations theory: the pragmatic validity of moral pluralism. Adv Exp Soc Psychol 47:55–130

Haidt J (2001) The emotional dog and its rational tail: a social intuitionist approach to moral judgment. Psychol Rev 108:814–834

Haidt J, Joseph C (2007) The moral mind: how 5 sets of innate intuitions guide the development of many culture-specific virtues, and perhaps even modules. In: Carruthers P, Laurence S, Stich S (eds) The innate mind, vol 3. Oxford, New York, pp 367–391

Haidt J, Kesebir S (2010) Morality. In: Fiske ST, Gilbert DT, Lindzey G (eds) Handbook of social psychology, 5th edn. Wile, Hoboken, NJ, pp 797–832

Harman G (1999) Moral philosophy meets social psychology: virtue ethics and the fundamental attribution error. Proc Aristot Soc 99:315–331

Hiltrop JM (1995) The changing psychological contract: the human resource challenge of the 1990s. Eur Manag J 13(3):286–294

Iyer R, Koleva SP, Graham J, Ditto PH, Haidt J (2012) Understanding libertarian morality: the psychological roots of an individualist ideology. PLoS One 7, e42366

Kidwell B, Farmer A, Hardesty DM (2013) Getting liberals and conservatives to go green: political ideology and congruent appeals. J Consum Res 40(2):350–367

Kim KR, Kang J, Yun S (2012) Moral intuitions and political orientation: similarities and differences between Korea and the United States. Psychol Rep 111(1):173–185

Koleva S, Graham J, Iyer Y, Ditto PH, Haidt J (2012) Tracing the threads: how five moral concerns (especially purity) help explain culture war attitudes. J Res Pers 46(2):184–194

Koleva S, Selterman D, Kang H, Graham J (2014) Beyond Kohlberg vs. Gilligan: empathy and disgust sensitivity mediate gender differences in moral judgments. SSRN: http://ssrn.com/abstract=2486030 or http://dx.doi.org/10.2139/ssrn.2486030

McAdams D, Albaugh M, Farber E, Daniels J, Logan R, Olson B (2008) Family metaphors and moral intuitions: how conservatives and liberals narrate their lives. J Pers Soc Psychol 95 (4):978–990

Milgram S (1963) Behavioral study of obedience. J Abnorm Soc Psychol 67(4):371

Motyl M, Iyer R, Oishi S, Trawalter S, Nosek BA (2014) How ideological migration geographically segregates groups. J Exp Soc Psychol 51:1–14

Mowday RT, Porter LW, Steers RM (1982) Employee-organization linkages: the psychology of commitment, absenteeism, and turnover. Academic, San Diego

Rai TS, Fiske AP (2011) Moral psychology is relationship regulation: moral motives for unity, hierarchy, equality, and proportionality. Psychol Rev 118:57–75

Roehling PV, Roehling MV, Moen P (2001) The relationship between work-life policies and practices and employee loyalty: a life course perspective. J Fam Econ Iss 22(2):141–170

Sabini J, Silver M (2005) Lack of character? Situationism critiqued. Proc Aristot Soc 115:535–562

Smith IH, Aquino K, Koleva S, Graham J (2014) The moral ties that bind. . . Even to out-groups the interactive effect of moral identity and the binding moral foundations. Psychol Sci 0956797614534450

Teo L, Chan-Serafin S (2013) Moral foundations in organisations: exploring the role of moral concerns and organisational identification on unethical pro-organisational behaviours. Paper presented at the 2013 meeting of the Australia and New Zealand Academy of Management, Hobart

Van Leeuwen F, Park JH (2009) Perceptions of social dangers, moral foundations, and political orientation. Personal Individ Differ 47:169–173

Vandenberghe C (1999) Organizational culture, person-culture fit, and turnover: a replication in the health care industry. J Organ Behav 20(2):175–184

Waytz A, Dungan J, Young L (2013) The whistleblower's dilemma and the fairness–loyalty tradeoff. J Exp Soc Psychol 49(6):1027–1033

Webber J (2006) Virtue, character and situation. J Moral Philos 3(2):193–213

Winterich KP, Zhang Y, Mittal V (2012) How political identity and charity positioning increase donations: insights from moral foundations theory. Int J Res Mark 29(4):346–354

Zimbardo P (2007) The Lucifer effect: understanding how good people turn evil. Random House, New York

Part XI

Positive Organizational Scholarship

An Introduction to Positive Organizational Scholarship

Brianna Barker Caza

Contents

Abstract

Positive Organizational Scholarship (POS) was established in 2003 to bring scholarly attention to the extraordinarily positive outcomes and behaviors that take place in organizations. Since then, POS has grown substantially, producing a body of rigorous research, important practical applications, and educational tools. This chapter provides a brief introduction to POS by reviewing the foundations, principles, research, and practices that comprise the study of positive organizing. POS broadens organization studies' scope, focuses on generative dynamics, and clarifies mechanisms of positive organizational processes. POS also provides the primary foundation for empirical studies of virtues ethics in organizations.

B.B. Caza (✉)
Asper School of Business, University of Manitoba, Winnipeg, MB, Canada
e-mail: Brianna.caza@umanitoba.ca

Introduction: What Is Positive Organizational Scholarship?

Positive scholarship is an umbrella term for research that focuses on positive states, outcomes, and generative mechanisms (Roberts 2006). Although positive scholarship now spans several disciplines, it began in the field of psychology when the former American Psychology Association president Martin Seligman called for an explicit focus on the positive aspects of human nature, which he termed "positive psychology" (Peterson 2006). Seligman (1999) argued that psychology's predominant focus on pathology presumed a need to "fix" human nature. In contrast, he advocated for "the scientific study of what goes right in life, from birth to death and all stops in between" (Peterson 2006, p. 4). By formally studying the antecedents, correlates, and outcomes of a life well lived, positive psychologists aim to correct a historical overemphasis on disease and pathology (Seligman and Csikszentmihalyi 2000).

Psychology's movement away from a deficit-based view of human nature inspired organizational researchers to also broaden their perspective to encompass greatness and the extraordinary in organizations (Roberts 2006). Thus, instead of focusing on negative behaviors in organizations (e.g., errors, unethical actions), Positive Organizational Scholarship (POS) scholars began to look at the extraordinarily positive phenomena in organizations, such as compassion (Dutton 2002) and forgiveness (Cameron and Caza 2002). Such studies contrast with highly publicized stories about the "dark" side of organizations, such as the Enron or WorldCom scandals. Just as positive psychology provided examples of resilience, courage, hope, and forgiveness in the wake of 9/11 (Peterson 2006), POS helped scholars "return to organizational fundamentals and optimism" in the aftermath of such shocking organizational events (Dutton and Glynn 2008, p. 697).

Both POS and positive psychology focus on flourishing and thriving. Flourishing is considered to be the optimal range of functioning (Diener et al. 2010), while thriving is characterized by growing, learning, and vitality (Spreitzer et al. 2012). However, POS is differentiated from positive psychology by its explicit interest in flourishing and thriving across levels of analysis in organizations (Caza and Cameron 2008; Dutton and Sonenshein 2009). POS assumes that organizations are important contexts that enable these positive states and dynamics (Fredrickson and Dutton 2008; Cameron et al. 2003).

POS was established as a formal domain of organizational studies in 2003 with an edited volume published (Cameron et al. 2003). POS's goal was initially to bring attention to positive organizational outcomes and processes such as eudemonic well-being, social contribution, healing, forgiveness, and compassion; phenomena that were present in organizations, but not yet being studied in scholarly research (Cameron and Spreitzer 2012).

Since that time POS has, in itself, embodied many of the principals of positive organizing. It has become a thriving scholarly community producing research that academics and practitioners alike deem meaningful (Cameron and Spreitzer 2012). For instance, in 2012 alone, the POS website published more than 25 published articles that were aligned with POS principles (www.positiveorgs.bus.umich.edu).

This growing body of scholarship has helped to bring attention to important organizational behaviors and processes that were previously overlooked (Caza and Caza 2008). Further, studying such inspiring topics has helped scholars to thrive in their careers (e.g., Dutton 2003) and has informed organizational practices that allow employees to flourish (e.g., Baker and Buckley 2014).

POS scholars have been explicit in studying dynamics and processes in organizations that are not only novel and understudied, but which have an important impact on those individuals who experience them. POS has produced a number of practice-enhancing tools and courses. In doing so, POS research not only achieves originality in the topics it examines, but also demonstrates both practical and scientific utility embodying excellent scholarship (Corely and Gioia 2011).

Given how much POS has accomplished in the past decade, it is impossible to adequately summarize all of it in this short chapter. Furthermore, other works have explicitly discussed both the aims and purpose of POS and its accomplishments (Cameron and Spreitzer 2012; Caza and Cameron 2004; Dutton and Glynn 2008; Dutton and Sonenshein 2009; Roberts 2006; Spreitzer and Cameron 2012a, b) as well as its short comings (Fineman 2006; Hackman 2009). The aim of this chapter is to complement these works by providing a brief introduction to the principles of POS and an overview of the recent research, teaching, and practice components of POS. This introduction serves as a foundation for other chapters, which address specific topics in more detail (See "▶ Positive Organizational Scholarship and Virtue Ethics" by Bright, this volume; Caza, this volume; Sandelands, this volume; See "▶ Professional Moral Courage: Fostering Principled Performance at Work" by Sekerka et al., this volume).

POS Principles

While the "O" (organizational) and the "S" (scholarship) aspects of POS are straightforward (Caza and Cameron 2008), the "P" has been the topic of much confusion and controversy (Cameron and Spreitzer 2012; Caza and Caza 2008; Caza and Cameron 2008; Spreitzer and Cameron 2012b). In the early days, POS's view of positivity was described as those organizational states and processes that were "above normal" or extraordinary in some way (Dutton et al. 2006, p. 642). However, critics of POS pointed out that the definition of "positive" remained elusive (Fineman 2006; George 2004). The classification of phenomena as "positive" was problematic because there are no universal positives in organizational life; instead, some states, processes, or outcomes could be perceived or experienced as positive or negative by different parties (Caza and Carroll 2012). Addressing this issue, Cameron and Spreitzer (2012) propose four ways that POS research approaches "positive," which are summarized below.

Some POS scholars adopt a *positive lens* which allows organizational phenomena to be reinterpreted. For example, most studies of stress and adversity at work have focused on negative consequences such as burnout (Maslach 1982) and turnover (Brewer et al. 2012). However, POS research on resilience (Caza and

Milton 2012; Sutcliffe and Vogus 2003) and posttraumatic growth (PTG; Maitlis 2012) suggests that stress and adversity do not always lead to negative outcomes. Many individuals not only recover but thrive and grow after experiences of adversity at work. POS scholars adopting a positive lens do not aim to eliminate or deny negative experiences, but instead focus on potential positive responses to these experiences.

Some POS scholars take an *affirmative bias* in order to study the positive in organizations (Cameron and Spreitzer 2012) by explicitly focusing on understanding strengths and resourcefulness rather than weaknesses and deficits (Fredrickson 2001). Affirmatively biased POS researchers aim to examine what is "right" in organizations, rather than what is dysfunctional. As such, many POS studies examine how work organizations can generate important resources. For instance, Cross et al. (2003) examined the ways in which energy is created through social networking. Such studies assume that organizations are contexts that help individuals reach their full potential.

The third approach to studying the positive is to explain the *positive outliers, extraordinary positive outcomes, or deviant performance* (Cameron and Spreitzer 2012). While traditional studies of deviance have focused on negative, dysfunctional behaviors that diverge from acceptable standards, positive deviance entails outcomes that clearly go beyond the ordinary into the extraordinary (Spreitzer and Sonenshein 2003, 2004). To understand positive deviance, scholars look at extreme cases where organizations and their members are able to do far better than expected (Spreitzer and Sonenshein 2004). For instance, the CH2M Hill engineering firm completed its closure and clean-up of the Rocky Flats nuclear plant years ahead of schedule and $30 billion under budget (Lavine and Cameron 2012).

The fourth positive approach, and the one that is directly related to virtue ethics, is to examine the *best of the human condition* (Cameron and Spreitzer 2012). This approach seeks an understanding of strengths and virtues at individual and collective levels in organizations. For detailed discussion of these issues, see "▶ Positive Organizational Scholarship and Virtue Ethics" by Bright (this volume) and Caza (this volume).

In all four approaches, it is important to note that while POS has an explicit bias towards explaining positive phenomena, it does not ignore negative organizational outcomes or events (Cameron and Spreitzer 2012). In fact, POS scholars assume that positive and negative states and processes can be synergistic (Dutton and Glynn 2009). Positive processes often emerge from negative events (Maitlis 2012; Peterson 2006; Roberts 2006). As Roberts (2006, p. 302) explains, "To create a holistic picture of human and organizational life, we must capture the inherent tension between positive and negative states and the infinite possibilities for overcoming and flourishing." As a result, POS complements more traditional approaches. Below, I detail how POS complements traditional approaches in both research and practice.

POS Research

POS research is characterized by an enlarged scope of variables, a focus on positive dynamics, and a bias toward explaining mechanisms and enablers of positive organizational states and processes. In addition, POS researchers have worked toward establishing and validating measures of positive constructs for use in future studies.

Scope. As noted above, POS diverges from traditional organizational scholarship in its explicit focus on extraordinarily positive outcomes, behaviors, and processes (Cameron et al. 2003). By focusing on the positive, but not ignoring the negative, POS scholars have expanded the scope of organizational constructs of interest (Frost et al. 2006). Specifically, POS legitimizes the importance of studying outcomes that can be considered social ends (e.g., compassion, well-being) and not just economic ends (e.g., revenue, performance) (Frost et al. 2006; Walsh et al. 2003). So while some POS research does study traditional outcomes, such as Grant's (2008) work on how prosocial motivation influences employees' performance, many studies have focused on other outcomes, such as how compassion leads to psychological healing (Frost et al. 2006). Moreover, POS has shown that an outcome does not need to have a positive relationship with performance to be important. In fact, Dahling and colleague's (2012) study of prosocial rule breaking found the practice had a negative relationship with performance, but was still valuable because it had other social benefits.

The POS literature encompasses the full range of levels of analysis from the very micro intrapersonal states and processes (e.g., physiological functioning; Heaphy and Dutton 2008) to organizational and professional dynamics (e.g., organizational sustainability; Hoffman and Haigh 2012). Table 1 provides a high level overview of some of the different variables that have been examined in POS research (based on the POS website research database; http://positiveorgs.bus.umich.edu/articles). The columns represent how the construct has been theorized in various POS studies (as an independent variable, dependent variable, mechanism or enabler; Dutton and Sonnenshein 2007), and the rows represent seven key topical POS areas (individual traits and states, positive emotions, strengths and virtues, positive relationships and positive relational practices, positive leadership and change, positive organizational processes, and positive responses; Cameron and Spreitzer 2012). As suggested by the table, many of these topical categories have been examined at multiple levels of analysis. For instance, Bright and Exline (2012) explain how forgiveness operates at multiple levels of organizational life. In addition, researchers have looked at positive emotions at the individual, group, and organizational levels of analysis.

Generative Dynamics. POS research explores generative dynamics, those behaviors and processes that expand available resources and capabilities in organizations. Generativity often takes place across levels of analysis in organizations, and many POS variables are treated as dynamic and interrelated such that the increase of one variable often leads to a parallel increase in another, which in

Table 1 Examples of some of the variables examined in the POS literature

	Independent variables	Dependent variables	Mechanisms (mediators)	Enabling variables (moderators)
Positive individual traits and states	Identity, calling, prosocial motivation, prosocial rule breaking, job crafting, psychological capital, commitment, physiological states, creativity	Well-being, growth, optimism, self-efficacy, happiness, satisfaction, thriving, resilience, work engagement, organizational citizenship behaviors (OCB), prosocial behaviors, perceived meaningfulness in work, identity	Psychological capital, positive emotions, positive work identities, energy, meaning, and sensemaking	Perceived procedural fairness, optimism
Positive emotions	Passion, group emotions, socioemotional intelligence	Subjective well-being, energy	Energy, positive emotions	Hope, optimism
Strengths and virtues	Compassion, hope, forgiveness, courage, integrity, positive ethics	Hope, forgiveness, justice, courage, positive ethics	Forgiveness	
Positive relationships and positive relational practices	Relational coordination, reciprocity, high quality connections, socialization, mentoring, generalized reciprocity	High-quality connections, safety organizing, trust, emotional carrying capacity (ECC), higher safety in healthcare teams, trust, reciprocity	Positive relationships (marked by mutuality, positive regard, trust, and vitality), interpersonal sensemaking, trust, relational coordination	Empowering leadership, psychological safety, diversity, communication
Positive leadership and change	Authentic leadership	Peak performance, organizational development	Ethical leadership	Strengths-based strategy
Positive organizational processes	Resourcefulness, collective efficacy, mindful organizing, safety organizing	Resourcefulness, organizational identity, innovation, goal attainment	Resourcefulness, organizational energy, collective sensemaking	Work design, organizational culture, organizational structure
Positive responses	Identity, social support	Individual resilience, collective resilience, posttraumatic growth, organizational recovery	Thriving, perceived meaningfulness, resourcefulness, organizational citizenship behaviors	Resources

turn reinforces or even amplifies the effect of the first variable. This process is often referred to as a positive upward spiral (Fredrickson 2001) and has been examined in a number of different variable relationships in POS. For example, high quality connections and positive identity have been treated as both independent and dependent variables in POS studies.

In fact, researchers are finding that many positive constructs are mutually reinforcing. For instance, initial research on positive work relationships suggested that they can be energizing and meaningful for employees (Dutton and Heaphy 2003; Heaphy and Dutton 2008; Quinn and Dutton 2005). However, Quinn (2007) theorized that a lack of resources or energy can impact the quality of interpersonal relationships, which suggests that these two variables are reciprocally related. Further, research has shown that individuals who energized others had higher levels of performance (Baker et al. 2003). Taken together, this mutually reinforcing relationship between positive relationships, energy, and performance demonstrates an upward spiral in which an increase in any one of these variables leads to an increase in the others (Dutton and Glynn 2008).

Mechanisms and Enablers. POS research provides scholars with an excellent opportunity to focus on how positive organizational dynamics are produced and supported (Dutton and Glynn 2008; Dutton and Sonenshein 2009). Positive scholars frequently try to understand when and why positive dynamics predominate over negative ones. For instance, resilience studies often focus on uncovering when and why some individuals thrive amid adversity, while others languish (CITE). As a result, they search for explanatory mechanisms and moderators that explain when adversity leads to burnout rather than growth.

Five types of mediating mechanisms are often used in POS research (Dutton and Sonenshein 2009; Spreitzer and Cameron 2012a). *Cognitive mechanisms* such as sensemaking, meaning, and identity change the way that people become aware of, learn about, and perceive their organizational environment. For instance, identities have been theorized to serve as mechanisms that build and sustain social resources at work (Dutton et al. 2010) and create resilience at work (Caza and Milton 2012). *Affective explanations* suggest that changes happen through individual or collective feelings. For example, positive emotions can help individuals build high quality relationships with others at work (Dutton et al. 2010) and are mechanisms that explain how cultural symbols can foster collective strengths, virtues, and capabilities (Glynn and Watkiss 2011). *Agentic mechanisms* are actions taken by individuals which allow them to cocreate their world (Spreitzer and Cameron 2012b), and include proactive behaviors (Grant and Ashford 2008) and endogenous resourcefulness (Dutton and Glynn 2008), which change individuals' interpretation of their relationship with external factors. *Structural mechanisms* are organizational practices, structures, systems, or policies that enable positive outcomes (Spreitzer and Cameron 2012b). For example, ethical leadership is related to unit performance (Mayer et al. 2012), and relational coordination is a key mechanism of performance in uncertain environments (Gittell 2002). In addition to these mechanisms that explain positive dynamics and processes, there are also aspects of the organization and system such as culture, structure, and practices that enable positive dynamics

by creating conditions where individuals and collectives can flourish (Dutton and Sonenshein 2009).

Measures. A number of validated measures for new constructs have emerged from the study of positive organizing (Spreitzer and Cameron 2012a) which are essential for both further empirical study and for practice. Psychological capital, one of the most studied measure of positive organizational constructs (Caza and Cameron 2008), is comprised of hope, optimism, resilience, and self-efficacy (Luthans et al. 2006). As well, scholars have validated measures of several other POS concepts such as the safety organizing (Vogus and Sutcliffe 2007), job crafting (Tims et al. 2013), prosocial rule breaking (Dahling et al. 2012), thriving at work (Porath et al. 2012), and behavioral complexity (Lawrence et al. 2009). The growing number of validated research tools enables POS to empirically understand the nature of important variables. Additionally, these measures can be used diagnostically in organizations and are helpful in the design and testing of important organizational interventions that aim to increase positive individual and organizational outcomes.

POS in Practice

POS connects scholarship to practice by examining topics that are relevant and important to practitioners. By combining empirical studies with practical benefits, POS has been able to make a significant contribution to practice. For example, many managers seek ways to help their employees benefit from their strengths (Roberts et al. 2005) or to increase the resilience of employees (Coutu 2002), both of which can be informed by POS studies. Field studies have also documented practical benefits of POS concepts. For instance, Grant and Hofmann (2011) demonstrated that reframing a message to doctors emphasizing the patient benefits of handwashing (rather than the self-serving benefits) led to a significant increase in hand-washing hygiene.

Other studies have examined interventions based on POS concepts. For instance, Calarco (2010) used a pre-post intervention design to assess the effectiveness of a POS education workshop among nurses. The results showed that POS practices increased nurses' engagement, thriving, and retention at work. Similarly, Cameron and Plews (2012) reported on the way in which Jim Mallozzi, CEO of Prudential Real Estate and Location Company, has applied POS to his organization and the resulting benefits. At Prudential, he developed positive change teams, a reciprocity-based social network, and a system of strength-based positive feedback. As a result of these practices, Mallozzi reported increases in the well-being of his workers and the service his company provided to clients (Cameron and Plews 2012).

POS has also developed a number of educational programs at universities across the globe. The University of Michigan has POS offerings at the undergraduate, MBA, PhD, and executive levels. In addition, the University of Nebraska, University of Wisconsin, University of Pennsylvania, Case Western Reserve University,

University of Alberta, University College in Norway, and Gonzaga University have all offered POS course material across the undergraduate and graduate levels.

Conclusion and Future Directions

Christopher Peterson, one of the leading minds in positive psychology, asserted that, like the broader discipline of general psychology, "positive psychology has a very long past, but a very short history" (2006, p. 4). Understanding the high points of the human experience predates the formal study of positive psychology by several decades (Maslow 1954). Similarly, organizational scholars have studied positive aspects of organizational life for decades, including empowerment (Spreitzer 1995), well-being (e.g., Warr and Wall 1975), creativity (e.g., Amabile 1996), and job satisfaction (e.g., Judge and Watanabe 1993). As such, the POS perspective has been embedded in the field of organizational studies for some time (Dutton and Glynn 2008). Yet, the explicit focus and formal labeling of these different streams of research as "positive" has been beneficial for several reasons.

First, POS provides an organizing framework which brings together formerly isolated streams of research, creating a legitimate and powerful subfield in the study of management and organizations (Cameron and Caza 2004; Roberts 2006). This structure provides opportunities for scholars to collaborate. In addition, in mid-2014, the Center for Positive Organizations hosted the first positive business conference dedicated to educating business leaders on the principles and application of POS. Through these efforts, POS has brought value and legitimacy to researching, teaching, and practicing all of the things that are "right" about organizational life and a way for individuals across the globe to connect in their efforts.

Second, the formal study of POS has moved constructs and ideas that were often in the background into the foreground, thereby providing a more balanced and complete picture of organizational life (Caza and Caza 2008). Psychologists have shown that humans tend to emphasize negative events and outcomes (Baumeister et al. 2001), resulting in positive phenomena often going unnoticed. However, a positive orientation documents the fact that among these negative dynamics, compassionate organizations (Lilius et al. 2012), growth in the face of work adversity (Maitlis 2012), and positive organizing (Lavine and Cameron 2012) also exist. Recognizing and studying these instances of positivity in organizations contributes to a more complete understanding. For instance, recent work has shown that procedural fairness and empowering leadership can foster extra-role behaviors at work (van Dijke et al. 2012).

Finally, by focusing on the positive, POS has generated new research topics (Dutton and Glynn 2008). A positive lens orients research towards strengths instead of weaknesses, optimism instead of pessimism, and supportive rather than critical communication (Cameron 2008). POS shifts our focus from mitigating negative dynamics toward enabling positive ones. This change leads to a study of the extraordinary rather than just the ordinary (Roberts 2006) and leads to the study of new concepts such organizational virtuousness, compassion, and forgiveness.

POS points out that the absence of negative dynamics is not the same as the presence of positive dynamics.

This chapter provided an introduction to POS by discussing the principles, research, practice and teaching of this emerging subfield of organizational studies. POS research demonstrates that organizations can have generative, life-giving dynamics that are worth studying. However, there is still much room for growth in POS research. For instance, Caza and Carroll (2012) point out that POS research tends to privilege management. Future research should focus on trying to include perspectives from all sides of organizational life. In addition, future research should examine the cultural specificity of POS concepts (Spreitzer and Cameron 2012a). Finally, future work should aim to uncover the fine line between positive and negative dynamics. As critics have pointed out, there is such a thing as too much positivity (Fineman 2006). While POS researchers have studied occasions when positive outcomes result from negative circumstances (e.g., resilience, PTG), there has been less attention paid to the instances in which positive dynamics lead to negative outcomes (Grant and Schwartz 2011).

References

Amabile TM (1996) Creativity in context. Westview Press, Boulder

Baker WE, Bulkley N (2014) Paying it forward versus rewarding reputation: mechanisms of generalized reciprocity. Organ Sci 25(5):1493–1510

Baumeister RF, Bratslavsky E, Finkenauer C, Vohs KD (2001) Bad is stronger than good. Rev Gen Psychol 5:323–370

Brewer CS, Kovner CT, Greene W, Tukov-Shuser M, Djukic M (2012) Predictors of actual turnover in a national sample of newly licensed registered nurses employed in hospitals. J Adv Nurs 68(3):521–538

Bright DS, Exline JJ (2012) Forgiveness at four levels: interpersonal, relational, organizational, and collective-group. In: Cameron KS, Spreitzer GM (eds) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York, pp 244–259

Calarco MM (2010) The impact of positive practices on nurse work environments: emerging applications of positive organizational scholarship. West J Nurs Res 33 (3):365–384

Cameron KS (2008) Paradox in positive organizational change. J Appl Behav Sci 44:7–24

Cameron KS, Caza A (2002) Organizational and leadership virtues and the role of forgiveness. J Leadersh Org Stud 9:33–48

Cameron KS, Caza A (2004) Special issue on contributions to positive organizational scholarship. Contains theoretical and empirical articles on key aspects of positive organizational scholarship. Am Behav Sci 47(6)

Cameron K, Plews E (2012) Positive leadership in action: applications of POS by Jim Mallozzi, CEO, prudential real estate and relocation. Organ Dyn 41:99–105. doi:10.1016/j.orgdyn.2012.01.003

Cameron KS, Spreitzer GM (2012) Introduction: what is positive organizational scholarship. In: Cameron KS, Spreitzer G (eds) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York, pp 1–16

Cameron K, Dutton J, Quinn RE (2003) Positive organizational scholarship: foundations of a new discipline. Berrett-Koehler, San Francisco

Caza A, Cameron KS (2008) Positive Organizational Scholarship: What does it achieve? In Clegg SR, Cooper CL (eds) SAGE Handbook of Organizational Behavior (Vol. I, pp. 99–116), Sage, Los Angeles

Caza A, Carroll B (2012) Critical theory and positive organizational scholarship. In: Cameron KS, Spreitzer GM (eds) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York, pp 965–978

Caza BB, Caza A (2008) Positive organizational scholarship a critical theory perspective. J Manag Inq 17:21–33. doi:10.1177/1056492607305907

Caza BB, Milton L (2012) Resilience at work: building capability in the face of adversity. In: Cameron KS, Spreitzer G (eds) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York, pp 895–908

Corely K, Gioia DA (2011) Building theory about theory building: what constitutes a theoretical contribution. Acad Man Rev 36(1):12–32

Coutu D (2002) How resilience works. Harv Bus Rev 80:46–51

Cross R, Baker W, Parker A (2003) What creates energy in organizations? Sloan Manag Rev, Summer 44(4):51–56

Dahling JJ, Chau SL, Mayer DM, Gregory JB (2012) Breaking rules for the right reasons? An investigation of pro-social rule breaking. J Organ Behav 33:21–42

Diener E, Wirtz D, Tov W, Kim-Prieto C, Choi DW, Oishi S, Biswas-Diener R (2010) New well-being measures: short scales to assess flourishing and positive and negative feelings. Soc Indic Res 97(2):143–156

Dutton J (2003) Breathing life into organizational studies. J Manag Inquiry 12:1–19

Dutton JE, Glynn M (2008) Positive organizational scholarship. In: Cooper C, Barling J (eds) Handbook of organizational behavior. Sage, Thousand Oaks, pp 693–711

Dutton JE, Heaphy E (2003) The power of high quality connections. In: Cameron K, Dutton JE, Quinn RE (eds) Positive organizational scholarship. Berrett Koehler, San Francisco, pp 263–278

Dutton JE, Sonnenshein (2007) Positive organizational scholarship. In: Lopez S, Beauchamps A (eds) Encyclopedia of positive psychology. Blackwell Publishing

Dutton JE, Sonenshein S (2009) Positive organizational scholarship. In: Lopez S (ed) Encyclopedia of positive psychology. Wiley-Blackwell, Oxford, pp 737–742

Dutton JE, Glynn M, Spreitzer GM (2006) Positive organizational scholarship. In: Greenhaus J, Callanan G (eds) Encyclopedia of career development. Sage, Thousand Oaks, pp 641–644

Dutton JE, Roberts LM, Bednar J (2010) Pathways for positive identity construction at work: four types of positive identity and the building of social resources. Acad Manag Rev 35(2):265–293

Fineman S (2006) On being positive: concerns and counterpoints. Acad Manage Rev 31(2):270–291

Fredrickson BL (2001) The role of positive emotions in positive psychology: the broaden-and-build theory of positive emotions. Am Psychol 56:218–226

Fredrickson BL, Dutton JE (2008) Editorial: unpacking positive organizing: organizations as sites of individual and group flourishing. J Posit Psychol 3(1):1–3

Frost P, Dutton JE, Maitlis S, Lilius J, Kanov J, Worline M (2006) Seeing organizations differently: three lenses on compassion. In: Hardy C, Clegg S, Lawrence T, Nord W (eds) Handbook of organizational studies, 2nd edn. Sage, London, pp 843–866

George JM (2004) Book review of "positive organizational scholarship: foundations of a new discipline". Adm Sci Q 49(2):325–330

Gittell JH (2002) Coordinating mechanisms in care provider groups: relational coordination as a mediator and input uncertainty as a moderator of performance effects. Manag Sci 48:408–426

Glynn MA, Watkiss L (2011) Symbolism in organizations: the generative potency of cultural symbols: implications for positive organizational scholarship. In: Cameron KS, Spreitzer G (eds) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York, pp 617–628

Grant AM (2008) The significance of task significance: job performance effects, relational mechanisms, and boundary conditions. J Appl Psychol 93:108–124

Grant AM, Ashford SJ (2008) The dynamics of proactivity at work. Res Organ Behav 28:3–34

Grant AM, Hofmann DA (2011) It's not all about me motivating hand hygiene among health care professionals by focusing on patients. Psychol Sci. doi:10.1177/0956797611419172

Grant AM, Schwartz B (2011) Too much of a good thing: The challenge and opportunity of the inverted-U. Perspectives on Psychological Science 6:61–76

Hackman JR (2009) The perils of positivity. J Organ Behav 30:321–322

Heaphy E, Dutton JE (2008) Integrating organizations and physiology: getting started. Acad Manage Rev 4(33):1009–1010

Hoffman AJ, Haigh N (2012) Positive deviance for a sustainable world: linking sustainability and positive organizational scholarship. In: Cameron KS, Spreitzer G (eds) Oxford Handbook of Positive Organizational Scholarship. Oxford University Press, New York, 953–964

Judge TA, Watanabe S (1993) Another look at the job satisfaction – life satisfaction relationship. J Appl Psychol 78:939–948

Lavine M, Cameron K (2012) From weapons to wilflife: positive organizing in practice. Organ Dyn 41:135–145

Lawrence KA, Quinn RE, Lenk P (2009) Behavioral complexity in leadership: the psychometric properties of a new instrument to measure behavioral repertoire. Leadersh Q 20:87–102

Lilius JM, Kanov JM, Dutton JE et al (2012) Compassion revealed: what we know about compassion and work (and where we need to know more). In: Cameron KS, Spreitzer GM (eds) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York, pp 273–287

Luthans F, Avey JB, Avolio BJ et al (2006) Psychological capital development: toward a micro-intervention. J Organ Behav 27:387–393

Maitlis S (2012) Posttraumatic growth: a missed opportunity for positive organizational scholarship. In: Cameron KS, Spreitzer G (eds) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York, pp 909–924

Maslach C (1982) Burnout: the cost of caring. Prentice Hall, Englewood Cliffs

Maslow A (1954) Motivation and personality. Harper, New York

Mayer DM, Aquino K, Greenbaum RL, Kuenzi M (2012) Who displays ethical leadership and why does it matter? An examination of the antecedents and consequences of ethical leadership. Acad Manage J 55:151–171

Peterson C (2006) A primer in positive psychology. Oxford University Press, New York

Porath CL, Spreitzer G, Gibson C, Garnett FG (2012) Thriving at work: towards its measurement, construct validation and theoretical refinement. J Organ Behav 33:250–271

Quinn R (2007) Energizing others in work relationships. In: Dutton JE, Raggins BR (eds) Positive relationships at work. Erlbaum, Mahwah, pp 73–90

Quinn RE, Dutton JE (2005) Coordination as energy-in-conversation: a process theory of organizing, Acad Manag Rev 30(1):36–57

Roberts LM (2006) Shifting the lens on organizational life: the added value of positive scholarship. Acad Manage Rev 31(2):270–291

Roberts L, Spreitzer GM, Dutton JE, Quinn RE, Heaphy E, Barker B (2005) How to play to your strengths. Harv Bus Rev 83(1):75–80

Seligman MEP (1999) The president's address. Am Psychol 54:559–562

Seligman MEP, Csikszentmihalyi M (2000) Positive psychology: an introduction. Am Psychol 55(1):5–14. doi:10.1037/0003-066X.55.1.5

Spreitzer GM (1995) Psychological empowerment in the workplace: dimensions, measurement and validation. Acad Manag J 38(5):1442–1465

Spreitzer G, Cameron K (2012a) Applying a POS lens to bring out the best in organizations. Organ Dyn 41:85–88. doi:10.1016/j.orgdyn.2012.01.001

Spreitzer G, Cameron K (2012b) A path forward: assessing progress and exploring core questions for the future of positive organizational scholarship. In: Cameron KS, Spreitzer G (eds) The

Oxford handbook of positive organizational scholarship. Oxford University Press, New York, pp 1037–1049

Spreitzer G, Sonenshein S (2003) Positive Deviance and Extraordinary Organizing. In: Cameron KS, Dutton J, Quinn RE (eds) Positive Organizational Scholarship. Berrett-Koehler Publishers, San Francisco, pp 207–24.

Spreitzer G, Sonenshein S (2004) Toward the construct definition of positive deviance. Am Behav Sci 47(6):828–847

Spreitzer G, Porath C, Gibson CB (2012) Toward human sustainability: how to enable more thriving at work. Organ Dyn 41:155–162

Sutcliffe KM, Vogus TJ (2003) Organizing for resilience. In: Cameron JEDKS, Quinn RE (ed) Positive organizational scholarship: foundations of a new discipline. Berret-Kohler Publishers, San Francisco

Tims M, Bakker AB, Derks D, van Rhenen W (2013) Job crafting at the team and individual level: implications for work engagement and performance. Group Organ Manag 38:427–454. doi:10.1177/1059601113492421

Van Dijke M, De Cremer D, Mayer DM, Van Quaquebeke N (2012) When does procedural fairness promote organizational citizenship behavior? Integrating empowering leadership types in relational justice models. Organ Behav Hum Decis Process 117:235–248

Vogus TJ, Sutcliffe KM (2007) The safety organizing scale: development and validation of a behavioral measure of safety culture in hospital nursing units. Med Care 45:46–54

Walsh JP, Weber K, Margolis JD (2003) Social issues and management: our lost cause found. J Manag 29(6):859–881

Warr PB, Wall TD (1975) Work and well-being. Penguin, Harmondsworth

Positive Organizational Scholarship and Virtue Ethics

David S. Bright

Contents

Abstract

This chapter reviews the use of virtue in the positive social sciences, especially in Positive Organizational Scholarship (POS), in contrast with its use in virtue ethics. Three areas of connection and divergence are explored. First, the essential characteristics of virtue have been treated somewhat differently in each literature: positive social science narrowly defines virtue in empirical, behavioral terms, whereas virtue ethics focuses on the context and character of virtue. Second, the relationship of virtue to behavioral excellence differs between the two literatures: positive science tends to view virtue as monotonic and as a set of behaviors that can be maximized, whereas virtue ethics sees it as multidimensional and as a balance between extremes of dysfunction. Finally, there are differences of perspective as to whether virtue can exist at an organization level of analysis: virtue ethics scholars usually describe virtue as an attribute of individual character; however, POS scholars argue that organizations may also acquire at least some properties of virtue. This chapter suggests that the

D.S. Bright (✉)
Wright State University, Dayton, OH, USA
e-mail: david.bright@wright.edu

theoretical foundation for the exploration of virtue in and through organizations needs further development.

Introduction

The past two decades have seen an explosion of interest in virtue in the social sciences, appearing primarily under the banners of "positive psychology" (Peterson and Seligman 2004; Seligman and Csikszenmihaly 2000) and "positive organizational scholarship" (Cameron et al. 2003; see "▶ An Introduction to Positive Organizational Scholarship" by Caza A., this volume). The purpose of these research movements is to study individual well-being (Seligman and Csikszenmihaly 2000) and exceptional performance or "positive deviance" (Spreitzer and Sonenshein 2004), along with the factors that enable such states. References to virtue have been used in both movements to support a theoretical foundation that defines the meaning of "positive" as individual well-being and organizational excellence.

The key motivation for the positive movements in social science is the insight that we know relatively little from a scientific perspective about thriving and high function in the human condition in comparison to what we know about deficiency and dysfunction. Of particular relevance is the Positive Organizational Scholarship movement, which emerged in reaction to developments of positive psychology (Seligman and Csikszentmihalyi 2000; Peterson and Seligman 2004) and advances in organization practice such as appreciative inquiry (Cooperrider and Srivastva 1987). POS scholars argue for the need to explore positive phenomena at the organizational level of analysis (Cameron and Spreitzer 2012; Cameron et al. 2003).

In contrast, virtue ethics is rooted in the philosophical tradition and has primarily focused on the development of virtue theory as a foundation for understanding virtues. Virtue ethics includes advances in philosophical thought that stretch back millennia (Russell 2009). The positive social sciences are driven by an empirical agenda, aiming to let data about the practice of virtues pave the way for theoretical advances (Peterson and Seligman 2004, p. 7; Cameron et al. 2003). Some writers have argued that the two approaches are fundamentally incommensurate (Bishop 2015), and indeed, research shows that these domains have evolved in relative isolation (Ferrero and Sison 2014). However, a review of the literature suggests that potential connections between Positive Organizational Scholarship (POS) and the scholarship of virtue ethics have been explored along three dimensions: essential characteristics of virtue, virtue and behavioral excellence, and properties of organizational virtue.

Essential Characteristics of Virtue

Early POS writings defined three properties of virtue. First, virtue is characterized by "moral goodness" meaning that it encompasses attributes deemed worthy of cultivation by society. Second, virtue generates "positive human impact" through beneficial human influence. Third, it encourages "unconditional societal benefit" through a perspective that transcends individual self-interests and enables collective interests (Cameron et al. 2004, p. 769; Bright et al. 2006, p. 251). More recently, Cameron and Winn (2012, pp. 232–233) have extended this definition, arguing that organizational virtue relies on the "eudaemonic assumption," the idea that most people are somewhat inclined to seek what is good (Dutton and Sonenshein 2009), and the "inherent value assumption," the idea that virtue has intrinsic worth as an end in itself, being a good of first intent (Nibley 1989; Aristotle 1999), and thus is noninstrumental. These definitional efforts are only loosely connected to the virtue ethics framing of virtue as a character-based phenomenon (Moore 2005).

To date, POS scholars have studied virtue through at least two general approaches: virtues in organization and virtues of organization. In the first approach, scholars have explored the practice of specific virtues *in* an organizational environment. Virtues such as forgiveness (Bright and Exline 2012), humility (Owens and Hekman 2012), compassion (Kanov et al. 2004), hope (Carlson et al. 2012; Rego et al. 2009), courage (Worline 2012; Quinn and Worline 2008), justice (Greenberg and Colquitt 2005), and integrity (Simons et al. 2012) have been explored in terms of the nuances that may be associated with a workplace context. Scholarly work from this perspective focuses on the factors that influence the demonstration and cultivation of such virtues within organizational life.

This virtues-in-organization approach, largely focused on virtue at the individual level, is logically consistent with the virtue ethics literature. Most philosophical treatments view virtue as a deep property of human character that can be developed (Moberg 1999; MacIntyre 2007). Indeed, it is a basic tenet of virtue theory that a virtuous person cultivates a capacity to exercise specific virtues (MacIntyre 2007).

The second approach to the study of virtue in POS, virtues-in-organization, concerns organizational virtuousness, which has been defined as a collective property in which virtue is expressed not only by people *in* an organization but also *by* a human organizational system itself (Cameron 2003; Cameron et al. 2004). The amplifying effect, the idea that virtue tends to inspire more virtue, is a key component of this virtues-of-organization approach (Cameron and Winn 2012; Bright et al. 2014). A number of studies have explored organizational virtue from this second perspective and found associations among organization-level virtue and outcomes such as effectiveness, recovery, forgiveness, and leadership (see "▶ An Introduction to Positive Organizational Scholarship" by Caza A., this volume). From an empirical standpoint, this stream of work demonstrates highly predictable correlations between organizational virtuousness and positive organizational outcomes.

Virtue and Behavioral Excellence

The empirical emphasis in positive social science has led to a primarily behavioral understanding of virtue (Bright et al. 2011, 2014). These social scientists have presumed that specific virtues can only be studied if they can be operationalized in observable measures. However, the emphasis on a behavioral account of virtue has led to many areas of convolution about the inherent nature of virtue as shown in empirical findings.

Consider, for example, the growing awareness among positive social scientists that virtuous behaviors have an inverse U-shaped relationship with positive outcomes (Grant and Schwartz 2011). One of the original assumptions in POS research was that virtue would be associated with positive deviance in organizational life (Spreitzer and Sonenshein 2004). By implication, from a behavioral perspective, it should be possible to isolate and study those behaviors and factors that are associated with organizational flourishing. The obvious extension of such logic is the hypothesis that a maximization of virtuous behaviors should generate personal or organizational excellence.

In contrast, a substantial body of research, framed from the perspectives of these assumptions about positive deviance, has produced results that do not support the maximization hypothesis. A few of many examples include studies that have shown that there is a "dark side to happiness" (Gruber et al. 2011, p. 222), that forgiveness in marriage can perpetuate abuse (McNulty 2011), that extreme generosity at work seems to interfere with one's effectiveness (Flynn 2003), and that too much optimism can be correlated with risky health behaviors (Milam et al. 2004). Such findings have led some scholars to suggest that any particular virtue "can be either beneficial or harmful" depending on the context within which the behavior occurs (McNulty and Fincham 2012, p. 102) and that virtues can be vices (Grant and Schwartz 2011).

From the perspective of virtue ethics, such conclusions are illogical and inconsistent with the fundamental assumptions about the properties of virtue. Indeed, these kinds of interpretations about virtues – that there can be too much of virtue – are possible only when virtue is equated with behavior (Bright et al. 2014). Zagzebski (1996, p. 79) summarizes this view as follows:

> Most ethical theories have something to say about virtues, but what makes a theory a virtue theory is that it focuses analysis more on the concepts involved in the evaluation of persons, [rather] than on act evaluation. The *weakest form of virtue theory focuses on virtue [actions]*...It is compatible with such a [weak] theory that a right act would be right whether or not it was chosen by a virtuous person....(emphasis added).

In other words, where behavior is presumed to indicate virtue, *irrespective of context* and, most importantly, *irrespective of the character of the actor*, there is no defensible basis for assigning the quality of virtuousness to that behavior.

The philosophical writings of virtue ethicists seem to be consistent in challenging the tendency to equate virtue with seemingly right behavior (e.g., Zagzebskie

1996; Russell 2009; Moberg 1999). By way of contrast, a strong, rigorous, or "hard theory" of virtue (Russell 2009, p. 139) requires an awareness of the context for action that includes attentiveness to the outcomes of action. "If an action is not producing a desired virtuous outcome, the virtuous person makes adjustments to the action to ensure that optimal outcomes are achieved" (Bright et al. 2014 p. 452).

Such debate about the nuances associated with virtue theory and right action are pervasive in the virtue ethics literature, but these issues have yet to find their way into the positive social science literature in a significant way. This lack of integration may stem in part from the preference in the social sciences to let data guide the emergence of theory (e.g., Peterson and Seligman 2004).

Some authors have argued that there is a relationship between the Aristotelian perspective that virtue represents an ideal mean between extremes (Bright et al. 2011, 2014) and the maximization hypothesis about positive deviance suggested earlier. To illustrate, many authors have argued that there are differences in the "goods" that can be pursued in human and organizational life (Moore 2005; Cameron 2003; Cameron et al. 2004). Virtuous "goods of excellence" (Moore 2005, p. 660) are intrinsically satisfying in that the pleasure or intellectual stimulation they provide comes from the performance of a particular practice itself. Exceptional craftsmanship, compassionate relationships, athletic achievement, or a virtuoso piano performance may all be examples. In a business organization, people may feel intrinsically drawn to purposeful work, experience satisfaction from leading others to success, or take pride in their own accomplishments. MacIntyre (2007) claims that virtue is an essential mechanism of this kind of excellence.

On the other hand, the "goods of effectiveness" (Moore 2005, p. 660) refer to those goods that may enable excellence, but are largely external to a person's internal experience. Goods of effectiveness might refer to money, position, power, efficiency, and formal awards. These kinds of goods may also be indications of certain kinds of positive deviance (and may therefore be of interest to POS scholars) that do not qualify as virtuous.

The model shown in Fig. 1 illustrates the potential relationship between behavioral deviance and virtuous character (Bright et al. 2011, 2014). The vertical dimension illustrates the idea that behavioral excellence corresponds to a maximal level of expression. That is, a good behavior that is maximized should be associated with positive deviance. However, the horizontal dimension illustrates the virtue ethics perspective that the character of behavior can be deficient or excessive at the extremes. Seemingly good behavior can only be characterized as virtuous when there is balance.

For example, a deep theory of forgiveness does not only account for the behaviors of forgiveness, such as saying, "I forgive you," but rather it accounts for how such expressions occur at the right time, in the right context, and in the right way with attention to the intent to generate an excellent outcome (Bright et al. 2014). Thus, the behaviors associated with expressed forgiveness can be characterized as virtuous only if they are an authentic representation of a
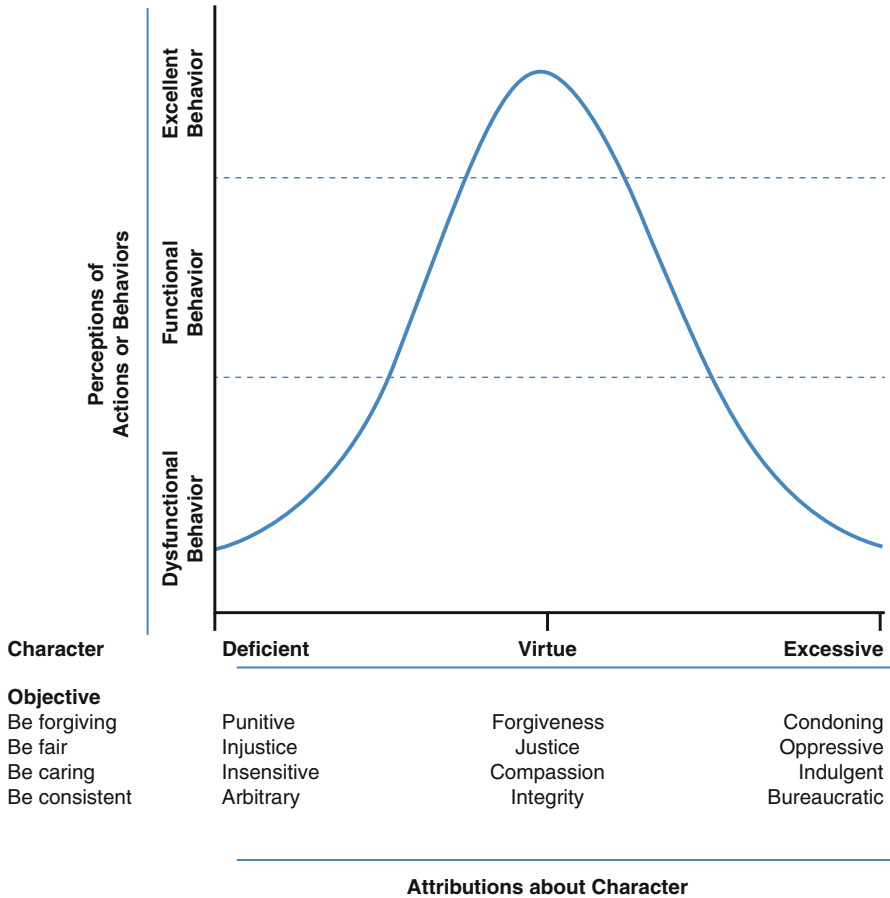
Fig. 1 Relationship between behavior and character: virtue as a point on a continuum between deficiency and excess (Source: Bright et al. 2014)

transformed internal psychological state, expressed in a context that generates an ideal effect. By this understanding, it would be inappropriate to express the behaviors of forgiveness in a situation where this act would be understood as condoning a pattern of abuse or victimization. In other words, the virtue of forgiveness is much more complex than the expressed behaviors that represent the virtue. A deep virtue theory highlights what is, in fact, excellence as an ideal manifestation of human intent.

A similar argument can be made for other virtues that have been explored in the POS literature. A deep theory of compassion would account for the elements of a context that create the need for compassion and the appropriate way of demonstrating compassion in response. A deep theory of justice should account for the contextual factors that allow for a punishment to have its intended just effect in one circumstance, but to be withheld and create a just effect in another. A deep

theory of integrity accounts for the fact that people have to act against norms in one circumstance to maintain integrity, while in another circumstance they must maintain organizational norms or policies.

In sum, the curve in the Fig. 1 represents the connection between the two dimensions, where virtue excellence only occurs when behaviors are practiced at an optimum balance. This perspective stands in contrast with the view expressed among positive social scientists that there is such a condition as too much virtue (Grant and Schwartz 2011; McNulty and Fincham 2012).

Properties of Organizational Virtue

The possibility that an organization itself can be virtuous may be untenable from the perspective of virtue ethics because, by definition, virtue represents *human* excellence rather than *organizational* excellence (Whetstone 2005; Moberg 1997). Prior to the advent of POS, "organizational virtue" as a term was primarily used to denote human virtues cultivated by individuals that could serve an excellent, organizational purpose. Moberg (1999), for example, argued that the empirical evidence suggests the psychological traits of agreeableness and conscientiousness meet the four tests "as to what constitutes virtue" (p. 245) and can therefore be described as organizational virtues because they are excellences that encourage both individual and organizational flourishing. Similarly, Whetstone (2005) argues that organizational virtue is a useful metaphor, but that an organization itself cannot be virtuous because it is not a human entity. Perhaps because of these existing perspectives on the incompatibility of virtue and organization, POS scholars seem to have preferred the term "organizational virtuousness" to denote a dynamic, state-like condition of organization-level virtue excellence (e.g., Cameron et al. 2004; Cameron and Winn 2012). In contrast, the term "organizational virtue" (a singular, human state of character) has been used to denote any individually practiced virtue that generates organizational, as well as personal, excellence and well-being (Moberg 1997, 1999). These differences of perspective suggest the need for more conceptual and empirical work to define various dimensions of virtue excellence in an organizational environment.

Specifically, POS scholars can be much more precise in the way they define the properties of organization that can be characterized or qualified as virtuous. Bright et al. (2014) have suggested three potential hypotheses when considering how virtue may be understood in an organizational context or at an organization level of analysis: the container hypothesis, the synergistic hypothesis, and the intrinsic hypothesis.

First, the *container hypothesis* suggests that organizations simply serve the function of providing a context within which people may practice virtue, at least to the extent that they have developed it as a property of their own characters. In this view, an organization is an amoral entity within which people interact with one another in more or less virtuous ways. From a measurement perspective, the container hypothesis suggests an additive approach, where organizational virtue

is found in the aggregate perceptions that *people* as a whole within an organizational system are virtuous. When operationalized, the additive perspective addresses how individuals strive to practice virtue in their own way within an organization. This approach seems compatible with the traditional view of virtue as a quality of character found in the virtue ethics literature.

Second, the s*ynergistic hypothesis* suggests that the organization itself creates amplifying effects that enhance the properties and expressions of virtue. In this respect, the organization itself acquires properties that enhance and elevate virtue. People reinforce one another in their aspirations to cultivate a character of virtue, and in addition, the appearance of virtuous cycles emerge within the culture and routines of the organization (Bright et al. 2006); the amplifying effect magnifies virtuous actions as the presence or opportunity to witness one virtuous act tends to inspire future virtuous acts.

A final possibility is the *intrinsic hypothesis*, where the organization itself functions as a virtuous actor, seen in the deliberation process, policies, routines, or cultural patterns of an organizational system. In this view, the organization itself is capable of generating actions and outcomes that reinforce some domain of excellence. For instance, Bosk's (2003) ethnographic study on forgiveness in a surgical training unit of a medical training hospital focused on the institutionalized patterns of response to the commission of errors in surgery among young resident physicians. In such a circumstance, an institutional response was required. The organization-level virtue of forgiveness was exercised as the hospital itself ensured that the harmful action was identified and acknowledged, made certain that consequences and lessons to be learned were understood by the offending physician, took steps to ensure that the error would not occur again, and then allowed for the physician to be reintegrated into practice (Bright and Exline 2012). Clearly, such organization-level actions are carried out by individual actors on behalf of the organization, but the organization itself created a systematic, routine environment for the ethical and moral considerations involved (Bright and Exline 2012). Similar logic has been applied to the organization-level properties associated with virtues such as integrity (Petrick and Quinn 2000), justice (Crawshaw et al. 2013), compassion (Kanov et al. 2004), and hope (Carlson et al. 2012).

These three hypotheses suggest qualitatively different functions and forms of virtue. They may not be mutually exclusive and, in fact, are likely to be highly related. Such a perspective suggests the possibility that interactions may occur across different forms and levels of virtue – individual character, container, synergistic, and intrinsic – in an organizational environment. These are ideas that merit further empirical investigation and conceptual development.

Conclusion

To summarize, the literatures in positive social science and virtue ethics are both focused on understanding the idea of virtue as an attribute of excellence, both in individual human beings and also in organizations. The literatures in both domains

have evolved relatively independently of one another. This brief review demonstrates the strong potential for developing connections between existing philosophical work and emerging empirical work, but it also highlights the possibility that each literature may continue to evolve along a path of divergence. Significant opportunity exists for positive social science and virtue ethics to influence each other through integration and empirical exploration.

References

Aristotle (1999) Nicomachean ethics. Batoche Books, Kitchener

Bishop M (2015) The good life: unifying philosophy and psychology. Oxford University Press, Oxford

Bosk CL (2003) Forgive and remember: managing medical failure, 2nd edn. University of Chicago Press, Chicago

Bright DS, Exline JJ (2012) Forgiveness at four levels: intrapersonal, relational, organizational, and collective-group. In: Cameron KS, Spreitzer GM (eds) Handbook of positive organizational scholarship. Oxford University Press, New York, pp 244–259

Bright DS, Cameron KS, Caza A (2006) The amplifying and buffering effects of virtuousness in downsized organizations. J Bus Ethics 64:249–269. doi:10.1007/s10551-005-5904-4

Bright DS, Stansbury J, Alzola M, Stavros JM (2011) Virtue ethics in positive organizational scholarship: an integrative perspective. Can J Adm Sci/Rev Can Sci Adm 28(3):231–243. doi:10.1002/CJAS.199

Bright DS, Winn BA, Kanov J (2014) Reconsidering virtue: differences of perspective in virtue ethics and the positive social sciences. J Bus Ethics 119(4):445–460. doi:10.1007/s10551-013-1832-x

Cameron KS (2003) Organizational virtuousness and performance. In: Dutton JE, Quinn RE, Cameron KS (eds) Positive organizational scholarship: foundations of a new discipline, 1st edn. Berrett-Koehler, San Francisco, pp 48–65

Cameron KS, Spreitzer GM (2012) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York

Cameron KS, Winn B (2012) Virtuousness in organizations. In: Cameron KS, Spreitzer GM (eds) Handbook of positive organizational scholarship. Oxford University Press, New York, pp 231–243

Cameron K, Dutton JE, Quinn RE (2003) Positive organizational scholarship: foundations of a new discipline, 1st edn. Berrett-Koehler, San Francisco

Cameron KS, Bright DS, Caza A (2004) Exploring the relationships between organizational virtuousness and performance. Am Behav Sci 47:766–790. doi:10.1177/0002764203260209

Carlson A, Hagen AL, Mortensen TF (2012) Imagining hope in organizations: from individual goal-attainment to horizons of relational possibility. In: Cameron KS, Spreitzer GM (eds) Handbook of positive organizational scholarship. Oxford University Press, New York, pp 288–303

Cooperrider DL, Srivastva S (1987) Appreciative inquiry in organizational life. Res Organ Change Dev 1:129–169

Crawshaw JR, Cropanzano R, Bell CM, Nadisic T (2013) Organizational justice: new insights from behavioural ethics. Hum Relat 66:885–904. doi:10.1177/0018726713485609

Dutton JE, Sonenshein S (2009) Positive organizational scholarship. In: Encyclopedia of positive psychology. Blackwell, Malden, pp 737–742

Ferrero I, Sison AJG (2014) A quantitative analysis of authors, schools and themes in virtue ethics articles in business ethics and management journals (1980–2011). Bus Ethics 23(4):375–400. doi:10.1111/beer.12057

Flynn FJ (2003) How much should I give and how often? The effects of generosity and frequency of favor exchange on social status and productivity. Acad Manage J 46:539–553. doi:10.2307/30040648

Grant AM, Schwartz B (2011) Too much of a good thing: the challenge and opportunity of the inverted u. Perspect Psychol Sci 6:61–76. doi:10.1177/1745691610393523

Greenberg J, Colquitt J (2005) Handbook of organizational justice. Lawrence Erlbaum Associates, Mahwah

Gruber J, Mauss IB, Tamir M (2011) A dark side of happiness? How, when, and why happiness is not always good. Perspect Psychol Sci 6:222–233. doi:10.1177/1745691611406927

Kanov JM, Maitlis S, Worline MC et al (2004) Compassion in organizational life. Am Behav Sci 47:808–827. doi:10.1177/0002764203260211

MacIntyre A (2007) After virtue: a study in moral theory, 3rd edn. University of Notre Dame Press, Notre Dame

McNulty JK (2011) The dark side of forgiveness: the tendency to forgive predicts continued psychological and physical aggression in marriage. Pers Soc Psychol Bull 37:770–783. doi:10.1177/0146167211407077

McNulty JK, Fincham FD (2012) Beyond positive psychology? Toward a contextual view of psychological processes and well-being. Am Psychol 67:101–110. doi:10.1037/a0024572

Milam JE, Richardson JL, Marks G et al (2004) The roles of dispositional optimism and pessimism in HIV disease progression. Psychol Health 19:167–181. doi:10.1080/08870440310001652696

Moberg D (1997) Virtuous peers in work organizations. Bus Ethics Q 7:67–85. doi:10.2307/3857233

Moberg DJ (1999) The big five and organizational virtue. Bus Ethics Q 9:245–272. doi:10.2307/3857474

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Nibley H (1989) Approaching Zion. Deseret Book, Salt Lake City

Owens BP, Hekman DR (2012) Modeling how to grow: an inductive examination of humble leader behaviors, contingencies, and outcomes. Acad Manage J 55:787–818

Peterson C, Seligman MEP (2004) Character strengths and virtues: a handbook and classification. Oxford University Press, New York

Petrick JA, Quinn JF (2000) The integrity capacity construct and moral progress in business. J Bus Ethics 23:3–18

Quinn RW, Worline MC (2008) Enabling courageous collective action: conversations from united airlines flight 93. Organ Sci 19:497–516

Rego A, Machado F, Leal S, Cunha MPE (2009) Are hopeful employees more creative? An empirical study. Creativ Res J 21:223–231. doi:10.1080/10400410902858733

Russell DC (2009) Practical intelligence and the virtues. Oxford University Press, New York

Seligman MEP, Csikszentmihalyi M (2000) Positive psychology: an introduction. Am Psychol 55:5–14. doi:10.1037/0003-066X.55.1.5

Simons T, Tomlinson EC, Hannes L (2012) Research on behavioral integrity. In: Cameron KS, Spreitzer GM (eds) Handbook of positive organizational scholarship. Oxford University Press, New York, pp 325–339

Spreitzer GM, Sonenshein S (2004) Toward the construct definition of positive deviance. Am Behav Sci 47:828–847

Whetstone TJ (2005) A framework for organizational virtue: the interrelationship of mission, culture and leadership. Bus Ethics 14:367–378. doi:10.1111/j.1467-8608.2005.00418.x

Worline M (2012) Courage in organizations: an integrative review of the "difficult" virtue. In: Cameron KS, Spreitzer GM (eds) Handbook of positive organizational scholarship. Oxford University Press, New York, pp 304–315

Zagzebski LT (1996) Virtues of the mind: an inquiry into the nature of virtue and the ethical foundations of knowledge. Cambridge University Press, New York

Professional Moral Courage: Fostering Principled Performance at Work

Leslie E. Sekerka, Debra R. Comer, and Lindsey N. Godwin

Contents

L.E. Sekerka (✉)
Management Department, Ethics in Action Research and Education Center, Menlo College, Atherton, CA, USA
e-mail: lesekerk@gmail.com

D.R. Comer
Zarb School of Business, Hofstra University, Hempstead, NY, USA
e-mail: debra.r.comer@hofstra.edu

L.N. Godwin
Stiller School of Business, Champlain College, Burlington, VT, USA
e-mail: godwin@champlain.edu

Abstract

Compliance-based programs are vital, yet they are not sufficient to foster sustained ethical behavior in organizations. We explain why principled performance requires more than obedience to following rules. To exceed a moral minimum, the typical baseline of compliance must be supplemented by a proactive commitment to moral action. That is, organizations need to focus on building character by adopting a virtue ethics approach. More specifically, if employees are expected to do what is right when they encounter ethical challenges they need professional moral courage (PMC). We describe how four moral competencies can support professional moral courage: emotional signaling, reflective pause, self-regulation, and moral preparation. We conclude by presenting the ethical training approach of balanced experiential inquiry (BEI) as a process that organizations can use to cultivate these moral competencies.

Introduction

Over the past several decades, waves of regulatory reform have emerged around the world in reaction to ethical transgressions in business. In the USA, for example, the Federal Sentencing Guidelines for Organizations, Sarbanes-Oxley Act, Dodd-Frank Act, and Foreign Corruption Practices Act were implemented to mitigate illegal enterprise and instill ethical business practices. Other countries have enacted similar laws, such as the United Kingdom's 2010 Bribery Act, Australia's 2010 Competition and Consumer Act, and Brazil's anti-corruption law (Law 12.846) passed in 2013. Such laws have had some success in curbing ethical dysfunction, via the adoption of more comprehensive compliance-based ethics programs and whistleblower hotlines, along with tougher guidelines and expectations for governing bodies, boards of directors, and business leaders.

Yet, adherence to externally imposed directives does not necessarily promote a desire to engage in principled performance. Despite the implementation of rules and laws, 41 % of employees in the USA still observe misconduct at work and a disconcerting number (9 %) feel pressure to compromise their ethical standards to achieve organizational goals in an increasingly competitive environment (Ethics Resource Center 2014). Legislative constraints may deter some aspects of unethical activity, but they do not build the requisite competencies people need when performance demands seem to legitimate taking ethical risks or when there are no apparent rewards for being ethical. Some employees might reason, "It is sufficient to comply. If I follow the rules, I am not doing anything wrong." A compliance-only approach may prevent the occurrence of unethical activities, but rules can do little or nothing to build the moral strength of individuals and organizations. Organizational members need personal fortitude in order to follow these rules when doing so becomes

challenging. Compliance-driven programs have limited scope; they rarely encourage the dialogue and ongoing reflection that are central in understanding the ethical viability or "spirit" of a rule's application. Additionally, rules and laws are not always viewed through the same ethical lens, given the variety of cultural perspectives in the global marketplace (Sekerka et al. 2014c). Rules also change as ethical sensibilities evolve (for example, it was once "compliant" to adhere to racially discriminatory laws in the USA). Even when policies reflect the ethical pulse of an organization, in today's transformational business environment it would be impossible to offer clear-cut rules to guide the expected behavior for every situation that might arise. What happens when novel circumstances emerge and there is no rule? What supports an employee's desire to do the right thing in times of uncertainty? Dependency upon the rules is not enough to ensure ethical behavior in any organization.

Organizations that depend on rules to secure ethical performance are vulnerable to human moral failings (Sekerka 2012). Zimbardo (2007) explains how certain organizational contexts can influence people to separate from their moral selves – even when they vow to uphold moral standards. Studies in social psychology have shown us that circumstances can move good people to do bad things, especially when performance systems and managers justify (or even reward) unethical actions (Zimbardo 2004). Indeed, a lack of integrity can coexist with a compliance-based program. Managers have implicit ways to deter employees' moral action. When the main focus of performance is to reach quarterly targets, with negligible attention paid to *how* performance is achieved, people may take unethical shortcuts to achieve their goals. The reality is that ethical behavior takes thoughtful attention, time, and patience (Comer and Sekerka 2014).

It can be difficult for people to recognize when an environment has started to compromise their values (Moberg 2006a). Business competition can foster a sort of moral myopia that clouds employees' ethical decision-making capacity. The desire and ability to express ethical concerns can also be thwarted by misperceptions or competing values (Bird and Waters 1989; Drumwright and Murphy 2004). Given these challenges, if we hope to see a more durable form of organizational ethics, employees need to go beyond the moral minimum of complying with external mandates (Sekerka 2012; see Fig. 1). Ethical behavior needs to become the social norm, even when no one is looking. Thus, employees need to develop and enact professional moral courage, in order to behave ethically in their everyday workplace activities.

Professional Moral Courage

Moral courage in the workplace supports principled performance as it "compels or allows an individual to do what he or she believes is right, despite fear of social or economic consequences" (Peterson and Seligman 2004, p. 216; see also Lopez et al. 2003; Roussouw 2002). Members of organizations often have to confront pressures that discourage their expression of ethical concerns (Comer and Vega

Illegal Action	**Compliance**	**Virtuous Action**
Does Harm	Does no Harm	Reduces Harm
Non-adherence to Regulation	Adherence to Regulation	Supersedes Regulation
Avoidance Orientation	Prevention Orientation	Promotion Orientation
Disobedience/Punishment	Obedience/Control	Empowerment/Development

←**Closed/Control Open/Discovery**→

|---|---|

Moral Weakness Moral Minimum Moral Strength

Fig. 1 Compliance as the moral minimum (See Sekerka 2012)

2008, 2011a; Detert and Treviño 2010; Matt and Shahinpoor 2011) and present impediments to right action (Moberg 2006b; Roussouw 2002; Tepper 2010). Therefore, individuals need moral courage to behave ethically (Comer and Vega 2011b; Hannah et al. 2011), even in compliance-based cultures.

Professional moral courage (PMC) (Sekerka et al. 2009) is an important element in achieving principled performance. It refers to the attributes and actions of employees, as an extension of their organizational and professional roles, supporting their engagement with the virtue of moral courage in the practice of business. People who have PMC choose to adhere to the spirit and letter of legal standards, with a commitment to being ethical, even when it is difficult to do so – or to question legal standards that do not reflect ethical standards. Individuals with PMC do not have some sort of unique or extraordinary capacity. In fact, those who exercise such moral strength in the workplace often experience worry, doubt, and/or anger when facing an ethical issue (Sekerka 2012). Nevertheless, they learn to endorse their will to proceed, moving through and beyond distress to demonstrate moral action.

To understand the meaning of moral courage in organizational settings, Sekerka and her colleagues (2009) analyzed the behaviors of managers who responded to an ethical challenge with moral action. They identified these core themes of PMC:

- *Moral Agency*: has a predisposition to strive to address an ethical challenge with moral action;
- *Multiple Values*: uses multiple value sets to determine moral action;
- *Endures Threat*: pursues moral action even in the face of danger or threat;
- *Supersedes Compliance*: applies rules but goes beyond compliance to consider what is right, just, and appropriate; and
- *Moral Goal*: moves to complete tasks with the application of moral principles to achieve a moral outcome.

Measures of PMC (see Appendix), along with other instruments and tools that assess moral courage (see Chapa and Stringer 2013; Comer and Vega 2008; Hannah

et al. 2011; Woodward and Pury 2007), can help organizational members begin to examine their moral strengths and weaknesses. The next step for them then becomes the development of specific abilities that facilitate their acting with PMC, which is critical for the advancement of virtuous behavior.

Moral Competencies

The term competency denotes a skill that supports economic, intellectual, and human value (Boyatzis 1996). Competencies are abilities, typically a set of related but varied behaviors organized around an underlying intent (Boyatzis 2009; McClelland 1985). The set of specific skills or competencies that support and enable PMC are referred to as moral competencies (Sekerka et al. 2011). These abilities reflect the means by which employees display PMC in addressing ethical challenges.

Emotional Signaling

Emotions contain important signals that influence the rational process of ethical decision making (Haidt 2001). Emotions that individuals typically experience in the midst of resolving an ethical challenge may include worry, loneliness, fear, shock or surprise, distress, and hurt (often stemming from a sense of betrayal). Individuals with moral courage do not ignore their feelings; on the contrary, they use this affective information as a cue. It appears that people who have the capacity to recognize their emotions can work on accepting and regulating this emotional input, which can contribute to their making more informed decisions (Sekerka et al. 2011).

Reflective Pause

The use of a reflective pause involves a purposive self-imposed time-out for decision making, regardless of real or perceived time constraints. This break affords individuals an opportunity to examine avenues for right action, by weighing the advantages and disadvantages of different options. The display of prudence appears to be an important enabler of PMC, which can be shaped during these reflection periods (Sekerka and Zolin 2007). By using a reflective pause to collect their thoughts, generate options, and seek support during the initial stages of their decision making, individuals amplify their ability to act with moral strength.

Self-regulation

Self-regulation is a purposive effort to employ self-corrective adjustments to thoughts and feelings (Carver 2004; Carver and Scheier 1998) and is an important

part of the habitual pursuit of right action, which often requires individuals to balance their organizational responsibilities with their own personal desires, perpetually incorporate ethical means as they accomplish tasks, and tackle ethical challenges as they emerge. One must discern whether to postpone a response or engage in immediate action. This effort can be particularly difficult when employees are the ones engaged in questionable activities, or when they are asked to engage in actions they deem ethically unsound. People tend to justify their current behavior, rationalizing their actions. In circumstances where a boss or someone in a position of organizational authority puts pressure on an employee to achieve certain target goals without consideration of how the goals are achieved, it can be difficult to speak truth to power (O'Toole 2008).

Self-regulation is effective personal governance; it involves withholding the impulse to act immediately as well as knowing when to proceed. Such self-control has been called the "moral muscle" – an inner directive to alter one's immediate responses and to redirect them toward the overall good of others. In this light, self-regulation has been named the cornerstone of virtuous behavior (Baumeister and Exline 1999).

Moral Preparation

Employees with PMC appear to think through consequences related to themselves and others, even *before* they encounter ethical challenges (Sekerka et al. 2009). This rehearsal process helps prepare them for mindful responses when problems do occur. Such preparatory efforts, including a review of ethical situations where they have acted (or failed to act) and a consideration of the emotions, evaluations, and thoughts that supported ethical action, enable them to do what is right when the next ethical challenge arrives. This heightened level of preparedness for ethical challenges, involving continued moral vigilance, allows them to deal with issues at an earlier, more manageable stage.

The moral competencies work together to support one's ability to demonstrate PMC, the personal strength to respond to an ethical challenge with moral action. While these skills can be honed, their efficacy is variable. For example, we may be less effective at self-regulation when we are tired or hungry (Baumeister and Tierney 2011). Still, these moral competencies can be strengthened with deliberate attention and effort. Regular practice of the competencies is a way to help ensure that employees will have moral courage when they need it.

Moral Development and Performance

If moral actions are expected to occur with regularity in an organization, it is vital to connect ethical criteria to performance and engage in programmatic activities that develop moral competencies. Sterile online training and static lectures are ineffective

methods for organizational members' development (Sekerka 2009), particularly because moral courage at work requires self-awareness (Koerner 2014). People need meaningful opportunities to learn and practice ways of independently and collectively addressing ethical issues (Sekerka 2009). A variety of experiential approaches can foster adult learning in organizational settings, leveraging salient and meaningful topics in support of reflection and dialogue. One such technique, specifically designed to promote moral development in the workplace, is balanced experiential inquiry (Sekerka and Godwin 2010).

Balanced experiential inquiry (BEI) is an education and training process that supports ethical curiosity, while decreasing the negative emotions that often accompany ethical issues (Sekerka et al. 2014b). Additionally, engagement in BEI bolsters a desire to proceed with moral action, without the need for external praise (Sekerka et al. 2012). Employees who take part in BEI participate in a facilitated ethics dialogue with other organizational members, reflecting upon and sharing their challenges – airing both their successes and difficulties. This activity, along with techniques like Gentile's (2014) giving voice to values (GVV) training, can provide a platform for ongoing ethical reflection and discovery with regard to spotting ethical issues and becoming more mindful of the cognitive and affective elements of moral decision making and action.

It is important for organizational members to unearth and review how they have overcome barriers to moral action, or how they have been blocked or thwarted by them. Many training approaches rely upon abstract, generalized, or unfamiliar vignettes, but experiential learning processes enable organizational members to use their own accounts as a springboard for understanding how their virtues (character strengths) can help resolve ethical conflicts. Instead of waiting for issues to emerge, participants have an opportunity to explore where their assumptions and practices may leave them vulnerable to ethical risk. Techniques that use experiential learning support the practice of using moral competencies in a social setting, while affirming their benefits and the need for ongoing development.

In addition, because people observe the behavior of those around them, especially that of their managers (Sekerka et al. 2011), it is incumbent upon managers to set high ethical standards and model them consistently. Because perceptions create realities, employees' interpretations of their managers' actions can deepen their commitment to upholding their organization's stated values. When managers apply moral competency to their daily tasks, they demonstrate to others that *how* one goes about achieving organizational goals matters. Managers who treat ethics as a routine activity, by holding people accountable, encouraging reflection and discourse around ethical issues, and responding to challenges with moral courage, can help prepare fellow organizational members to identify and address similar issues before they become full-blown problems (Sekerka et al. 2011). Moral action stems from cognitive and affective awareness of what is right, complemented by character virtues that fortify a person's desire and willingness to be ethical (Sekerka and Bagozzi 2007). In addition to leading ethically, managers need to establish performance criteria that reinforce others' acts of moral strength (Sekerka 2012). Whereas traditional

performance appraisal systems typically reward people for goal achievement, managers seeking to support PMC must develop ways to affirm employees' ethical fortitude and the moral competencies that support their ability to engage in moral action.

A focus on regulatory requirements neither encourages character building nor inspires people to engage in practices that foster personal governance in their daily work routines. But when professional moral courage and moral competency are treated as essential aspects of individual job performance, the notion that the "right thing to do is the only thing to do" becomes the norm (Verbos et al. 2007, p. 17; see also, Sekerka et al. 2014a).

Conclusion

When regulatory compliance is the standard for incorporating ethics into performance, organizational practices to support ethical decision making can fall short. Rules and regulations lay a basic framework for business ethics, but they do not provide the necessary energy to drive moral action. Principled performance requires an integration of governance, risk management, and compliance. Acting with integrity does not happen through mandates – it must be owned and built by the members of the organization. To ensure that members know how to respond to ethical challenges at work, they need day-to-day practices that encourage and build their moral strength.

Both scholars and practitioners can help members of organizations learn how to recognize and deal with the competing pressures involved in goal achievement. As ethics programming moves to develop employees' moral competency, there is a need for research that clarifies how people can sustain moral strength when organizational values conflict. Management may claim ethical behavior is paramount, but ethical awareness, reflection, and discourse require time. When the immediacy of profit competes with taking time for ethical care, people need social support – safe spaces where issues can be brought forward and discussed. Enabling managers and employees to work together to establish how to deal with ethical conflicts, before tensions emerge, is an important step in building processes that genuinely support moral action.

Appendix

Professional Moral Courage Scale (Sekerka et al. 2009)

	Never			Sometimes		Always	
	1	2	3	4	5	6	7

Evaluate the statements as they pertain to you at work, from 1 (never true) to 7 (always true).

Theme 1

_____ 1. I am the type of person who is unfailing when it comes to doing the right thing at work.

_____ 2. When I do my job I regularly take additional measures to ensure my actions reduce harms to others.

_____ 3. My work associates would describe me as someone who is always working to achieve ethical performance, making every effort to be honorable in all my actions.

Theme 2

_____ 4. I am the type of person who uses a guiding set of principles from the organization as when I make ethical decisions on the job.

_____ 5. No matter what, I consider how both my organization's values and my personal values apply to the situation before making decisions.

_____ 6. When making decisions I often consider how my role in the organization, my boss (supervisor or leader), and my upbringing must be applied to any final action.

Theme 3

_____ 7. When I encounter an ethical challenge I take it on with moral action, regardless of how it may pose a negative impact on how others see me.

_____ 8. I hold my ground on moral matters, even if there are opposing social pressures.

_____ 9. I act morally even if it puts me in an uncomfortable position with my superiors.

Theme 4

_____ 10. My coworkers would say that when I do my job I do more than follow the regulations, I do everything I can to ensure actions are morally sound.

_____ 11. When I go about my daily tasks I make sure to comply with the rules, but also look to understand their intent, to ensure that this is being accomplished as well.

_____ 12. It is important that I go beyond the legal requirements but seek to accomplish tasks with ethical action as well.

Theme 5

_____ 13. It is important for me to use prudential judgment in making decisions at work.

_____ 14. I think about my motives when achieving the mission, to ensure they are based upon moral ends.

_____ 15. I act morally because it is the right thing to do.

Suggested scoring:

1) For each dimension: Add scores for each dimension (3 questions) and ÷ 3.

2) For overall PMC: Add the question scores (15 questions) and ÷ 15.

References

Baumeister R, Exline J (1999) Virtue, personality, and social relations: self-control as the moral muscle. J Pers 35(1):1165–1194

Baumeister R, Tierney J (2011) Willpower: rediscovering the greatest human strength. Penguin Press, New York

Bird F, Waters J (1989) The moral muteness of managers. Calif Manage Rev 32:73–88

Boyatzis R (1996) Consequences and rejuvenation of competency-based human resource and organization development. In: Woodman R, Pasmore W (eds) Research in organizational change and development, vol 9. JAI Press, Greenwich, pp 101–122

Boyatzis R (2009) Competencies as a behavioral approach to emotional intelligence. J Manag Dev 28(9):749–770

Carver C (2004) Self-regulation of action and affect. In: Baumeister R, Vohs K (eds) Handbook of self-regulation: research, theory, and applications. Guildford Press, New York, pp 13–39

Carver C, Scheier M (1998) On the self-regulation of behavior. Cambridge University, Cambridge

Chapa O, Stringer D (2013) The path of measuring moral courage in the workplace. SAM Adv Manag J 78(2):17–50

Comer DR, Sekerka LE (2014) Taking time for patience: promoting ethical behavior in organizations by reclaiming an undervalued virtue. J Manag Dev 33(1):6–23

Comer DR, Vega G (2008) Using the PET assessment instrument to help students identify factors that could impede their moral behavior. J Bus Ethics 77(2):129–145

Comer DR, Vega G (2011a) The personal ethical threshold. In: Comer DR, Vega G (eds) Moral courage in organizations: doing the right thing at work. M.E. Sharpe, Armonk

Comer DR, Vega G (2011b) Introduction: why moral courage matters in organizations. In: Comer DR, Vega G (eds) Moral courage in organizations: doing the right thing at work. M.E. Sharpe, Armonk

Detert J, Treviño L (2010) Speaking up to higher-ups: how supervisors and skip-level leaders influence employee voice. Organ Sci 21(1):249–270

Drumwright M, Murphy P (2004) How advertising practitioners view ethics: moral muteness, moral myopia, and moral imagination. J Advert 33:7–24

Ethics Resource Center (2014) National business ethics survey 2013. Ethics Resource Center, Arlington

Gentile MC (2014) Giving voice to values in the workplace: a practical approach to building moral competence. In: Sekerka LE (ed) Ethics training in action: an examination of issues, techniques and development. Information Age Publishing, Charlotte

Haidt J (2001) The emotional dog and its rational tail: a social intuitionist approach to moral judgment. Psychol Rev 108(4):814–834

Hannah S, Avolio B, Walumbwa F (2011) Relationships between authentic leadership, moral courage, and ethical and pro-social behaviors. Bus Ethics Q 21(4):555–578

Koerner M (2014) Courage as identity work: accounts of workplace courage. Acad Manage J 57 (1):63–93

Lopez S, O'Byrne K, Petersen S (2003) Profiling courage. In: Lopez S, Snyder CR (eds) Positive psychology assessment: a handbook of models and measures. American Psychological Association, Washington

Matt B, Shahinpoor N (2011) Speaking truth to power: the courageous organizational dissenter. In: Comer DR, Vega G (eds) Moral courage in organizations: doing the right thing at work. M.E. Sharpe, Armonk, pp 157–170

McCelland D (1985) Human motivation. Scott, Foresman, Glenview

Moberg D (2006a) Ethics blind spots in organizations: how systematic errors in person perception undermine moral agency. Organ Stud 27:413–428

Moberg D (2006b) Best intentions, worst results: grounding ethics students in the realities of organizational context. Acad Manag Learn Educ 5(3):307–316

O'Toole J (2008) Speaking truth to power. In: Bennis W, Goleman D, O'Toole J (eds) Transparency: how leaders create a culture of candor. Jossey-Bass, San Francisco, pp 45–92

Peterson C, Seligman M (2004) Character strengths and virtues: a handbook and classification. American Psychological Association, Washington

Roussouw G (2002) Three approaches to teaching business ethics. Teach Bus Ethics 6(4):411–433

Sekerka LE (2009) Organizational ethics education and training: a review of best practices and their application. Int J Train Dev 13(2):77–95

Sekerka LE (2012) Compliance as a subtle precursor to ethical corrosion: a strength-based approach as a way forward. Wyo Law Rev 12(2):277–302

Sekerka LE, Bagozzi R (2007) Moral courage in the workplace: moving to and from the desire and decision to act. Bus Ethics 16(2):132–142

Sekerka LE, Godwin L (2010) Strengthening professional moral courage: a balanced approach to ethics training. Train Manag Dev Methods 24(5):63–74

Sekerka LE, Zolin R (2007) Rule bending: can prudential judgment affect rule compliance and values in the workplace? Public Integr 9(3):225–244

Sekerka LE, Bagozzi R, Charnigo R (2009) Facing ethical challenges in the workplace: conceptualizing and measuring professional moral courage. J Bus Ethics 89(4):565–579

Sekerka LE, McCarthy D, Bagozzi R (2011) Developing the capacity for professional moral courage: facing daily ethical challenges in today's military workplace. In: Comer DR, Vega G (eds) Moral courage in organizations: doing the right thing at work. M.E. Sharpe, New York

Sekerka LE, Godwin L, Charnigo R (2012) Use of balanced experiential inquiry to build ethical strength in the workplace. Spec Issue Exp Learn J Manag Dev 30(3):275–286

Sekerka LE, Comer DR, Godwin L (2014a) Positive organizational ethics: cultivating and sustaining moral performance. J Bus Ethics 119(4):435–444

Sekerka LE, Godwin L, Charnigo R (2014b) Cultivating curious managers: motivating moral awareness through balanced experiential inquiry. J Manag Dev 33(9):709–722

Sekerka LE, Marar Yacobian M, Stimel D (2014c) Business ethics in a transnational economy: embracing the tribal-collectivist perspective. Glob Bus Econ Anthology 1:10–25

Tepper B (2010) When managers pressure employees to behave badly: toward a comprehensive response. Bus Horiz 53(6):591–598

Verbos A, Gerard J, Forshey P, Harding C, Miller J (2007) The positive ethical organization: enacting a living code of ethics and ethical organizational identity. J Bus Ethics 76(1):17–33

Woodward C, Pury C (2007) The construct of courage: categorization and measurement. Consult Psychol 59:135–147

Zimbardo PG (2004) A situationist perspective on the psychology of evil: understanding how good people are transformed into perpetrators. In: Miller A (ed) The social psychology of good and evil. Gilford Press, New York

Zimbardo L (2007) *The Lucifer effect: Understanding how good people turn evil*. New York: Random House

Organizational Virtue

Arran Caza

Contents

Abstract

This chapter considers positive organizational scholarship's empirical research on the phenomenon of organizational virtue, which refers to the virtuous characteristics embodied in organizations as collectives. The nature of organizational virtue is discussed, relative to psychological and virtue ethics perspectives. Research findings are summarized, including a consideration of the mechanisms of buffering and amplifying that are presumed to underlie the observed relationships among organizational virtue and various outcomes. The chapter concludes with a reflection on future directions for the study of organizational virtue.

Keywords

Positive organizational scholarship • Virtue • Virtues • Organizational virtue • Organizational virtuousness

A. Caza (✉)
I.H. Asper School of Business, University of Manitoba, Winnipeg, MB, Canada
e-mail: arran.caza@umanitoba.ca

Introduction

This chapter summarizes findings from positive organizational scholarship (POS) studies of organizational virtue. POS is a twenty-first century development in the social sciences, which is concerned with studying the characteristics and processes of positive outcomes in organizations (see Cameron 2003; Caza, "▶ An Introduction to Positive Organizational Scholarship," this volume). A key element of POS is the study of virtue and particularly virtue at the organizational level (Caza and Cameron 2008). Such organization-level empirical studies are the focus of this chapter, which is organized in four sections discussing the nature of organizational virtue, empirical findings about the consequences of organizational virtue, theoretical mechanisms explaining those consequences, and future directions for study.

Before beginning, it should be noted that this review was conducted by adopting the ontological and epistemological perspectives of the studies in question. Potential concerns with the POS perspective have been noted elsewhere (e.g., Caza and Carroll 2012), but in this chapter, the studies are considered in their own terms, which others have called the "empirical organizational" approach to virtue ethics (Ferrero and Sison 2014). As a result, there are discrepancies between "virtue" as used here and the way in which it is traditionally understood in the study of virtue ethics. For a thorough examination of these differences, see D.S. Bright ("▶ Positive Organizational Scholarship and Virtue Ethics," this volume).

Organizational Virtue

POS scholars, especially Cameron and colleagues (Bright et al. 2006a; Cameron and Caza 2013; Caza et al. 2004), have argued for the appropriateness of studying organizational virtue. They note that the concept of virtue derives from the Greek *arête*, a term that was applied both to individuals and collectives. Cameron and Caza (2002) noted that prior research demonstrated the importance of collective virtuousness in families, groups, and communities, and so they argued that since organizations likewise had the potential to influence the virtuousness of their representatives' actions, it was appropriate to refer to organizations as more or less virtuous (also see Pruzan 2001). As such, in contrast to those who explicitly deny the possibility of an organization literally having virtue (e.g., Whetstone 2005), POS research is premised on the belief that organizations have and exhibit varying degrees of virtue.

Although the argument is not always explicitly developed, POS studies of virtue seem to be based on three elements, which reflect the field's origin in empirical psychology: (1) that organizations literally have character, (2) that attributions are how individuals understand the world, and (3) that people reliably anthropomorphize organizations. The first element consists in treating organizational stability as evidence of character. Organizations are routinely described as having characteristic qualities, in that their specific histories, routine practices, and leadership actions

influence members in ways that make some behaviors more likely than others. To the extent that these influences are stable and consistent, POS scholars think of an organization as having a particular character. For example, an organization with systems in place that make it easier and more effective for members to respond with compassion may be referred to as a compassionate organization (Lilius et al. 2011).

The second element, the psychological importance of attributions, is fundamental to POS empirical research, but potentially represents a departure from other approaches to virtue ethics. Most POS studies examine whether or not an organizational action is virtuous in an absolute, context-independent fashion. The evaluation may be utilitarian, in assessing virtue based on the result produced (e.g., Cameron and Lavine 2006), or it may be deontological, reflecting some notion of universal good (e.g., Cameron et al. 2004), but in all cases the action is assessed on its own merits and taken as evidence of the organization's character. While some have argued that treating actions as context-independent evidence of character represents a weak virtue ethics (Zagzebski 1996), this approach is consistent with attribution theory, which is a foundational theory in psychology and POS.

Attribution theory asserts that attributions – inferences made about the nature and intentions of others – are the essential means by which humans make sense of the world (Heider 1944). In an effort to understand why actions are taken, we observe the behavior of others and develop mental representations of those others; we think of them in ways that provide motivations for the actions we see them take. Evidence has shown that these mental representations tend to be relatively simple and based primarily on stable characteristics (Gilbert and Malone 1995). That is, rather than considering the complexities of how a person's character and specific environment interact, we typically think "he is that sort of person, while she is this kind of person."

This tendency to form stable, character trait attributions provides the basis for the behavior-based approach of POS when combined with the third element, which concerns humanity's tendency to anthropomorphize. Individuals reliably think and talk about nonhuman entities as if they were people (Epley et al. 2008). We attribute feelings and intentions to objects; we react and relate to phenomena as if they were fellow individuals. This anthropomorphic tendency is particularly powerful in regard to organizations (Levinson 1965), as reflected in the fact that some legal systems grant personhood to business corporations (Mitchell 2001).

These three elements combine to provide the foundation for POS studies of virtue: organizations have a consistent, character-like quality in the way that they influence the actions of their agents; observers reliably attribute actions to stable character traits; and organizations are perceived and judged as if they were people (e.g., Chun 2005; Rhee et al. 2006). Thus, when we see an agent take a virtuous action on behalf of an organization, we are likely to attribute that action to a stable, person-like character embodied in the organization. Thus organizations are perceived to be more or less virtuous in their character.

In terms of what constitutes virtue, POS scholars have been somewhat equivocal (Caza and Carroll 2012). In most accounts, the authors treat the quality of virtue as

self-evident, assuming that all observers would agree about the virtuousness of an action. Often with reference to Aristotle, virtue is described as that which is inherently good, intrinsically motivating, and instinctively preferred (e.g., Cameron et al. 2004; Cameron and Winn 2012; Dutton and Sonenshein 2009). In advancing these definitions of natural virtue, POS scholars often refer to consistent values found in world religions (e.g., Kanov et al. 2004) or empirical evidence that individuals make similar virtue attributions (e.g., Chun 2005). The specific virtues that are studied vary, though they tend to be better-known qualities such as courage, forgiveness, integrity, and compassion (Cameron et al. 2004; Chun 2005; Lilius et al. 2011) It should be noted that justice is a virtue of the sort that POS researchers study, but it will not be addressed in this chapter. The literature on organizational justice is too large and rich to fit here, and the work predates the field of POS by several decades.

Empirical Findings

To date, the empirical evidence from POS research suggests that organizational virtue can have many positive effects. The perception that an organization is virtuous predicts many desirable outcomes, which can be grouped into three broad categories. The first category of positive outcomes associated with organizational virtue is one of protection: several studies provide evidence that organizations with more virtue suffer less loss and fewer hardships in difficult circumstances (Bright et al. 2006a; Dutton et al. 2006; Gittell et al. 2006; Lilius et al. 2011). The second category of outcomes concerns individual responses, where it has been shown that stakeholders of various sorts have more positive attitudes and reactions to organizations they perceive as virtuous, including greater commitment (Lilius et al. 2008; Rego et al. 2010, 2011, 2013), stronger feelings of attachment (Chun 2009; Rhee et al. 2006), and deriving more satisfaction (Chun 2005; Waters 2012). Finally, a number of studies have linked organizational virtue to greater individual, team, and organizational performance (Cameron et al. 2004, 2011; Manikandan and Anipriya 2014; Palanski et al. 2011; Rego et al. 2014).

Although the findings above are combined for parsimony, it should be noted that the specific virtues under consideration are highly variable across studies. Some studies examine the effect of specific organizational virtues (e.g., forgiveness, gratitude, or compassion), while others create composite measures of organizational virtue by combining perceptions of several virtues together (e.g., overall virtue score based on average of ratings on five different virtues). The researchers rarely give a rationale for their selection of specific virtues, and the choices are often inconsistent across studies. As a result, there seems to be strong evidence that organizational virtue, broadly defined, has positive effects, but the relative importance of and interactions among specific virtues remain to be explored.

Theoretical Mechanisms

Studies have only recently begun to examine the means by which organizational virtue influences outcomes. Moreover, in those studies, work has focused on identifying mediating states, rather than processes per se. So, for example, Rego and colleagues (2014) showed that organizational virtue predicted performance and did so by causing members to feel more potent or efficacious. While the identification of mediators is an important step forward, the details of the process by which organizational virtue has its effects remain to be empirically examined. Nonetheless, there has been theorizing about the likely mechanisms involved, and while different models have been offered (e.g., Dutton et al. 2006), POS researchers most frequently assume that the positive outcomes associated with organizational virtue are a result of two processes: buffering and amplifying (Cameron et al. 2011; Cameron and Caza 2013).

Organizational virtue appears to provide a *buffering* or protective effect that allows organizations and their members to resist the inevitable hardships of business (Dutton et al 2006). For example, a study of the post-9/11 US airline industry found that firms displaying more virtuous practices suffered less financial deterioration in the 5 years following 2001 (Gittell et al. 2006). The virtuous firms still lost money in the troubled airline industry, but they did not lose as much as their less virtuous competitors; they were buffered from the worst of the damage (also see Bright et al. 2006a).

Organizational virtue is presumed to contribute to buffering through the constructive nature of virtuous acts. There are obvious tangible benefits for the recipient of a virtuous deed, but there are also additional gains associated with the positive emotions experienced by all involved: performing a virtuous act makes the actor feel better, being the recipient of a virtuous act makes the target feel better, and witnessing a virtuous act will make bystanders feel better (Aquino et al. 2011; Rhee et al. 2006). These positive emotions enhance health, improve cognition, and build durable personal resources, such that even after the emotion has passed, the resources associated with it remain, improving the individual's ability to respond to challenges (Fredrickson 2009). Organizational virtue thus contributes to the ability of employees to respond to challenges that arise, creating a protective buffering effect (Bright et al. 2006a).

Organizational virtue is also theorized to have an *amplifying* effect that makes future virtue more likely. The experience of positive emotion produced by virtuous acts makes individuals more likely to engage in virtuous acts themselves (Fredrickson 2009), and those who see virtuous organizational acts tend to think of themselves as part of that virtuous collective (Rhee et al. 2006). As a result, virtuous organizational acts can create self-reinforcing spirals of virtuous action. A virtuous organization makes an initial virtuous act more likely, and those who benefit from or witness that act are more likely to engage in further virtuous acts, and so on (Bright et al. 2006a). In addition to being another source of buffering as described above, the virtuous acts prompted by the amplifying effect foster better relationships and stronger social ties among employees (Cameron and Caza 2013).

Those who experience positive emotions together, and who perform virtuous acts for one another, feel a greater sense of community (Christakis and Fowler 2009). They are more likely to consider each other friends, and so the amplifying effect of organizational virtue should promote cooperation and social support in organizations, enhancing a range of outcomes.

Future Directions

Based on the foundation established by the studies reviewed above, there are a number of promising directions that future studies of organizational virtue might take. Three in particular seem especially important. The field would benefit from greater clarity about the nature of organizational virtue, more information about the processes and contingencies of organizational virtue's effects, and study of any potential problems or costs associated with organizational virtue.

Nature of organizational virtue. Somewhat ironically, POS research has revealed more about the effects of organizational virtue than it has revealed about organizational virtue itself. The content of virtue has been different – sometimes greatly so – in different studies, and there has been no clear rationale given for why specific virtues are studied while others are not. For example, Cameron and colleagues (2004) studied the joint effects of optimism, trust, compassion, integrity, and forgiveness, while Chun (2005) studied integrity, empathy, warmth, courage, conscientiousness, and zeal. Waters (2012) focused exclusively on gratitude, and Lilius and colleagues (2008) examined only compassion. It is not clear why these specific choices were made, as there is no shared understanding of what constitutes organizational virtue.

Similarly, there are three organizational virtue measures that have been used (Cameron et al. 2004, 2011; Chun 2005), but there has been little work done to understand the nature of these instruments, and no work has examined the relationships among them. For example, all three measures include integrity and compassion, but each measure also includes unique virtues that neither of the others include. As a result, it is not clear how the findings from one measure compare to those from another. Moreover, other authors have raised issues regarding dimensionality within specific virtues, for example, distinguishing between tonic and phasic virtues (Bright et al. 2006a), between the intensity and scope of a virtue (Dutton et al. 2006), or between collective virtue at the team and organizational levels (Palanski et al. 2011). There is much work yet to be done in terms of specifying the nature of organizational virtue, and until that work is done, any other research risks building on a tenuous foundation.

Processes and contingencies of organizational virtue. Some studies have identified specific states that mediate the effect of organizational virtue on outcomes, but much work remains to understand why and how organizational virtue generates certain effects. The reasons for selecting the mediators that have been studied are not clear; one might have imagined other, equally likely mediators that have not been tested. Similarly, there has yet to be any empirical test of the fundamental

processes of buffering and amplifying. Most organizational virtue theory and findings assume that these effects occur, but there is no evidence one way or the other.

In addition, despite the tendency for POS scholars to build their claims on assumptions about natural or instinctive virtues that are universal, it seems inevitable that the reactions of individuals will be shaped by their context and their history. Since the recognition and measurement of organizational virtue are based on the attributions of individual observers, all of the biases that influence individual perception are likely to influence attributions of virtue. No research has examined these matters. Similarly, it seems improbable that perceptions of virtue are independent of history and context (e.g., Bright et al. 2006b). For example, while creativity and unconventional practice may seem virtuous in new product development, it would likely not seem so in auditing. Likewise, ambiguous actions may be interpreted quite differently depending on the history of the organizations taking them.

Disadvantages of virtue. To date, organizational virtue research has focused exclusively on positive outcomes. Little is known about whether, when, why, and how organizational virtue may produce undesirable effects (though see Simpson et al. 2014). Going forward, it will be important to examine all aspects of organizational virtue. For example, others have shown how helping co-workers or the organization as a whole can force the individual actor to pay a high personal cost (Bolino et al. 2013). Are there individuals in organizations who are unduly bearing the cost of producing virtue? What other undesirable consequences arise from organizational acts of virtue?

In a related matter, it should be noted that self-reinforcing spirals can work in both directions. For example, when discussing the amplifying effect (in which virtuous acts make other virtuous acts more likely), POS researchers tend to focus on the positive, virtue-increasing operation of this spiral, but logically, the reverse is equally true. If no one else is taking virtuous action, then any given individual is less likely to do so, and as a result a culture of non-virtuousness may be established. Understanding these sorts of potential effects will contribute to richer theory and thinking about organizational virtue.

Conclusion

In sum, the empirical evidence suggests that organizational virtue, understood as individuals' attributions that an organization's character is virtuous, can influence a variety of important outcomes. Employees and other stakeholders think of organizations as having a character, and their beliefs about that character's virtuousness shape their reactions to the organization. However, many opportunities remain to deepen and advance our understanding of the important construct of organizational virtue, as well as to integrate that understanding with the larger tradition of study in virtue ethics.

References

Aquino K, McFerran B, Laven M (2011) Moral identity and the experience of moral elevation in response to acts of uncommon goodness. J Pers Soc Psychol 100:703–718

Bolino MC, Klotz AC, Turnley WH, Harvey J (2013) Exploring the dark side of organizational citizenship behavior. J Organ Behav 34:542–559

Bright DS, Cameron KS, Caza A (2006a) The amplifying and buffering effects of virtuousness in downsized organizations. J Bus Ethics 64:249–269

Bright DS, Fry RE, Cooperrider DL (2006b) Forgiveness from the perspectives of three response modes: begrudgement, pragmatism, and transcendence. J Manag Spiritual Relig 3:78–103

Cameron KS, Dutton JE, Quinn RE, (eds) (2003) Positive organizational scholarship: Foundations of a new discipline. San Francisco, CA: Berrett-Koehler Publishers Inc

Cameron KS, Caza A (2002) Organizational and leadership virtues and the role of forgiveness. J Leadersh Org Stud 9:33–48

Cameron KS, Caza A (2013) Virtuousness as a source of happiness in organizations. In: David SA, Boniwell I, Ayers AC (eds) Oxford handbook of happiness. Oxford University Press, Oxford, UK, pp 676–692

Cameron KS, Lavine M (2006) Making the impossible possible: leading extraordinary performance – the Rocky Flats story. Berrett-Koehler Publishers, San Francisco

Cameron KS, Winn B (2012) Virtuousness in organizations. In: Cameron KS, Spreitzer GM (eds) Oxford handbook of positive organizational scholarship. Oxford University Press, Oxford, UK, pp 231–243

Cameron KS, Bright D, Caza A (2004) Exploring the relationships between organizational virtuousness and performance. Am Behav Sci 47:766–790

Cameron KS, Mora C, Leutscher T, Calarco M (2011) Effects of positive practices on organizational effectiveness. J Appl Behav Sci 47:266–308

Caza A, Cameron KS (2008) Positive organizational scholarship: what does it achieve? In: Clegg SR, Cooper CL (eds) SAGE handbook of organizational behavior, vol I. Sage, Thousand Oaks, pp 99–116

Caza A, Carroll B (2012) Critical theory and positive organizational scholarship. In: Cameron KS, Spreitzer GM (eds) Handbook of positive organizational scholarship. Oxford University Press, New York, pp 965–978

Caza A, Barker BA, Cameron KS (2004) Ethics and ethos: the buffering and amplifying effects of ethical behavior and virtuousness. J Bus Ethics 52:169–178

Christakis NA, Fowler JH (2009) Connected: the surprising power of our social networks and how they shape our lives. Little, Brown and Company, New York

Chun R (2005) Ethical character and virtue of organizations: an empirical assessment and strategic implications. J Bus Ethics 57:269–284

Chun R (2009) A corporate's responsibility to employees during a merger: organizational virtue and employee loyalty. Corp Gov 9:473–483

Dutton JE, Sonenshein S (2009) Positive organizational scholarship. In: Lopez SJ (ed) Encyclopedia of positive psychology. Blackwell, Malden, pp 737–742

Dutton JE, Worline MC, Frost PJ, Lilius J (2006) Explaining compassion organizing. Adm Sci Q 51:59–96

Epley N, Waytz A, Akalis S, Cacioppo JT (2008) When we need a human: motivational determinants of anthropomorphism. Soc Cogn 26:143–155

Ferrero I, Sison AJG (2014) A quantitative analysis of authors, schools and themes in virtue ethics articles in business ethics and management journals (1980–2011). Bus Ethics 23:375–400

Fredrickson BL (2009) Positivity. Crown, New York

Gilbert DT, Malone PS (1995) The correspondence bias. Psychol Bull 117:21–38

Gittell JH, Cameron K, Lim S, Rivas V (2006) Relationships, layoffs, and organizational resilience: airline industry responses to September 11. J Appl Behav Sci 42:300–329

Heider F (1944) Social perception and phenomenal causality. Psychol Rev 51:358–374

Kanov JM, Maitlis S, Worline MC, Dutton JE, Frost PJ, Lilius JM (2004) Compassion in organizational life. Am Behav Sci 47:808–827

Levinson H (1965) Reciprocation: the relationship between man and organization. Adm Sci Q 9:370–390

Lilius JM, Worline MC, Maitlis S, Kanov J, Dutton JE, Frost P (2008) The contours and consequences of compassion at work. J Organ Behav 29:193–218

Lilius JM, Worline MC, Dutton JE, Kanov JM, Maitlis S (2011) Understanding compassion capability. Hum Relat 64:873–899

Manikandan K, Anipriya S (2014) Organizational justice, organizational virtuousness and performance among bank employees. SAARJ J Bank Insur Res 3:49–62

Mitchell LE (2001) Corporate irresponsibility: America's newest export. Yale University Press, New Haven

Palanski ME, Kahai SS, Yammarino FJ (2011) Team virtues and performance: an examination of transparency, behavioral integrity, and trust. J Bus Ethics 99:201–216

Pruzan P (2001) The question of organizational consciousness: can organizations have values, virtues and visions? J Bus Ethics 29:271–284

Rego A, Ribeiro N, Cunha, MP (2010) Perceptions of organizational virtuousness and happiness as predictors of organizational citizenship behaviors. J Bus Ethics 93:215–235

Rego A, Ribeiro N, Cunha MP, Jesuino JC (2011) How happiness mediates the organizational virtuousness and affective commitment relationship. J Bus Res 64:524–532

Rego A, Vitoria A, Magalhaes A, Ribeiro N, Cunha MP (2013) Are authentic leaders associated with more virtuous, committed and potent teams? Leadership Quarterly, 24:61–79

Rego A, Junior DR, Cunha MP (2014) Authentic leaders promoting store performance: the mediating roles of virtuousness and potency. J Bus Ethics 128:617–634.

Rhee S-Y, Dutton JE, Bagozzi RP (2006) Making sense of organizational actions with virtue frames and its links to organizational attachment. J Manag Spiritual Relig 3:34–59

Simpson AV, Clegg SR, Lopes M P, Cunha MP, Rego A, Pitsis T (2014) Doing compassion or doing discipline? Power relations and the Magdalene Laundries. J Polit Pow 7:253–274

Waters L (2012) Predicting job satisfaction: contributions of individual gratitude and institutionalized gratitude. Psychology 3:1174–1176

Whetstone JT (2005) A framework for organizational virtue: the interrelationship of mission, culture and leadership. Bus Ethics 14:367–378

Zagzebski LT (1996) Virtues of the mind: an inquiry into the nature of virtue and the ethical foundations of knowledge. Cambridge University Press, Cambridge, UK

The Virtue of Human Being in Organizations

Lloyd Sandelands

Contents

Abstract

Virtue ethics scholarship is about the perfection of human persons in society. Positive organizational studies (POS) is about the flourishing of human persons in society. This chapter is about the perfection and flourishing of human persons in business. Reaching beyond the social sciences to metaphysical philosophy, I describe the acts by which we are perfected and flourish as human persons. Observing that business organizations differ in how well they support these acts and thus in how fully they support the personhood of their members, I argue that human being itself is the paramount virtue of business. This suggests an ethic for business leaders oriented not to "managing" human resources for profit, but to "ministering" to employees that they be more fully human. I conclude by calling

L. Sandelands (✉)
Stephen M. Ross School of Business, University of Michigan, Ann Arbor, MI, USA
e-mail: lsandel@umich.edu

579

attention to the dynamic of our lives that is all but ignored in business studies today; namely, that as a "fallen" being subject to sin, we are not fully the human person that we can and want to be. We long to be a perfected person able to know and love others in God.

Introduction

What Is It to Be Human in an Organization?

An initial answer comes from what today must seem an unlikely place – the Catholic Church, possibly the most successful and certainly the most enduring organization in history. The Church is a place to be a person because it takes the form of human being itself; it is a communion of persons in the love of God. And while this form is not unique to the Church – it is natural to the family and it is possible whenever two or more are gathered in a greater being – it is exemplified by the Church. The Church accomplishes its myriad goods (saving souls, charity to the poor, social services, support of the family, education, and campaigns to eliminate abortion, human trafficking, and political oppression) by helping its members to know and love one another in God. And what is true of the church is potentially true of every human organization, including those of business. Whatever their product or service, organizations perfect their members in so far as they share in the Church's human purpose and form. Suggesting this is a growing number of businesses that are flourishing, both humanly and financially, by modeling themselves on the Church, either explicitly (e.g., Bakke 2005; Chappell 1993; De Pree 1997; Ouimet 2010; Pollard 1996) or implicitly (e.g., Benefiel 2008; Blanchard and Barrett 2011; Nayar 2010). Here, for example, CEO C. William Pollard describes his very successful business, ServiceMaster:

> In ServiceMaster, leadership begins with our objectives: To honor God in all we do. To help people develop. To pursue excellence. And to grow profitably. Thus, our role and obligation as leaders involves more than what a person does on the job. We must also be involved in what that person is becoming and how the work environment is contributing to the process. (p. 129)

And here Herman Miller Corporation CEO Max De Pree writes of his company's philosophy:

> Vital organizations don't grant their members authenticity; they acknowledge that people come already wrapped in authentic humanness. When an organization truly acknowledges the *a priori* authenticity of each person and acts accordingly, how many ways open up for people to reach their potential! (p. 106)

This chapter is about the virtue of human being in business organizations. In the first section, "Acts of Being," I lay out key terms and concepts. Following the philosopher Aristotle, I identify our human being with the ability to know and to love. Following the philosopher and theologian Thomas Aquinas, I describe the acts that comprise our human being, acts that involve us in the Supreme Being, God. In the next section, "To Be or Not to Be," I consider briefly the problem that our human being is an accomplishment in which we must do our part. In the section, "Being in Business," I turn to business organizations to note that they differ in how well they support the personhood of those they employ. I contend that this is their "virtue of human being" and what most clearly defines them as ethical or not. In the fourth section, "Don't Manage, Administer," I admonish business leaders not to manage human resources to maximize profit but to minister to employees that they may become more fully human. In the conclusion, I reiterate that our study of business management must begin with clear ideas of who we are and who we long to be.

Acts of Being

Who Are We? and How Do We Come to Be?

According to Aristotle (1999), we are to reckon first by our purpose or "final cause" and then by our "material," "formal," and "efficient causes" which bring this cause about. Our purpose, he believed, is to know and act intelligently in the world. We become human, he supposed, as we attain truth and act for good. Standing upon Aristotle's broad shoulders, Thomas Aquinas (1990) expanded this idea of our purpose to observe that our final truth and good is to be a person in communion able to know and to love. This, he showed, amounts to our participation in the Supreme Being, God, who is the source and sustainer of all being and who knows and loves all things perfectly.

According to Aquinas, all things that exist do so by two ongoing and related acts of being. The first act is assertion of being against nonbeing, what Aquinas called *substantial existence*. By this act, we who are human exist as both a finite and infinite being. Like other finite beings – such as a rock or river or rose or rhinoceros – we have a material body that takes up space and exists only for a time. However, unlike finite beings, we have also a spirit that is an image of God, that does not take up space or exist only for a time, and that we are called to realize by our actions. In spirit we are self-possessed and self-aware. And in spirit we choose, with Shakespeare's Hamlet, "to be or not to be." The second act is expansion of being, what Aquinas called *self-communication*. By this act, we who are human express ("press out") our finite and especially our infinite being in relation to others. As contemporary theologian Norris Clarke observes, the second act of self-communication is a relationality that tends toward communion with others as its natural fulfillment (Clarke 1993). Thus we come to the key point that for us the second act of self-communication joins the first act of substantial existence to form not one but

two real finite and infinite beings – the human person and the human communion. Our true human being thus is inherently and ineluctably personal and communal. As Clarke further observes, for all beings (finite and infinite), the two acts of being are logically related in that the second presupposes the first (there can be no being to communicate without a being to begin with) and that the first has the second as its end and final cause (communication of being is the reason for being in the first place) (Clarke 1993, pp. 57–58).

Finally, and again according to Aquinas (1990), the two acts of being are true and good because being itself, which is originally and ultimately of God, is true and good. This metaphysical principle leads theologian Clarke to summarize that our two acts of being are the creative origin of all that is true and good in our lives:

> This innate, unrestricted drive of the human spirit ... toward the Infinite Good is the great hidden dynamo that energizes our whole lives, driving us on to ever new levels of growth and development, and refusing to let us be ultimately contented with any merely finite, especially material, goods, whether we understand consciously what is going on within us or not, whether we can explicitly identify our final goal or not. (Clarke 1993, p. 37)

To Be or Not To Be

Why Is Human Being a Problem and Concern for Us?

As Aquinas pointed out, our human being is not given once and for all, but is ever ongoing and incomplete. We come into and go out of human being by degrees, by the choices we make, and by the actions we take. To be fully human is to be completely of God – an impossibility for us. We come into whatever human being we do by knowing and loving; by knowing and loving God above all, by knowing and loving our neighbor and self, and by knowing and loving all things God created. These latter are instances of the first as neighbor and self are created in the likeness of God and as all other things bear the imprint of God.

Thus it is our fate to be responsible for our own human being; it is for us to do the necessary knowing and loving. In the freedom given us by God, we bring ourselves into or out of human being by accepting or rejecting His truth and good. Virtue consists of coming into the truth and good of God by acts of faith, prudence, justice, friendship, temperance, and courage. Virtue is the measure not only of "who" we are, but of "whether" and "how much" we are. Vice consists of sacrificing the truth and good of God by acts of faithlessness, imprudence, injustice, hate, intemperance, and cowardice. Vice is the measure of our want of being. Thus, when philosophers declare our greatest good to be God, they wisely mark every other good as secondary and as "good" only as it respects and supports the good of God (Maritain 1966). When we take goods that are not God – such as wealth, power, fame, beauty, safety, esteem, or self-actualization – to be supreme, we come to ruin and

unhappiness (Sandelands 2014). While this lesson is perhaps well-known, it seems to require constant rediscovery and reaffirmation.

"Being" in Business

What Is the Virtue of Human Being in Business?

People can become human in businesses committed to that end. Although more the exception than the rule, such organizations are described in classic business case studies such as Atchison Corporation (A); Mary Kay Cosmetics, Inc; Zappos.com 2009; AES Honeycomb (A); Southwest Airlines; and Zingerman's Community of Businesses (Bower 2000; Kotter 1981; Frey and Ely 2013; Paine 1994; O'Reilly and Pfeffer 1995; Baker 2011). In them is a human being to judge by its fruits – of vibrancy, authenticity, joy, playfulness, moral integrity, and sustainable economic success. And in them is a human being to explain by a characteristic business form, a *spiritual form* that has two aspects. One aspect is business activity directed to a goal (final cause) other and greater than the finite material one of making money but instead the infinite spiritual one of employee well-being. A good example is the AES Corporation which announced publically in filing with the Securities and Exchange Commission that it would pursue profit only as a subordinate good to the human being of its members:

> An important element of AES is its commitment to four major "shared" values: to act with integrity, to be fair, to have fun and to be socially responsible... AES believes that earning a fair profit is an important result of providing a quality product to its customers. However, if the Company perceives a conflict between these values and profits, the Company will try to adhere to its values – even though doing so might result in diminished profits or foregone opportunities. (Paine 1994, p. 2)

The other aspect of this spiritual form is a material, formal, and efficient dynamic of centrifugal expansion through which the business grows by articulating its unity. It grows as does a tree or a flower, from within, as a self-elaborating unity. Moreover, this dynamic is individuating; in it members come into their unique personhood by playing upon their real differences to enact distinctive yet mutually reinforcing roles for themselves. This is the dynamic that management scholar Mary Parker Follett (1924) called "power with." In the case of the AES Corporation, this is manifest in its so-called "honeycomb" structure which groups employees in "families" of 10–20 members, gives families a specific responsibility, and allows them to organize as they see fit and without any intrusion of centralized management. As the company has grown, the number of families has increased. The result of this structure is a workplace in which every employee is given the information and authority to make whatever decision may be called for by the work at hand (provided they seek counsel from their peers) and is thereby enabled to

make a unique and significant contribution to the company. Employees grow and develop with the company.

The form of businesses that promote human being stands in marked contrast to the form of businesses that do not. The latter promote an inhuman being that is also to judge by its "fruits" – feelings of monotony, alienation, seriousness, unhappiness, moral obtuseness, and often unsustainable economic success. And this inhuman being is also to explain by its characteristic form; in this case a *material form* that again has two aspects. One aspect is business activity directed mainly if not exclusively to a material purpose (final cause) – in many instances to make as much money as possible. The other aspect is a material, formal, and efficient dynamic of centripetal concentration through which the business grows by accretion, by amassing employees and commandeering their energies for its purpose. It grows as does a mob, as a gathering of force, of energy, and of effort to project outwards, and often aggressively, upon competitors. Moreover, this dynamic is deindividuating (and often alienating) as it calls upon employees to give up their personal being to become instruments of the business (to become, as it were, "company men" or "company women"). This is the dynamic that Mary Follett (1924) called "power over." By this material form – which appears also in the collective behaviors of other finite social beings such as birds, fish, and many mammal species including higher primates – these businesses make it impossible for their charges to become human persons and to unite fully in a human communion (which is always a spiritual union of persons).

This distinction between businesses that are spiritual or material in form and that foster or inhibit human being was anticipated long ago by theologian Saint Augustine (1958) who distinguished the "City of God" from the "City of Man." Every man, he argued, is necessarily a citizen of one or the other, either of the city of those who unite in the love of Christ and who are destined to reign eternally with God or of the city of those who unite in concern for material goods and who are destined to suffer eternal punishment along with the demons. The latter, Augustine says, are consumed by an unholy love – of the world in contempt of God, of individualism, of selfish ends, of avidity of praise, of jealousy, of tempestuousness, of quarrelsomeness, and of lording over neighbor. The former, he says, are inspired by a holy love: a love of God in contempt of self, a love of neighbors, a love of truth, friendliness, serenity, and peace. Augustine saw the City of God as the true grammar of human being written upon the human heart, always in potential, and expressed even if unawares. Every truly human city, he wrote, "is either the city of God or defined in relation to the city of God." It is that city which exists as a "multitude bound together by mutual recognition of rights and a mutual cooperation for the common good" (Augustine 1958, pp. 478–479). While actual human communities fall short of this heavenly ideal, they are marked by the myriad ways that they distort or corrupt the city of God, such as by thinking that authority comes from man rather than from God, by putting man's material ends before God's spiritual ends, by selfish greed for power and position, by unjust distributions of goods, and so on (see also Sandelands 2010).

It is thus important to emphasize that actual business organizations can never be fully and truly human because the only fully and truly human communion is of the spirit that unites all persons in God. To the degree that a business is focused and dwells in itself, apart and walled off from its customers and competitors, it is in that degree a material rather than spiritual being, and it is in that degree less than fully human. Thus the *most human* businesses – those with the most virtue of human being – are not those who exploit customers or who dominate and defeat competitors, but are those who serve customers alongside and even in conjunction with competitors. This is why, again, the virtue of human being is clearest to see in nonexclusive universal organizations of spirit, such as the Catholic Church, that are directed to the spiritual being of all persons in the communion of God.

Don't Manage, Administer

What Does the Virtue of Human Being Mean for Business Leaders?

Having identified human being as the greatest virtue of business, it is left to describe the part this virtue can and should play in business practice. What must business leaders do to enable their charges to come more fully into being as persons in communion able to know and love? In a word, what are the business ethics of human being?

We must begin by acknowledging that our human being, unlike that of God who is Being itself, is ever partial and unfulfilled – it is part actuality and part potency, always on the way to being, and becoming fully only as it reaches to God who creates and sustains all being. Thus a first ethical imperative of leading a business is to recognize that people are pointed to God. As theologian Guardini (1998) has observed:

> All things are related to a reality above and beyond themselves; from this reference alone can they be perfected and carried to fulfillment. Failing their reference to the other, all things, all orders of reality become empty shells. Stripped of their significance, they can convince no one of their root value. (p. 112)

As we have seen, the "reality above and beyond," which perfects and fulfills our human being and which secures significance and root value for us, is the One who is Being itself. In a word, we are for God. St Augustine saw this in the fact that we prefer being human to happiness itself. "There is not a man," he writes, "who wouldn't rather be sad but sane than glad but mad" (Augustine 1958, p. 237). Our first concern and love is for existence – to be the person we are – and this leads us to God as our one and only true end: "In Him our existence will know no death, our knowledge embrace no error, our love meet no resistance" (p. 239). "To possess Him is to be happy; to lose Him is to be in misery" (p. 245). Thus "…there is no other good which can make any rational or intellectual creature happy except God"

(p. 245). To recognize in this way that we are pointed to God is to recognize that the first priority of business – the business of business, if you will (Sandelands 2009) – must be the human person.

A second ethical imperative of leading a business is to recognize that as the virtue that leads to our greatest good, *human being* is the key to all the other business goods besides. Other "goods," such making a profit or building a brand, are goods only as they foster (or at least do not vitiate) the greatest good of human being. It is no good and indeed a positive evil to profit at the expense of the humanity of workers. Moreover, because it is the virtue that unites us to God, human being is the greatest of all human virtues and therefore the key to business ethics generally. Thus in Aristotle's (1962) exposition of the cardinal virtues – prudence, justice, temperance, courage – "human being" is the answer to the question of what the virtues are for. As Aquinas (1990) saw, we ask of the ends of virtue – "Why be prudent?" "Why be just?" "Why temper our desires?" and "Why have courage?" – so to take our human part in the full and true being which is God.

The good of human being is often unrecognized in business today because it is overwhelmed by secondary goods which become positive evils by taking people from God and by making them a tool or instrument of some worldly material good. Too many businesses bend and stretch their charges to fit their worldly aims rather than bend and stretch themselves to fit their charges' divine aims; they make man the object of business instead of business the object of man. Too many businesses induce their members to check their person – their human being – at the office or factory door and later reclaim it (if they can) when work is done. The myriad ways this happens are too many to say, but let me mention one of interest today in order to illustrate the evil that comes of putting a secondary material good before the primary good of human being.

Consider the good of social networking on the Internet. Its enthusiasts, among which are an increasing number of businesses today, claim that it fosters human communion by multiplying connections between people. But because it is only about connections and not true communion (which is in God), it has the opposite effect of dissociating people. It engages them in superficial relations that lack the human dimensions of risk, accountability, and true friendship. It is the sure evil of substituting the ersatz being of "Facebook friends" or "LinkedIn connections" for the true being of real persons in real communion. As philosopher Roger Scruton (2010) observes:

> You "click on" your friend, as you might click on a news item or a music video. He is one of the many products on display. Friendship with him, and relationships generally, belong in the category of amusements and distractions, a commodity that may be chosen, or not, depending on the rival goods. This contributes to a radical demotion of the personal relationship. *Your friendships are no longer special to you and definitive of your moral life*: *they are amusements*, *things that have no real life of their own*. (p. 51)

Just as it is evil for people to treat their "friends" on social media as commodities for the purpose of private amusement, it is evil for businesses to treat their

customers, suppliers, or employees on social media as commodities for the purpose of profit or market share.

However challenged and overridden, human being must be the first good of business and the first object of business ethics. Business leaders must minister to their charges by recognizing that they are pointed to God and by putting their good of human being before all others.

Conclusion

As we have seen in this chapter, we are human when we are persons in communion. We become thus by two acts of being: substantial existence (finite and infinite) and self-communication in relations with others. A business has the virtue of human being when it enables people to become persons in communion by these acts, which it can do by having a spiritual rather than a material form. The leader's job is to see to this virtue.

Let us close the chapter with a parting thought about what the virtue of human being means for our study of business. It means we must understand people in organizations in a new way, not only as finite things to study by natural science, but even more as infinite spirits to study by a metaphysics informed by faith. I believe this is the unintended message of today's subfield of business studies called Positive Organizational Scholarship (POS) (Cameron et al. 2003; see Caza A, this volume) which consists of many and varied efforts to think scientifically about the human dimensions of organizations. There are two remarkable things about POS: first, its ideas are almost uniformly optimistic and focused on positive human qualities of compassion, flourishing, courage, resilience, virtue, and love, and second, its ideas are rarely put to scientific test. In these two things, critics of POS see cultural or ideological bias and/or inadequate science (Fineman 2006; Caza and Carroll 2012). In these two things, I see longing for real human being. That POS is optimistic and positive makes sense if, as Aquinas maintained, the human person is the image of God and thus the perfection of being in the cosmos. That POS has not tested its ideas scientifically makes sense if the human person is spiritual and infinite and thus beyond science. Thus I wonder what further service POS might be to business studies if it acknowledged explicitly what its thinking already implies, namely, that we are most fully human when we join as persons in communion able to know and love in the image of God.

In sum, if we are made for God, then the only important thing for us to do, whether in business or anywhere else, is to find our way to Him. To do this we must know exactly where we are and what it will take to get to Him. We must know that when we sin against God (by putting our worldly "goods" before His supreme good), we fall from His grace and exile ourselves from His being. And we must know that despite our sins, God calls and waits for us to be in Him. This is our great drama of human being. And this is why a true business ethics must begin with the virtue of human being.

References

Aquinas T (1990) In: Kreeft P (ed) A summa of the summa. Ignatius Press, San Francisco

Aristotle (1962) Nicomachean ethics (trans: Ostwald M). Bobbs-Merrill, Indianapolis

Aristotle (1999) The metaphysics (trans: Lawson-Tancred H). Penguin Classics, New York

Augustine St (1958) City of god (abridged version from the translation by Walsh GF, Demetrius BZ, Monahan G, Honan, DJ). Image Books, New York

Baker W (2011) Zingermans community of businesses. University of Michigan, Ann Arbor

Bakke DW (2005) Joy at work. PVG, Seattle

Benefiel M (2008) The soul of a leader. Crossroad Publishing, New York

Blanchard K, Barrett C (2011) Lead with luv. FT Press, Upper Saddle River

Bower JP (2000) Atchison corporation (a). Harvard Business School, Boston

Cameron K, Dutton JE, Quinn RE (2003) Positive organizational scholarship. Barrett Kohler, San Francisco

Caza A, Carroll B (2012) Critical theory and positive organizational scholarship. In: Cameron K, Spreitzer G (eds) Handbook of positive organizational scholarship. Oxford University Press, New York

Chappell T (1993) The soul of a business. Bantam Books, New York

Clarke WN (1993) Person and being. Marquette University, Milwaukee

De Pree M (1997) Leading without power. Jossey-Bass, San Francisco

Fineman S (2006) On being positive: concerns and counterpoints. Acad Manage Rev 31 (2):270–290

Follett MP (1924) Creative experience. Longmans, Green and Company, London

Frey FX, Ely RJ (2013) Zappos.com 2009. Harvard Business School, Boston

Guardini R (1998) The end of the modern world. ISI Books, Wilmington

Kotter JP (1981) Mary Kay cosmetics, Inc. Harvard Business School, Boston

Maritain J (1966) The person and the common good. University of Notre Dame Press, Notre Dame

Nayar V (2010) Employees first, customers second. Harvard Business School, Boston

O'Reilly C, Pfeffer J (1995) Southwest airlines (a). Stanford Graduate School of Business, Stanford

Ouimet JR (2010) Everything has been loaned to you. "To God Go" Foundation, Montreal

Paine LS (1994) AES honeycomb (a). Harvard Business School, Boston

Pollard CW (1996) The soul of the firm. Zondervan, Grand Rapids

Sandelands LE (2009) The business of business is the human person: lessons from the catholic social tradition. J Bus Ethics 85:93–101

Sandelands LE (2010) God and mammon. University Press of America, Lanham

Sandelands LE (2014) Being at work. University Press of America, Lanham

Scruton R (2010) Hiding behind the screen. www.TheNewAtlantis.com

Part XII

Individual Virtues and Organizational Virtues

Organizational Character and Agency

Geoff Moore

Contents

Abstract

This subsection of the handbook focuses on individual and organizational virtues. To set the context, this introductory chapter addresses the question of whether and how we may speak sensibly of virtues and vices of organizations, as well as of the individuals within them. To understand organizations in this way, however, is potentially to invest them with agency and this remains a controversial issue – are organizations, as well as the individuals within them, moral agents? Having laid out the terms of debate for these two related issues, the chapter concludes by introducing the other papers in this subsection.

Keywords

Agency • Character • Virtues • Organizations

G. Moore (✉)
Durham University Business School, Durham, UK
e-mail: geoff.moore@durham.ac.uk

Introduction

Virtue traditions share a focus on the character of the individual. That is to say, the focal point is the person, the virtues that he or she has, or could or should have developed, the vices he or she has and how these should or could have been avoided, and how those virtues and vices are exercised in his or her daily life. The *character* of the individual is then understood as a way of amalgamating or summarizing those virtues and vices which have become characteristic of the individual. Someone of virtuous character is normally thought of as possessing and exercising virtues, such as self-control, courage, justice, and wisdom (the four cardinal virtues) in unison, and of doing so across all of the activities of their life at any one point in time, and throughout their life as a whole, requiring the virtues of integrity and constancy, respectively (MacIntyre 1999: 317–318).

The application of the virtues to different contexts follows easily from this. As individuals, we need to "fit into" the particular society in which we happen to live, and to do so we need to possess and exercise the virtues that are valued by that society, and to avoid the vices which that society despises. But, of course, different virtues might be valued by different societies. So, for example, Aristotle's paradigm person was the Athenian gentleman in the context of a city state and his list of virtues consequently included, for example, magnanimity and friendliness. For Homer, however, the paradigm was a warrior with a rather different set of virtues including, of course, courage but also physical strength. The New Testament recognized different virtues such as humility, as well as what are known as the theological virtues of faith, hope, and love. Benjamin Franklin's list, on the other hand, contained virtues such as order, resolution, frugality, and industry because Franklin, within a commercial context, saw the virtues as primarily being useful in the pursuit of commercial success – indeed he considered acquisition as a virtue, whereas in other societies this would be regarded as a vice. (See MacIntyre 2007: 182–183 for a summary of these and other virtue traditions.)

MacIntyre argues (2007: 183–187) that despite these significant differences, all of the above can be characterized as virtue traditions because each assumes the same form of relationship between the virtuous agent and their roles in the practices in which they engage, in their communities and in their lives as a whole. But for our purposes here, the key and uncontroversial point is that virtues (and vices) at the individual level can be applied in different contexts. That, as Benjamin Franklin's understanding of the virtues indicates, such contexts can include organizations in general, and business organizations in particular, is also uncontested. Hence, we can clearly ask sensible questions about the virtues that individuals could or should apply, and the vices they could or should avoid, within business organizations whether as employees or as managers.

However, the application of virtue ethics to business organizations has raised questions beyond this individual level. In organizations, individuals commonly work in groups, often referred to as teams. Can we speak sensibly about the virtues and vices of teams? And, having raised the question of the aggregation of individuals into groups, are we able to take this one stage further and speak sensibly of the

virtues and vices and hence the character of organizations? It is to these questions that this introductory chapter is directed.

Moral Agency

The questions above are all to do with moral agency. The idea that individuals are fully fledged moral agents is a commonplace. Of course, some individuals, including children (who are deemed not yet to have acquired sufficient emotional and intellectual capabilities) and the very elderly (perhaps due to deficient mental capacity because of temporary or permanent circumstances), cannot be regarded as morally responsible for their actions and may, in certain circumstances, need to have others make decisions for them. But most people, most of the time, are uncontestably moral agents and so the allocation of responsibility, praise, blame and, consequently, punishment is not in question. Might the same be said of groups and organizations?

This question has been considered at length in the management literature in discussions of what is generally known as corporate moral agency (see Dubbink and Smith 2011; French 1995; Hasnas 2012; Moore 1999; Velasquez 2003, for example, and note that these discussions may be applied to organizations in general and not only to corporations). These protagonists fall essentially into two camps: those who argue for corporate moral agency and those who, in contrast, argue that only individuals can be moral agents. Hasnas, in his recent contribution, argues for the latter position but maintains that the notion of corporate moral agency, while in his view philosophically indefensible, is nonetheless of practical use:

> The language of corporate moral responsibility can serve an important expressive function. By allowing us to speak as though moral agency can be predicated on indefinite collections of loosely related and constantly changing individuals, it facilitates people's efforts to express moral condemnation of both the behavior of corporate employees and a corporation's ethical culture. Such language is much more efficient at mobilizing public sentiment than are the cumbersome statements required to identify the interactions among an amorphous group of people that produce morally unacceptable results. One might say that the language of corporate moral responsibility reduces communicative transaction costs. (Hasnas 2012: 194)

Hasnas is here following in the steps of Velasquez's (2003) arguments. Velasquez similarly argued that it is an error to attribute moral responsibility to corporations, but he also identified two other forms of responsibility – causal and compensatory – that could be so attributed. In relation to casual responsibility, however, he maintained that the corporate intentionality involved in acts or omissions was only ever an "as-if" intentionality and not a "literal intrinsic" one such as would apply to human beings. In other words, we can refer to corporations *as though* they intended to bring about certain acts, recognizing the important expressive function this serves and recognizing that corporations will often be the most appropriate body to provide compensation for actions carried out in its name (see

also Hasnas 2012: 194). Used this way, it makes sense to refer to corporations as having causal and compensatory responsibility, recognizing that this falls short of attributing full moral agency and hence responsibility.

Applying Virtue at the Organizational Level

In the application of virtue to the organizational level, it is also uncommon to find an ontological argument (in effect, that organizations are full-fledged moral agents). But in a manner similar to Hasnas' argument above, one common approach has been to attempt a metaphorical argument (Klein 1988: 56; Chun 2005: 277; Moore 2005: 664 and note 4; Whetstone 2005: 371; Moore and Beadle 2006: 374). This approach suggests that we can speak sensibly, but in a metaphorical manner only, of organizational-level virtues and vices and, following from this, the idea of organizations as having moral character. This would allow us to project from the individual to the organizational level and speak of organizations in the same way as we talk of individuals – while recognizing and remembering that this is only by way of metaphor.

There is, however, a difficulty with this way of approaching organizational-level virtues, vices, and character. By speaking metaphorically, there is an implication that an organization has characteristics which are only *similar to*, but not quite *the same as*, those of individuals. And, if they are only metaphors, there is no sense that they would then lead to action or particular behaviors by the organization or its members. This is problematic because the normal understanding of a virtue or vice (found in Aristotle and Aquinas, for example) is that it leads to actions that are either morally praiseworthy or the opposite; in other words, there is a causal effect that would not seem to be present if we speak of virtues only as metaphors.

Another approach to this area of organizational virtue stems from the positive organizational psychology literature. This literature does not attempt to resolve the ontological debate around moral agency directly (see Bright et al. 2014: 454–457) but it does recognize the importance of causal effect. So, for example, Cameron et al. refer to "virtuousness *in* organizations," which applies to the behavior of individuals in the organization, and "virtuousness enabled *by* organizations" which is linked to "the features of the organization that engender virtuousness on the part of members" (2004: 768, emphasis in original). Using the idea of virtuousness as "features of the organization" does not imply either an ontological or a metaphorical position, but, in a similar manner to concepts such as organizational culture, it does imply that there will be a causal effect of the organization (see Hasnas 2012: 189–190, for example), and its virtuous features or otherwise, on the behavior of individuals within the organization. Interestingly, the organizational culture literature accepts the causal effect of culture without seeking to resolve the ontological implications.

A helpful development in seeking to apply virtue at the organizational level is contained in Palanski et al. (2011). Here, the notion of virtues at the mezzo level of the team is developed and validated empirically. Their starting assumption is that

"virtues are fundamentally isomorphic – that is, they have the same basic structure and function across levels of analysis" (202). As such, in their study, constructs such as transparency, behavioral integrity, trust, and performance are properties not only of the individuals within the team but also of the teams themselves. But, of course, teams are aggregates of individuals so that, having made this conceptual move (and validated it empirically), it can then be extended to the organizational level – a further move which, so it can be argued, is only a quantitatively higher level of aggregation, not a qualitatively different one.

From this, we can conclude that "an organization is not merely a passive container that holds the virtues of its members, but rather it provides a more generative (or perhaps deleterious) context in which organizational members interact in ways that prompt, enable and/or enhance (or perhaps diminish or inhibit) virtue" (Bright et al. 2014: 456). This would mean that speaking of organizational virtues and character would serve an important, and efficient, *expressive* function (Hasnas 2012, as cited above), allowing us to speak intelligibly about important features of organizations as promoting virtue or vice within the organization's members. But this would not imply either that the ontological position of the organization itself possessing moral agency, nor that the metaphorical position of the organization having characteristics *like* those of individuals, were being adopted.

Organizational-Level Virtues, Vices, and Character

What this does imply, however, is that it might be possible to speak of organizational-level virtues (and vices) as though they were in some sense features of an organization but importantly also to recognize that these features have causal effect on individuals, managerial and otherwise, within the organization; they cause them to behave in particular ways.

This would then allow us to speak sensibly of particular virtues and vices of an organization and, as with an individual (or a team), summarize such virtues and vices in a description of character. This might allow us to identify organizations that are virtuous or, on the other hand, vicious though it is more likely that, as with individuals, any description of character is likely to fall somewhere between these two extremes.

If we follow this approach, we might then be able to define organizational character as follows:

> the summary of characteristics that develop over time in response to an organization's challenges and opportunities, [and] can be characterized by virtue in promoting morally laudable attributes and behaviors or it can be characterised by vice in promoting immoral behaviour or behaviour that runs contrary to or corrupts virtue. (Neubert et al. 2009: 157)

This definition links together organizational-level characteristics and individual-level attributes and behaviors. However, it also implies that the organization itself

"possesses" virtues and vices which it can exercise. If this approach is accepted, it means that organizations must possess a form of agency at least to some limited degree – short of fully fledged moral agency, but nonetheless at the very least responsible in a causal and compensatory manner (Velasquez 2003, as above) for actions which can be attributed to the organizational level. There is a parallel here with the concept of "legal personality" which allows for juridical persons, such as groups of people or corporations, to be treated by the law as if they were persons – to sue and be sued, for example (see Velasquez 2003: 533). This, of course, also allows for individuals to remain liable for acts or omissions conducted in organizational roles, alongside the "collective" punishments suffered by corporations (for example) when they have been found to be in breach of a particular legal code. In the same way, moral agency remains with individuals in their organizational roles, while the organization itself can be attributed with agency in the limited sense outlined above.

Exercising Agency

Arriving at such conclusions about individual and organizational virtues, vices, character, and agency is all well and good. However, there is one further issue that we need to address. For, while *possessing* agency in the way described here is one thing, having the ability to *exercise* it is another. At the individual level, and in relation to managers in bureaucratic organizations, this was MacIntyre's concern:

> in his capacity of corporate executive, the manager not only has no need to take account of, but *must* not take account of certain types of considerations which he might feel obliged to recognize were he acting as parent, as consumer, or as citizen. (MacIntyre 1979: 126, emphasis in original)

In other words, the manager's agency is constrained to such an extent that he is, within the corporate setting, no longer a "free" agent. Institutional theory has probably done the most useful work here and refers to this as the paradox of embedded agency (Battilana and D'Aunno 2009). That individual agency is embedded within the institutional environment (both organizational and in what is termed the organizational field) is accepted, as is the potential for such an environment to be so totalizing that agency is entirely constrained (the holocaust's impact on Jews is the archetypical case, though stories such as that of Etty Hillesum (see, for example, Hillesum and Hoffman 1996) provide evidence that, even here, individual agency is possible). But that individuals still have the opportunity to exercise their agency, and the mechanisms by which that operates, is also found in this literature. Agency can, therefore, become sufficiently *disembedded* to allow an actor the "ability to operate somewhat independently of the determining constraints of social structure" (cited in Battilana and D'Aunno 2009: 45). Organizational practitioners, through the exercise of virtue, are therefore able, at least to some degree, to disembed themselves from external constraints and, in the process, may help to

create both a more conducive environment and a better organizational character through which the organization could flourish.

The same notions of embedded and disembedded agency, but applied at the organizational level, also finds support in this literature (Fernando and Moore 2015; Walker et al. 2014, for example). In the same way as Palanski et al. (2011) referred to virtue as being isomorphic across levels, so not only individuals but also organizations possess agency in the manner described above and also have the ability to exercise that agency, even allowing for certain institutional constraints. And we might expect that the virtuous organization, just as the virtuous individual, would tend to exercise that agency in such a way as to lead to its own achievement of a good purpose (Moore 2012) and hence to the common good of society.

The Papers in This Subsection

Four further chapters complete this subsection. In their chapter, Karen Manz, Robert Marx, Charles Manz, and Pamala Dillon offer a case study of a virtuous organization – Dean's Beans, a small speciality coffee roaster in western Massachusetts. A key contribution of this chapter is the interplay between the charismatic founder of the organization, Dean Cycon, and the organization itself. In a small organization there is, of course, the possibility of a founder stamping his or her own character onto the organization's character, in a way that is more difficult for larger organizations and those where the leadership might well have changed over time and be more dispersed. Among others, the chapter identifies in particular social, environmental, and economic justice as the key virtues which are characteristic of its founder and fully embedded in the organization – providing along the way further evidence of the isomorphism of virtues across levels.

In his chapter, Gary Weaver provides a summary of virtue ethics at the individual level and addresses the question of how and in what communal contexts virtues are developed. He then links this to, and contrasts it with, research into moral identity before turning to organizational influences on virtue. Here, in a manner consistent with the argument in this chapter, he identifies that organizations can not only influence virtuous action at the individual level but can also more fundamentally structure moral identity by shaping habits and affections. This can, of course, operate in both directions – enabling developmental growth in virtue or otherwise. Weaver then explores moral intuition and its role in actual moral choice and behavior, showing how this is also aligned with a virtue ethics approach. The development of moral intuition in organizations suggests that experience and relationships will be key to developing virtue, rather than the formalized training in ethics and rules that is more commonly associated with organizational ethics development programs.

Tom Whetstone, in his chapter, discusses the development of a virtuous organizational culture. While the terminology is different from that of organizational character developed above, Whetstone draws on the common currency of organizational culture as something that guides the behavior of its members – in line with

the approach outlined above, where the organization's features have causal effect. He then identifies the need to develop an organizational purpose which tends to the common good, the leader's roles and virtue orientation, and the cultivation and exercise of practical wisdom as a key leadership virtue, if a virtuous organizational culture is to be developed. From there, he identifies particularly the role of mentoring by leaders of more junior organizational members if such a virtuous organizational culture is to become embedded. Again, the interplay between individual and organizational-level virtues will be apparent.

Finally, Hector Rocha's chapter tackles a problematic issue for virtue ethics and organizations – whether there can be an alignment between the individual's personal motives and virtues and those of the organization. The neoliberal rational choice approach suggests self-interest as the main motivating force for individuals, with others regarded only as means to the individual's ends, and thus to a merely instrumental alignment between the personal and firm levels based largely on conflict. But Rocha shows how an Aristotelian-Thomistic approach offers an alternative. A desire for excellence as a key human motivation, and practical rationality as its main logic, leads potentially to an intrinsic rather than instrumental alignment between an individual's motives and the goals of the organization.

Conclusion

This introductory chapter together with the other chapters in this subsection provide a rich and varied exploration of individual and organizational virtues and the interrelationship between the two. There are, in the nature of the subject, philosophical and empirical complexities contained here. But there is also a very strong sense that understanding organizations in this way, and focusing on how they may themselves, and through the individuals within them, promote the possession and exercise of virtue, holds out the possibility of a reform of organizations in such a way as to promote the common good.

References

Battilana J, D'Aunno T (2009) Institutional work and the paradox of embedded agency. In: Lawrence T, Suddaby R, Leca B (eds) Institutional work: actors and agency in institutional studies of organizations. Cambridge University Press, Cambridge, pp 31–58

Bright D, Winn B, Kanov J (2014) Reconsidering virtue: differences of perspectives in virtue ethics and the positive social sciences. J Bus Ethics 119(4):445–460

Cameron K, Bright D, Caza A (2004) Exploring the relationships between organizational virtuousness and performance. Am Behav Sci 47(6):766–790

Chun R (2005) Ethical character and virtue of organizations: an empirical assessment and strategic implications. J Bus Ethics 57(3):269–284

Dubbink W, Smith J (2011) A political account of corporate moral responsibility. Ethical Theory Moral Pract 14(2):223–246

Fernando M, Moore G (2015) MacIntyrean virtue ethics in business: a cross-cultural comparison. J Bus Ethics 132(1):185–202

French P (1995) Corporate ethics. Harcourt Brace, Fort Worth Dallas

Hasnas J (2012) Reflections on corporate moral responsibility and the problem solving technique of Alexander the great. J Bus Ethics 107(2):183–195

Hillesum E, Hoffman E (1996) An interrupted life: the diaries and letters of Etty Hillesum 1941–43. Picador, London

Klein S (1988) Is a moral organization possible? Bus Prof Ethics J 7(1):51–73

MacIntyre A (1979) Corporate modernity and moral judgement: are they mutually exclusive? In: Goodpaster KE, Sayer KM (eds) Ethics and problems of the 21st century. University of Notre Dame Press, Notre Dame

MacIntyre A (1999) Social structures and their threats to moral agency. Philosophy 74(3):311–329

MacIntyre A (2007) After virtue, 3rd edn. Duckworth, London

Moore G (1999) Corporate moral agency: review and implications. J Bus Ethics 21(4):329–343

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Moore G (2012) Virtue in business: Alliance Boots and an empirical exploration of MacIntyre's conceptual framework. Organ Stud 33(3):363–387

Moore G, Beadle R (2006) In search of organizational virtue in business: agents, goods, practices, institutions and environments. Organ Stud 27(3):369–389

Neubert M, Carlson D, Kacmar KM, Roberts J, Chonko L (2009) The virtuous influence of ethical leadership behaviour: evidence from the field. J Bus Ethics 90(2):157–170

Palanski M, Kahai S, Yammarino F (2011) Team virtues and performance: an examination of transparency, behavioral integrity, and trust. J Bus Ethics 99(2):201–216

Velasquez M (2003) Debunking corporate moral responsibility. Bus Ethics Q 13(4):531–562

Walker K, Schlosser F, Deephouse D (2014) Organizational ingenuity and the paradox of embedded agency: the case of the embryonic Ontario solar energy industry. Organ Stud 35 (4):613–634

Whetstone T (2005) A framework for organizational virtue: the interrelationship of mission, culture and leadership. Bus Ethics 14(4):367–378

A Case Study of a Justice-Based Virtuous Organization

Karen P. Manz, Robert D. Marx, Charles C. Manz, and
Pamala J. Dillon

Contents

Abstract

Good cases featuring virtuous leaders and the practices and processes of their organizations can be hard to find. To find them we can look to virtue-driven social entrepreneurs who often launch businesses with a responsible purpose of serving a broader social good. In this chapter, we describe a case of one such leader, CEO Dean Cycon, and his exemplary organization, Dean's Beans Organic Coffee Company. Cycon had been a lawyer, social activist, and Fulbright scholar when he created the company as a way to continue his social activism through business. With a passion for social justice and established connections with indigenous coffee growers on four continents, he created the

K.P. Manz (✉)
Amherst, MA, USA
e-mail: karen.p.manz@gmail.com

R.D. Marx • C.C. Manz •
P.J. Dillon
Isenberg School of Management, University of Massachusetts–Amherst, Amherst, MA, USA
e-mail: marx@isenberg.umass.edu; cmanz@isenberg.umass.edu; pjdillonsom@gmail.com

very first company to incorporate direct development based on these small farmers' priorities into a business model. Virtues, such as compassion, integrity, and justice, extending well beyond the traditional bottom line, are displayed in the practices and processes of this organization involving thousands of stakeholders. This case reveals profound lessons about the positive relevance of virtuous organizational practice to moral imperatives.

Introduction

Mental images of greedy managers abusing power from lavish executive suites in the pursuit of unreasonable and unsustainable financial returns have become a common caricature of business. Yet, there are notable exceptions. In fact, increasing attention has recently been devoted to more hopeful contemporary management concerns such as corporate social responsibility (CSR), social entrepreneurship (SE), and sustainability (Epstein 2008; Aguinis and Glavas 2012). Through positive organizational scholarship (POS), some examples of previously neglected higher order values or "virtues" such as compassion, healing, flourishing, resilience, and justice that extend beyond monetary resources and the bottom line are finally entering discussions about effective business practice (Cameron and Spreitzer 2011).

Social entrepreneurship, by basic definition, is engagement in business with a social purpose. It is often driven by a commitment to an individual's higher level values, or more specific to this volume "virtues," such as compassion and justice, that extend well beyond the bottom line. A more precise definition is the use of market-based methods to solve social problems and therefore simultaneously create both social and economic value (Miller et al. 2012). Although social entrepreneurship has been described as a rare phenomenon, there has been a dramatic increase of interest in social entrepreneurship within business schools and the Academy of Management (Lawrence et al. 2012). With this increased demand is a corresponding need for engaging and credible cases of successful social entrepreneurs for management education. More specifically, the power of profound and engaging stories about individuals embedded within case analysis is especially needed for understanding moral imperatives as they become lived reality in the workplace.

Good cases, with limited exceptions, can be hard to find for the management classroom (Hamschmidt and Pirson 2011). Dean's Beans is an exception. In this chapter, the authors highlight some findings and conclusions based on their multiyear and ongoing case study of the exemplary social justice company, Dean's Beans Organic Coffee Company (Manz et al. 2013). A variety of other studies have used a case study approach to address higher level values connected

with social responsibility in business. This work is consistent with exploration of the concept of *The Virtuous Organization* (Manz et al. 2008) which is part of a stream of case study research by members of this author's team that includes a focus on specific organizations and key leaders who represent a social entrepreneurial approach (Manz et al. 2001, 2009, 2011; Shipper et al. 2013; Harris et al. 2014). Often, as is true for the feature case of this chapter, it is the virtue-driven social entrepreneurs who launch businesses with a responsible purpose of serving a broader social good. Indeed, it is the social entrepreneurs' pursuit of virtue through business, such as fair and just treatment of the various stakeholders of an organization, which can plant the seeds for virtuous organizations.

It can be useful to consider the following "virtue points" for reading and reflecting upon a virtuous organization case. We suggest you keep these points in mind as you consider the following case:

1. Virtues begin as ideals but become "real" in practice through the words and actions of individuals. Look for clues through expressions of leadership. Consider the motivation and energy factor which animates the leadership such as in "a passion for social justice."
2. The "language of virtue" varies at the individual level. How one understands virtuous goals or means for working toward those goals within an organization is unique to one's value system and personal attributes (personality, skills, talents, and educational, work, and life experiences). It is through the opportunities presented in the social context of the workplace that one is challenged to develop a virtuous purpose and stance for action. Look for clues in verbal and written communication.
3. It is through the actions of individuals collectively that the presence – or absence – of social virtues (such as compassion, justice, or equality) can be recognized. Look for clues in collective or group engagement and at how people are treated and work with others. How might organizational structure, processes, and practices facilitate these activities?
4. Positive and constructive goals can be markers of virtuous attempts to change a dysfunctional or inhumane work environment and its broader community. Look for evidence of relevant policy or industry standards of operation (inside or outside of the organization) which contribute to the fair treatment and empowerment of workers.

The Case of Dean's Beans Organic Coffee Company

Dean's Beans is a small specialty coffee roaster in Western Massachusetts. Founded by Dean Cycon in 1993, the company currently employs ten people and has grown at an average rate of 10 % annually. Fair trade, organic coffee beans are imported from 11 countries on four continents with the 2012 revenue at over $4 million. The www.deansbeans.com website along with cafes and restaurants

account for the majority of sales. A variety of other outlets include Whole Foods Market.

The Dean's Beans website is highly reflective of the personality and character of Cycon and serves as a primary marketing tool for the organization. The site is a reservoir of firsthand and continuously updated examples of socially conscious business practices. It includes an array of blogs, articles, interviews, video clips, radio spots, and links to relevant social media on the broad social initiatives and business-related ventures of Cycon and his company.

Origin of the Organization's Values

When Dean Cycon graduated from college in 1975, there was little to suggest that he would become the Founder and CEO of Dean's Beans Organic Coffee Company. But even at that milestone, Cycon was an activist for social justice, and he felt a "calling" to do something different. Law school and a brief stint on Wall Street helped him realize that law was not the "great vehicle for social change that he had hoped it might be." He soon took a Fulbright Fellowship where he researched and lectured about the impacts of development on indigenous communities. This led to further service and adventure in several countries. While lecturing in l987 on the causes of rain forest destruction at the University of Rhode Island, he was approached by a professor. He asked Cycon if he would meet with a coffee shop owner acquaintance who wanted to create an organization to help coffee growers.

> Since the majority of coffee growers are indigenous peoples, doing focused development work in the coffeelands seemed like a good combination of my skills and interests. We met and the three of us immediately founded Coffee Kids, www.coffeekids.org, the first development organization dedicated to coffee communities. . . .the coffee shop owner would raise money from the coffee industry to support our efforts. I would go into the villages, meet with the farmers and their families, assess needs, and evolve programs and strategies to address the problems identified by the farmers. . . .We set up microcredit banks for women in Guatemala and Mexico, a water project in Sumatra, and several other initiatives. It was a solid, grassroots development. (Cycon 2007, p. xiv)

Over time, Cycon realized that Coffee Kids was merely putting out "brush fires." He witnessed coffee industry executives arrive by helicopter, take pictures and videos after paying for modest improvements to the village, and then fly off, often never to be seen again. The coffee growers and their communities would not improve if wages could not improve; the coffee growers would be destined to continue their lives in perpetual poverty and hopelessness. Perhaps it was Cycon's legal training and passion for social justice that led him to ask three questions that were to form the core values of the company that he would soon lead:

1. What would happen if the company took a level of responsibility for the conditions found in the villages it was buying from and became involved in

the lives of its suppliers through direct development work and other forms of support to the community?
2. Could the dynamics of poverty, which seem endemic to coffee growing, be challenged and overcome?
3. Could the company still be profitable? (Cycon 2007, p. xv)

Cycon's questions and his varied experiences in the 1980s would allow him to make the courageous leap to the start-up of a unique business venture. It was the right place and the right time. The 1980s had been a decade where issues between international development and social justice were maturing into two key formal platforms – people-centered development and fair trade – which would enhance the networking capacity and trade partnership ability of Dean Cycon. Dean's Beans would be a reality by 1993.

People-Centered Development

In 1984, David Korten, a former regional advisor to the US Agency for International Development (USAID) proposed a people-centered development strategy that would pursue greater justice through policy and programming focused on empowerment, inclusiveness, and sustainability. The concept gained wider acknowledgment and was widely promoted in the United Nations Development Program's Human Development Report of 1990. This report focused on "bringing about development of the people, by the people, and for the people, and emphasizing that the goals of development are choices and freedoms." In addition, the need for economic growth was reinforced as a necessary means for achieving sustainable development.

To understand the structure of the Dean's Beans business model and how it facilitated the application of Cycon's personal sense of justice to the organization as a whole, one must begin with the core value of Dean's Beans: people-centered development. The Dean's Beans website explains:

> People-Centered Development (PCD) is an approach to international development that focuses on the real needs of local communities for the necessities of life (clean water, health care, income generation) that are often disrupted by conventional development assistance...First of all, we only do projects when asked and invited in by the community, not by the government or some large foreign aid agency. When we visit, we talk to the farmers, women's groups and others about what the biggest problems are in the community. Then we talk priorities - theirs, not ours. We then work directly with the community to design a project that will address their expressed priorities. We try not to bring in outside (or even local) organizations if the people themselves can manage the project.

Cycon works personally with the coffee grower cooperatives to meet the objectives of people-centered development. Over the years, his integrity and consistency of words and actions have earned him the trust of his cooperative partners and their

families. Cycon has built up trust as he has learned a bit of each language, eaten and slept in the villages, and helped villagers learn how to make business and community decisions. More specifically, he has set up the training and development of local people to become certified organic growers, helped organize coffee grower cooperatives, and facilitated the development of channels for fair trade. These efforts along with the profits from the sale of Dean's Beans coffee feed into and help empower the coffee grower communities.

Visitors to the Dean's Beans website can learn about each coffee grower cooperative (coop) and community issues. For example, Dean's Beans has brought water to a school in Beagle Gorbitu, Ethiopia, and paid the salary of a highly qualified teacher that was three times the amount the government would pay for a less-qualified teacher. In Nicaragua, the design and funding of a café/roasting facility, modeled after a similar previous project in Leon that supports land mine victims, was initiated. The list goes on and on suggesting the wide range of constructive impact business can have when priorities addressing the real needs of people and communities connected with their supply chain are at the top of an organization's mission list.

Domestically, Dean's Beans supports projects with disenfranchised communities such as Native Americans, the homeless and disabled, and local community members including a group of Somali refugee women in Springfield, MA. People-centered development is also the core value for the staff at the home office and roasting facility in Massachusetts. Choosing this location because of its high unemployment rate, Cycon's PCD values ensure an above-market wage for these workers, 100 % health benefits paid completely by the company, profit sharing, and much more.

Fair Trade

Fair trade is a certification response to decades of work by individuals to address trade injustice in Third World countries; the process continues to change. According to the World Fair Trade Organization (2009), "Fair Trade is a trading partnership, based on dialogue, transparency, and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading options to, and securing the rights of, marginalized producers and workers – especially in the [Global] South." This is achieved both through commitments to specific principles guiding operations, as well as the provision of financial premiums provided to producers. Fair trade covers numerous products, ranging from coffee to toys. The first fair trade coffee was brought into the USA in l989.

Fair trade, coffee, and social responsibility are intimately linked. According to Fairtrade International (http://www.fairtrade.net), the product certification system associated with around 90 % of all fair trade sold annually around the world, 80 % of all coffee is farmed by small land holders with less than 10 ha (or about 24 acres) of land. There are fluctuations in price that fall outside of their control, weather or natural disasters can affect production, and potential diseases can devastate crops in

any given year. There is a certain leap of faith in investing funds to grow coffee when potential income can greatly change.

Within the coffee industry, fair trade certification entails distinct social, environmental, and economic standards covering the categories of trade, production, and business and development. Fair trade social standards require that participants have a democratic governance structure and transparent administration, promote social and economic development of its members, and do not discriminate on the basis of race, religion, gender, politics, and ethnic or social origin. Economic standards include the fair and transparent administration of the fair trade premium. Environmental standards are intended to ensure that the producer and its members protect the natural environment.

In addition to the generic industry standards, product-specific standards must also be met. These include additional social, economic, and environmental development standards germane to the product. For instance, one of the standards specific to coffee is that $.05 of the fair trade premium be used toward the improvement of productivity and/or quality of fair trade coffee. On the buyers' side of purchasing fair trade green coffee, the buyer must provide prepayment of up to 60 % of the price of the contract at the producer's request, providing financial assistance up front to take care of production issues.

Cycon participated in the development of fair trade in the United States. The Dean's Beans website provides an extensive primer on fair trade including a video where Cycon walks through the whole process, as well as a page and links dedicated to the "fair trade road map."

The road map shows how fair trade standards relate to the company's practices. For example, links can direct one to extensive information about the Dean's Beans Comprehensive Sustainability Strategy (CSS) and the social equity premium. The CSS includes their carbon-neutral initiative, recycling and product design, and annual United Nations Global Compact reports on the company's progress in the areas of human rights, anticorruption, and labor and environmental issues. The social equity premium is a voluntary premium paid above the international fair trade price of $1.41/lb for all Dean's Beans coffees. The six-cent/lb premium may be paid if the cooperative includes women in its membership and decision-making groups and can be used by the farmers for cash distribution, community development, or whatever they decide is the highest priority. Dean's Beans is the only company in the USA currently paying more than the fair trade price.

The Business Model

While Dean's Beans is serious about organizational success, its approach to having a viable business that survives and thrives over the long run is not based on a "business-as-usual" platform that Cycon believes his large coffee company competitors continue to practice. Rather, the company's distinctive strategy is to operate with flexibility and according to values that are consistent with the reason the business was created in the first place.

In his wisdom, Cycon created the very first company to incorporate direct development based on farmers' priorities into a business model. He would be vitally connected at the supply chain as well as to his customer base and would ultimately connect both through financial and social justice means. Economic and social justice-based value for both Dean's Beans and the coffee growers is created through a myriad of creative efforts and trusted networking. The following are primary elements of the successful business model.

Buy High-Sell Low

"Buy high, sell low" is a mutually beneficial financial strategy for both the coffee growers and customers. In Cycon's words, "'Buy High' means that we need to pay the highest price possible to the farmers who grow our coffee so that they can lead lives of dignity and have an improved quality of life. 'Sell Low' means we sell our coffee at the lowest price possible so that more consumers can partake in our cause" (The Business of Change, linktv.org.deansbeans). For example, Dean's Beans online pricing in November 2013 was 8.59 USD/lb for all major roasts (flavored and decaffeinated can be a dollar higher) versus major coffee competitors at 13.99–16.99 USD/lb.

No Middlemen

Cycon developed operational strategies which minimize cost by cutting out the traditional "middleman." First, he hired a brokering service enabling the company to avoid retaining expensive supervisory staff in each country while facilitating the business process with help from outside its official employee ranks. The service works with each cooperative to arrange shipment of the beans to the USA, shepherding the shipment through customs and arranging for delivery to the roasting facility and thereby eliminating the middleman for these outside services. For example, Dean's Beans recently paid a rate of 8000 USD per year versus the 80,000 it would have cost to have a person on the ground, a savings of 90 %. Secondly, Cycon cofounded Cooperative Coffees in 1999, the world's first cooperative of fair trade roasters. This group imports directly from their farmer partners so they can "more readily impact and multiply the positive effects of their selective coffee purchasing" (www.coopcoffees.com, retrieved 11/22/13). And, finally, by minimizing his marketing budget and relying more on his unique website, Cycon has been able to maintain a steady stream of sales of his coffee and a growing following.

Flexible Organizational Boundaries

In a very real sense, Dean's Beans treats suppliers and customers as an extended part of the organization. Essentially, it operates as an informal network organization as Cycon's expertly honed and engaging communication skills and his activist-based actions weave a synergistic and collaborative relationship from the farmers to the customers then back to the farmer communities and beyond. Through his face-

to-face and online presence, he offers compelling stories of the coffee growers and their communities and opportunities for stakeholders throughout the Dean's Beans network to participate in social justice work by means of their connection with the coffee bean product. Customers are attracted not only to the coffee and its price but also to the goals and projects of Dean's Beans. The continually updated website keeps customers apprised of issues, successes, entrepreneurial initiatives, awards, and interviews, all helping the "consumer activist" become a partner in a justice-based company designed to accomplish social good. Interested individuals can connect on a more substantial level beyond the purchase of coffee. In the past few years, Dean's Beans has been able to send student interns to well-established farmer coops. The first open-to-the-public Javatrekker tour of a Peruvian coop occurred in June 2013 to help participants receive firsthand knowledge about the company's coffee growers. Small farm organic farmers from the USA (subsidized in part by Dean's Beans) traveled to a Peruvian coop in early 2014 to share from their knowledge and common experiences. "We are trying to model that a company can positively and appropriately participate in bettering the lives of the people that it works with at all ends of the supply chain" (Cycon, LINK-TV 2007). In addition, he has lectured to over 10,000 students at universities throughout the USA "hoping to inspire the next generation to keep hold of their values in this hype-driven society."

Warning: Contents Are Changing the World

A coffee café in Western Massachusetts has served Dean's Beans coffee for years. Their coffee cups are stamped with the Dean's Beans logo and the words "WARNING: Contents Are Changing the World." Indeed, after 20 years in business, a social entrepreneur and his small company have made significant impact in the coffee lands and have proven that business can survive and thrive with a triple bottom line.

The CEO's visibility has been further strengthened by becoming the recipient of two major international awards in 2013. On March 27, 2013, in New York, NY, Cycon received the 2013 United Nations Women's Empowerment Principles Leadership Award for Community Engagement. He was recognized for his outstanding record of innovative social- and market-based approaches to realizing gender equity in the Third World coffee-growing countries. Over 200 companies worldwide, including Coca-Cola, General Electric, and Starbucks, had been nominated. Then, on April 24, 2013, in Oslo, Norway, Cycon was one of the five recipients of the "Nobel Prize for Business," The Oslo Business for Peace Award. It is the highest form of recognition given to individual business leaders for fostering peace and stability through creating shared value between business and society. Cycon was one of the 80 nominees from 50 countries and the only American to be honored.

Learning About Virtuous Organizations Through Case Study

The prominent feature of the Dean's Beans case is how Cycon manages to operationalize his own personal values through the central virtue of justice – social, environmental, and economic – throughout the whole organizational structure. Justice is explicitly and repeatedly present in all communication and activities of Dean's Beans, especially on the company website. Social change through a combination of Cycon's activism and development and a collaborative business model based on a "coffee bean connection" linking growers to customers and back to the growers and their communities is Cycon's process for creating sustainable social and economic value.

What are some lessons that can be learned from this uniquely profound enterprise (and from other virtuous organizations the authors have studied)?

The character of a company's leadership has a great effect on the organization. There has been extensive research and writing about leaders and their organizations. The great virtuous leaders are those who embody and articulate a social-level virtue that can be connected with by others for working toward common goals. These "social virtues" such as justice, integrity, and wisdom allow for a virtuous organization to function and know itself as a just or wise organization or an organization with integrity (Manz et al. 2001).

The center of sustainable enterprise that effectively serves social and environmental as well as business ends is the development of people both inside and outside the organization. Equipping and empowering people for life and work are key. Cycon saw this through the lens of people-centered development. Virtuous organizations have a "quality of life" culture that is evident throughout the company where stakeholders know they are valued.

High-quality and honest communication is critical to the virtuous organization. Cycon is charismatic and an outstanding communicator. He is also a "people person" who is deeply aware of quality of life issues of the many he encounters and his communication activities undergird this knowledge. This advantage feeds into the Dean's Beans website. It is a site with personality and character and it tells a great story. The virtual face of virtuous organizations can benefit from a distinctive "personality" supported by positive connecting.

Adopting a flexible business model allows people and resources to be involved and brought to bear on economic, **social, and environmental challenges**. Promoting the greatest constructive impact sometimes requires new revolutionary business models. At Dean's Beans this is captured in their creative "buy high, sell low" approach and in the collaborative partnering with many stakeholders. In other organizations studied, the role of creativity and innovation runs parallel with collaborative and shared decision-making contexts (e.g., Herman Miller, WL Gore). Hybrid or flat organizational designs such as cooperatives contribute to empowerment (e.g., greater "voice" and "vote") through elements of employee ownership (Equal Exchange, Harris et al in Shipper (ed) 2014).

Good case studies can help us learn more about possibilities for virtuous business practice and can serve as vivid examples for socially responsible

organizations and their leaders. Additional cases of exemplary organizations which practice a more balanced and just approach to business can be found at The Aspen Institute's CasePlace.org, the Fowler Center at weatherhead.case.edu, and the Center for Positive Organizations, positiveorgs.bus.umich.edu.

Conclusion

As we have seen in this case study, redefining the language and activities of traditional business can be a monumental task for the justice-based virtuous leader. Cycon's passion for social justice, sustained commitment, courage, integrity, and wisdom are necessary and complementary virtues for meeting the challenges of bringing social justice to economic life and the business enterprise. Working with virtue can provide resiliency and a capacity for accomplishing greater good for others (Cameron and Spreitzer 2011) while at the same time enrich our own lives with a deeper understanding of work well done.

Cycon exemplifies this truth when he summarizes his life as a Javatrekker in the following words:

> Unless we treat people with dignity and take only what's a fair share for us and not as much as we can grab, ultimately the house of cards comes down. If, at the end of my life I've helped bring water to a couple of thousand people, helped educate a couple of thousand kids, helped participate in the evolution of a concept of equitable, fair, and just trade, I'll have done my piece. As the Indonesians say, "add your light to the sum of lights." That's enough for me. (The Business of Change, linktv.org.deansbeans)

References

Aguinis H, Glavas A (2012) What we know and don't know about corporate social responsibility: a review and research agenda. J Manag 38:932–968

Cameron K, Spreitzer G (eds) (2011) The Oxford handbook of positive organizational scholarship. Oxford University Press, New York

Cycon D (2007) Javatrekker: dispatches from the world of fair trade coffee. Chelsea Green Publishing, White River Junction

Epstein MJ (2008) Making sustainability work: best practices in managing and measuring corporate social, environmental, and economic impacts. Berrett-Koehler, San Francisco

Fairtrade International/Fairtrade Labelling Organizations International eV (FLO). (2012) Fairtrade and coffee commodity briefing. Retrieved from http://www.fairtrade.org/uk/includes/documents/cm_docs/2012/F/FT_coffee_Report_May2012

Hamschmidt J, Pirson M (eds) (2011) Case studies in social entrepreneurship and sustainability: the oikos collection, vol 2. Greenleaf, Sheffield

Harris B, Manz K et al (2014) Equal exchange: doing well by doing good. In: Shipper F, Adams S et al (eds) Shared entrepreneurship: a path to engaged employee ownership. Palgrave Macmillan, New York

Lawrence T, Phillips N et al (2012) (guest eds) Educating social entrepreneurs and social innovators. Acad Manag Learn Edu 11:319–323

Manz C, Manz K et al (2001) The wisdom of Solomon at work: ancient virtues for living and leading today. Berrett-Koehler, San Francisco

Manz C, Cameron K et al (eds) (2008) The virtuous organization: insights from some of the world's leading management thinkers. World Scientific Publishers, Singapore

Manz C, Shipper F et al (2009) Everyone a team leader: do the shared leadership practices of WL Gore provide an answer to the question 'where do we go from here?'. Organ Dyn 38:239–244

Manz C, Manz K et al (2011) Sustainable performance with values-based shared leadership: a case study of a virtuous organization. Can J Adm Sci 28:284–296

Manz C, Manz K et al (2013) Buy high sell low: redefining bean counting in the coffee industry for a sustainable future. J Values-Based Leadersh 6(2):10–23

Miller T, Grimes M et al (2012) Venturing for others with heart and head: how compassion encourages social entrepreneurship. Acad Manage Rev 37:616–640

Shipper F, Manz C et al (2013) Collaboration that goes beyond co-op-eration: it's not just 'if' but 'how' sharing occurs that makes the difference. Organ Dyn 42:100–109

The Business of Change. linktv.org.deansbeans. Retrieved 21 Nov 2013

United Nations (1990) United Nations development programme's human development report of 1990. http://hdr.undp.org/en/reports/global/hdr1990. Retrieved 19 Nov 2013

World Fair Trade Organization (2009) What is fair trade?. Retrieved from http://www.wfto.com/index.php?option=com_content&task=view&id=1&Itemid=12

Organizations and the Development of Virtue

Gary R. Weaver

Contents

Abstract

Virtue theory's emphasis on moral character, the feelings associated with it, and the actions that often habitually flow from it create parallels and affinities with empirical social science research on moral identity and moral intuition. The latter two fields, in turn, have implications for understanding how situational contexts, such as life within work organizations, can contribute to the development of virtue. This chapter indicates that organizational influences on virtue development include factors such as relationship quality, behavioral modeling, discourse practices, and opportunities to practice virtue – all factors one might expect, given the typical implications of virtue theory itself. More generally, there is a clear sympathy between the practical dictates of virtue theory and the findings of much research on ethics in organizations.

Keywords

Organizations • Virtue • Business ethics • Character • Moral development

G.R. Weaver (✉)
Alfred Lerner College of Business and Economics, University of Delaware, Newark, DE, USA
e-mail: gweaver@udel.edu

Introduction

One of the central differences in emphasis between virtue theories and other ethical theories resides in the fact that virtue ethics places a stronger emphasis on moral character rather than on the question of behavior's conformity to one or another ethical rule or principle (as in deontological and consequentialist ethics). In short, virtue ethics focuses prominently on what it means to *be* a moral agent, and less so on whether the actions of agents instantiate some rule or principle of ethics – on "what a person is, rather than merely what a person does" (Weaver 2006: 341). This emphasis on moral character, understood as a deeply embedded feature of an individual, gives virtue ethics a conceptual affinity to important recent streams of ethics research in moral and social psychology that have implications for the development of moral character in organizational contexts. These affinities in turn reinforce virtue theory's emphasis on experience and relationships as central to the development of virtue, in contrast to the emphasis on decision criteria, formal training and cognitive development that forms the basis for many organizational and policy efforts to foster ethical behavior in business.

Virtue: Ends, Dispositions, Social Learning, and Affect

Virtue theories propose some goal (i.e., *telos*) for human life and action and assess "the virtuous or vicious character of an individual according to how well that individual has developed and exercised the capacities necessary for achieving that end" (Weaver 2006: 342). Thus a virtue such as generosity might contribute to achieving an essential end of human life such as friendship (although the possession and exercise of generosity itself, in virtue theory, also can be counted among those essential ends). The possession and exercise of virtues, as embedded in character, constitutes moral excellence according to virtue theory, in contrast to theories that consider moral excellence as residing in the conformity of action to some external, abstract general rule or principle (e.g., a Kantian categorical imperative).

Of course, specific virtue theories vary according to just what teleological view of human life they posit, even though (arguably) they vary less in delineating the virtues thought essential to the achievement of that end (and thus themselves partially constitutive of the end of human life). Some accounts are theologically rooted (e.g., Aquinas), while others (e.g., Aristotle and MacIntyre's later work (1999)) are based on the interdependencies of human life (communal interdependence in the *polis* or biological interdependence, respectively). For early MacIntyre (1981), the relevant ends are the internal goods achieved by particular collective human practices. Thus fiction writing, treated as a human practice, has particular internal goods of literary excellence, character and plot development, and advancement of the craft of writing, that hold regardless of whether any particular fictional writing achieves external goals of fame or fortune for its author. On this account, virtues represent dispositions or embedded character tendencies that enable the achievement of the internal goods of some collective

human practice. Some virtues (e.g., honesty) might be essential to the achievement of the internal goods of any and all human practices, while others might be specific to particular venues of practice (cf. Solomon's (1992) articulation of the virtues of life in business organizations).

Apart from differences regarding the extension of the set of virtues or the specific meaning of any particular virtue, several common elements of virtue ethics form the bases for a linkage to organizational and social psychology, especially in the way that the exercise of virtue is not merely a matter of cognitive, intellectual understanding. To begin, virtues, understood as capacities for particular kinds of action, are *dispositional*; someone with a virtuous character is disposed to act in ways that display and achieve virtue. But such virtue is not dispassionate; virtues have an *affective* aspect. As MacIntyre noted, they are "dispositions not only to act in particular ways but also to feel in particular ways. To act virtuously is. . . to act from inclination formed by the cultivation of the virtues" (MacIntyre 1981: 140). These dispositional and affective qualities themselves are *developmental*; acquiring virtue is a behavioral exercise, in contrast to a purely intellectual/philosophical exercise (i.e., learned in behavior, rather than learned via rational argument). Typical virtue theories provide a central role for processes of social learning (Bandura 1977, 1986), modeling, and experiential learning as drivers of increasing skill in the exercise of virtue. The exercise of virtue is as much a behavioral skill as an intellectual skill; expertise in virtue is not a matter of learning and thinking about elaborate moral theories and their logical implications, but a matter more like the acquisition of moral skills that become embedded in habit-like fashion (cf. Dunne 2005).

In addition, the idea of development, in virtue ethics, is often framed in terms of an overarching goal toward which a person is either moving or failing to move (MacIntyre 1981; Koehn 1995). The presence of such a goal in turn presumes that a virtuous life displays a degree of narrative unity, such that the question "what should I do?" can be answered by "who am I?" (Weaver 2006: 344). But given the socially developmental nature of virtue, any such life narrative is not the simple choice of an atomized imperial self, but instead itself is understood in the context of "concrete social situations of inherited conditions, categories, expectations, and roles, formed by and in conjunction with other people" (Weaver 2006: 344) in communities capable of articulating and exploring a particular conception of the good. Thus again, virtue ethics gives an important role to the socially embedded nature of a person. We should not be surprised, then, if virtue ethics has affinities with some social psychological accounts of how context, including organizational context, contribute to the development (or dismantling) of virtue.

Virtue and Moral Identity

Virtue theory parallels recent social psychological research on moral identity insofar as both posit the relatively stable embedding of particular moral traits as drivers of moral action. For virtue theory, this phenomenon is rooted in the idea of character and attendant behavioral and affective dispositions toward particular

ends. Moral identity research similarly treats identity as a deeply embedded element of an individual's cognitive self-schema. Recent research (Aquino and Reed 2002; Reed and Aquino 2003; Reed et al. 2007; Shao et al. 2008), rooted in social cognitive identity theory (Ashforth and Mael 1989; Bandura 1977, 1986; Tajfel 1974; Tajfel and Turner 1979), specifically treats moral identity as a set of characteristic traits (e.g., honesty) that are relatively stable and deeply embedded in an individual's self-concept (i.e., moral identity *internalization*) and which are manifested in action (i.e., moral identity *symbolization*). Although originating from different areas of scholarship, moral identity research and virtue theory share a conception of individuals as having a conception of self (i.e., "who I am") organized around characteristic moral traits. The two approaches differ, however, in that, unlike virtue theory, moral identity research makes little effort to delineate a full range of moral traits, relying instead on what can be learned from studying some common and representative moral traits, at least some of which (e.g., loyalty) are often included in virtue theories. Nor does moral identity theory articulate the idea of characteristic moral traits in the way that virtue theories are self-consciously articulated in opposition to rule-and-principle-driven ethics. But when virtue ethics talks in terms of deeply embedded and emotionally valenced dispositions toward moral action, dispositions that in part structure a person's identity (e.g., one's life narrative, in MacIntyre's (1981) sense), it can draw support from empirical moral identity research on moral self-concepts and their corresponding behavioral manifestations.

Moral identity research attends to the contextual factors that influence identity and thus provides a platform for thinking empirically and systematically about organizational and institutional factors likely to influence the development and exercise of moral virtue. Incorporating such contextual influences into virtue theory can provide a basis for maintaining the core insights of virtue ethics while recognizing the complaints often leveled against it by "situationist" critics (e.g., Doris 1998; Harman 2003; Sabini and Silver 2005; Merritt 2000). Social identity theory, on which moral identity research is based, recognizes that identities are complex and multidimensional, rooted in the multiple roles and relationships people live within (e.g., parent, citizen, employee). Moreover, both the centrality and salience of a particular identity within one's overall self-concept can vary over time, and in response to situational cues, disproportionate levels of time spent in the workplace might make someone's work-based identity more central relative to others, and meeting a coworker on the street is likely to make one's work-based identity temporarily more salient than it otherwise would be (Aquino and Reed 2002; Blasi 1984; Younis and Yates 1999; Weaver and Agle 2002). And the more central and salient a particular identity is, the more likely that it will influence behavior, and the more likely that actions contrary to that identity will be eschewed, lest they generate emotional stress and cognitive dissonance.

Individuals also need not be passive recipients of influences on identity development, centrality, and salience. As with virtue theory, identity research notes the capacity for persons to monitor and guide their own identity development and attendant behavior by attending to and structuring the relational and contextual

influences on it (Bandura 2001), and highlights the role of effort and practice and involvement with other moral actors in the fostering habits of moral self-regulation (e.g., Reed et al. 2007; Bolton and Reed 2004; Weaver and Agle 2002; Weaver 2006).

Organizational Influences on Virtue

The role of organizational context in influencing moral identity reaffirms some core insights from virtue theory regarding the development of virtue and generates some additional insights regarding such development. Some of these are fairly conventional elements in many treatments of organizational ethics (e.g., Treviño and Weaver 2003; Ashforth and Anand 2003; Tenbrunsel and Smith-Crowe 2008; Treviño et al. 2006, 2014). Ethical leadership, which involves self-conscious modeling of and discourse about moral concerns on the part of organizational leaders, can function as an important influence on moral identity development through social learning, the generation of role expectations, and through an ethical leader's contribution to articulacy about moral goods (e.g., Brown and Treviño 2006; Brown et al. 2005; Brown and Mitchell 2010). Peer influences, as in groups, can function similarly (e.g., Ashforth and Anand 2003), especially in socialization processes whereby new organization members are either supported in or divested of their moral identity and tendencies to virtuous action (Kammeyer-Mueller et al. 2012). Organizational cultural norms and practices can encourage or discourage virtuous action. Organizational discourse in particular can lead to greater or lesser degrees of articulacy about moral goods and also provide the kinds of framing and rationalization that minimize one's sense of moral responsibility to act virtuously (Tenbrunsel and Smith-Crowe 2008).

The influences noted in the previous paragraph do not function simply as overt pressures to act toward or away from virtue in work settings. Rather, they can influence the centrality or salience of particular (moral or nonmoral) identities and also sometimes can have affective influences on individuals such that individuals "*feel* the role" (Ashforth and Anand 2003: 28). Such an organizational role becomes part of who someone is, in the sense of structuring identity and the habitually enacted and affectively felt behaviors that go along with that identity. In short, the context shapes the habits and affections on which virtue theory focuses. Plus, contextual cues can enhance or diminish the influence of a virtuous self-identity. For example, the presence of coworkers who visibly act virtuously might enhance the workplace salience of an individual's moral identity, making virtuous action by that person more likely (e.g., Weaver and Agle 2002). The use of moral versus amoral language in organizational discourse (Tenbrunsel and Smith-Crowe 2008) also constitutes the kind of contextual cue that can trigger greater or lesser degrees of salience for an individual's moral identity. And in light of the self-developmental and self-regulative possibilities envisioned in virtue theory (e.g., enhancing one's virtue by exposure to other virtuous actors), the ability of virtuous actors in unvirtuous organizations to manage their organizational contexts in ways that carve out safe space for the exercise and development of virtue also should be

important to the development and maintenance of virtue. Virtuous practice, in effect, might be easier for individuals who are better able to manage "organizational politics," and so political skill development might be an aid to virtue as much as sometimes such skills can be used for opposing purposes.

Moral identity is developmental, built up in part by action and relationships that reinforce identity and build moral behavior repertoires. Thus an important way organizations can foster virtue is by offering opportunities to exercise virtue. Behavior that require a high personal investment of effort affects identity more strongly than actions that do not require as much personal investment (e.g., donating time vs. donating money (Reed et al. 2007)). And so organizations can foster virtue by arranging tasks and activities in ways that require self-investment in virtuous activity in the course of pursuing organizational goals (even if there might be other ways to achieve those organizational goals). This process needs to leave room for developmental growth in virtue and so must not be equated to a kind of rigidly enforced organizational morality that eliminates the challenge of self-regulation and avoids the opportunity for employees to collectively articulate a conception of virtue in their workplace. In short, the goal is the development of virtue and not the reification of organizational taboo (Weaver 2006). (Potentially related to the study of organizational influences on moral identity is the extensive research on how organizational factors can influence and encourage pro-social behavior by employees; see, e.g., Grant (2012).)

Organizationally generated influences on the development and practice of virtue occur alongside other, extra-organizational influences. Thus it is worth noting the potential role of extra-organizational, institutional factors in shaping the practice of virtue in organizations; those factors also form part of an individual's varied interaction with others and the experiences and narratives that constitute that individual's life. It is an open question as to which are more influential, both in general and at any particular moment. For example, employees from institutionally incoherent or fragmented external environments might be more influenced, in identity terms, by the roles and identities laid out for them in their work organizations. Business organizations, through their various influences on the larger societal culture, also might have indirect influences on their employees' development of virtuous identities.

Virtue Ethics and Moral Intuition

In virtue ethics, moral action reflects character traits and habits acquired through repeated experience, practice, and exposure to moral exemplars in action. In this, virtue ethics departs from other approaches to ethics that see moral action as action in accordance with some rationally defensible rule or principle that is, in an important way, detached from the situated identity and experience of a person (e.g., Kant in philosophy or Kohlberg in social science). The difference, here, is between seeing moral action as a multidimensional shaping of character, habit, and competence versus seeing moral action as conformity to moral judgments arrived at

through rational deliberation (or some heuristic simplification of rational deliberation). Virtue theory also is multifaceted, recognizing multiple virtues appropriate in diverse situations and emphasizing the moral skill involved in balancing all of those concerns.

Recent research in moral psychology, focusing on the role of intuition in moral judgment, seems to make clear that actual moral choice and behavior are much more in keeping with virtue ethics than with accounts of ethics focused on rational deliberation and corresponding action (see, e.g., Sadler-Smith 2012). This is due to virtue theory's emphasis on the role of character, habit, and also affect, as the drivers of moral action, and its acknowledgement of the multidimensional, and not particularly tidy (i.e., not neatly harmonized), range of virtues. This new intuitionist theorizing in moral psychology is complex and generates important implications and questions (see recent reviews by Haidt and Kesebir 2010 and by Haidt 2012 and, with specific reference to ethics in organizations, by Weaver et al. (2014)). Findings in moral intuition research help to elaborate the ways in which organizational contexts can influence, and be influenced by, the practice of virtue.

Moral intuition is conceptualized as a rapid, automatic, non-inferential judgment of moral appropriateness or inappropriateness (e.g., Haidt and Bjorklund 2008). In other words, it is a moral judgment that does not arise from processes of conscious rational deliberation, nor is it simply a quick, heuristically driven variant of conscious deliberation. The evidence for moral intuition is varied, deriving from experimental psychology, neuroscience, anthropology, and other fields (see the aforementioned reviews). But in general, moral intuition research finds that people rely on a limited set of moral modules or models that function more like a kind of perception than a kind of reasoning, responding automatically to aspects of a given situation with rapid judgments of right and wrong (see, variously, Graham et al. 2011, for an explicitly intuitionist account, and Bolender 2003 and Rai and Fiske 2011 for other accounts of foundational moral modules or models that are less dependent on specifically intuitionist models of moral judgment). Importantly, moral intuition blurs the boundary between cognition and emotion. Although moral intuitions are generally viewed as cognitions, e.g., as awareness of some state, they also often are viewed as emotionally valenced cognitions (what Haidt 2001, 2004 describes as "hot" cognitions).

Several broad categories of moral intuition have been posited as prominent in directing moral judgment, with the presence and effectiveness of these categories typically being given functional, often evolutionary explanations. These include (socially or evolutionarily functional) intuitions about in-group relations, hierarchy, fairness, welfare, and purity (vs. degradation), with others also under study (Haidt 2012; Iyer et al. 2012). But although several broad categories of moral intuition can be identified, moral intuition theory also grants that those broad categories of intuition get adapted, over time, to particular social situations. For example, although all persons, and all cultures, might display a kind of intuitive moral judgment with reference to matters of purity and defilement (e.g., as in practices regarding what may and may not be eaten), in different social settings (notably different cultures), those intuitions will show situational adaptation (e.g., different

dietary rules for different cultures, perhaps reflecting the long ago presence or absence of particular food-borne pathogens or some other long lost cause).

The parallel with virtue ethics should be clear at this point. Moral intuition research points toward the prominence of moral judgments that, while cognitive, also involve emotion (recall MacIntyre's comment, noted above, about *feeling* morality). Moral judgments also need not involve Kohlbergian/Kantian/Millian style deliberation, but instead, as in the case of an individual skilled in virtue, can arise rapidly and automatically, as from character or habit. And like virtues, moral intuitions are multifarious, potentially with different applications or meaning in different kinds of situations (e.g., group-focused intuitions about loyalty might mean one thing in the workplace or the public square, but call forth somewhat different actions in the context of family and home).

Moral Intuition and Virtue in Organizations

What does this parallel suggest about the development, maintenance, and practice of virtue in organizations? Moral intuition research suggests some conclusions similar to those drawn from moral identity research, but with additional nuances. Intuitions develop within and serve social relations, and thus influences on moral intuition occur through relationships – in particular, relationships characterized by depth and trust. Thus not every kind of organizational mentoring or organizational ethical leadership is equally likely to influence individuals' embedded moral intuitions. Likewise virtue development needs to attend to the qualities of potentially influential relationships. Individual differences, such as need for cognition (Young and Saxe 2011), are relevant to the extent to which moral intuitions are susceptible to deliberate change through rational deliberation, and so not every individual might be affected, vis-à-vis virtue, by behavioral modeling (vs. rational argument or didactic pedagogy) in the same way.

Many organizations engage in elaborate formal efforts to foster ethical behavior, often via extensive training. But if virtue captures the essence of moral action, and if virtue development is akin to identity and intuition development, it seems clear that formal training and education, while perhaps easy to conduct, will be less than optimal ways to encourage ethics in organizations (Weaver et al. 2014). More important is the role of experience and relationships, which suggest that fostering ethics – i.e., developing virtue – will need to be a more decentralized and idiosyncratic process in organizations. This, in turn, runs contrary to the bureaucratic approaches favored by many businesses and much public policy regarding business ethics. Indeed, one might question whether *formal* training and education, or taboos against emotion in organizational decisions, stifle virtue insofar as the practice of virtue is like the exercise of moral intuition. In addition, organizational leaders and organizational efforts to foster ethics might need to recognize a much wider range of moral concerns, reflecting the common moral intuitions unearthed in intuition research that typically are not considered in the realm of organizational ethics (e.g., intuitions about purity (see Weaver and Brown 2012)).

Conclusion

Overall, then, recent research on moral identity and moral intuition appears to support virtue theory's emphasis on the development of virtue (understood multidimensionally) through a wide range of relational and experiential situations, in contrast to reliance on rules, training, and education. What these social science perspectives add is the evidence needed to support the emphasis on more informal, interpersonal virtue development that historically has been at the core of virtue theory, in addition to providing a fuller understanding of the nature of the interpersonal and experiential conditions that contribute to virtue development.

References

Aquino K, Reed A II (2002) The self-importance of moral identity. J Pers Soc Psychol 83(6):1423–1440

Ashforth BE, Anand V (2003) The normalization of corruption in organizations. Res Organ Behav 25:1–52

Ashforth BE, Mael FA (1989) Social identity theory and the organization. Acad Manage Rev 14:20–39

Bandura A (1977) Social learning theory. Prentice Hall, Englewood Cliffs

Bandura A (1986) Social foundations of thought and action: a social cognitive theory. Prentice-Hall, Englewood Cliffs

Bandura A (2001) Social cognitive theory: An agentic perspective. Annual Review of Psychology 52:1–26

Blasi A (1984) Moral identity: its role in moral functioning. In: Kurtines W, Gewirtz J (eds) Morality, moral behavior and moral development. Wiley, New York, pp 128–139

Bolender J (2003) The genealogy of the moral modules. Mind Mach 13(2):233–255

Bolton LE, Reed A II (2004) Sticky priors: the perseverance of identity effects on judgment. J Mark Res 41(4):397–410

Brown ME, Mitchell MS (2010) Ethical and unethical leadership: exploring new avenues for future research. Bus Ethics Q 20(4):583–616

Brown ME, Treviño LK (2006) Ethical leadership: a review and future directions. Leadersh Q 17(6):595–616

Brown ME, Treviño LK, Harrison DA (2005) Ethical leadership: a social learning perspective for construct development and testing. Organ Behav Hum Decis Process 97(2):117–134

Doris J (1998) Lack of character: personality and moral behavior. Cambridge University Press, New York

Dunne J (2005) An intricate fabric: understanding the rationality of practice. Pedagogy Cult Soc 13(3):367–389

Graham J, Nosek BA, Haidt J, Iyer R, Koleva S, Ditto PH (2011) Mapping the moral domain. J Pers Soc Psychol 101(2):366–385

Grant AM (2012) Giving time, time after time: work design and sustained employee participation in corporate volunteering. Acad Manage Rev 37(4):589–615

Haidt J (2001) The emotional dog and its rational tail: a social intuitionist approach to moral judgment. Psychol Rev 108(4):814–834

Haidt J (2004) The emotional dog gets mistaken for a possum. Rev Gen Psychol 8(4):283–290

Haidt J (2012) The righteous mind: why good people are divided by politics and religion. Pantheon Books, New York

Haidt J, Bjorklund F (2008) Social intuitionists answer six questions about moral psychology. In: Sinnott-Armstrong W (ed) Moral psychology vol 2: the cognitive science of morality: intuition and diversity. Bradford Books, Cambridge, pp 181–217

Haidt J, Kesebir S (2010) Morality. In: Fiske S, Gilbert D, Lindzey G (eds) Handbook of social psychology, vol 2. Wiley, Hoboken, pp 797–832

Harman G (2003) No character or personality. Bus Ethics Q 13(1):87–94

Iyer R, Koleva S, Graham J, Ditto P, Haidt J (2012) Understanding libertarian morality: the psychological dispositions of self-identified libertarians. PLoS One 7(8):e42366

Kammeyer-Mueller JD, Simon LS, Rich BL (2012) The psychic cost of doing wrong: ethical conflict divestiture socialization and emotional exhaustion. J Manag 38(3):784–808

Koehn D (1995) A role for virtue ethics in the analysis of business. Bus Ethics Q 5(3):533–540

MacIntyre A (1981) After virtue. University of Notre Dame Press, Notre Dame

MacIntyre A (1999) Dependent rational animals: why human beings need the virtues. Open Court, Chicago

Merritt M (2000) Virtue ethics and situationist personality psychology. Ethical Theory Moral Pract 3:365–383

Rai TS, Fiske AP (2011) Moral psychology is relationship regulation: moral motives for unity hierarchy equality and proportionality. Psychol Rev 118:57–75

Reed A II, Aquino K (2003) Moral identity and the expanding circle of moral regard towards out-groups. J Pers Soc Psychol 84(6):1270–1286

Reed A II, Aquino K, Levy E (2007) Moral identity and judgments of charitable behaviors. J Mark 31:137–174

Sabini J, Silver M (2005) Lack of character? Situationism critiqued. Ethics 115:535–562

Sadler-Smith E (2012) Before virtue: biology brain behavior and the "moral sense". Bus Ethics Q 22(2):351–376

Shao R, Aquino K, Freeman D (2008) Beyond moral reasoning: a review of moral identity research and its implications for business ethics. Bus Ethics Q 18(4):513–540

Solomon RC (1992) Corporate roles personal virtues: an Aristotelian approach to business ethics. Bus Ethics Q 2(3):317–340

Tajfel H (1974) Social identity and intergroup behavior. Soc Sci Inf 13:65–93

Tajfel H, Turner JC (1979) An integrative theory of intergroup conflict. In: Austin WG, Worchel S (eds) The social psychology of intergroup relations. Brooks-Cole, Monterey, pp 33–47

Tenbrunsel A, Smith-Crowe K (2008) Ethical decision making: where we've been and where we're going. Acad Manag Ann 2(1):545–607

Treviño LK, Weaver GR (2003) Managing ethics in business organizations: social scientific perspectives. Stanford University Press, Stanford

Treviño LK, Weaver GR, Reynolds SJ (2006) Behavioral ethics in organizations: a review. J Manag 32(6):951–990

Treviño LK, den Nieuwenboer NA, Kish-Gephart JJ (2014) (Un)ethical behavior in organizations. Annu Rev Psychol 65:635–660

Weaver GR (2006) Virtue in organizations: moral identity as a foundation for moral agency. Organ Stud 27(3):341–368

Weaver GR, Agle BR (2002) Religiosity and ethical behavior in organizations: a symbolic interactionist perspective. Acad Manage Rev 27(1):77–97

Weaver GR, Brown ME (2012) Moral foundations at work: new factors to consider in understanding the nature and role of ethics in organizations. In: De Cremer D, Tenbrunsel AE (eds) Behavioral business ethics. Routledge, New York, pp 143–172

Weaver GR, Reynolds SJ, Brown ME (2014) Moral intuition: connecting current knowledge to future organizational research and practice. J Manag 40(1):100–130

Young L, Saxe R (2011) Moral universals and individual differences. Emotion Review 3:323–324

Younis J, Yates M (1999) Youth service and moral-civic identity: a case of everyday morality. Educ Psychol Rev 11:361–376

Developing a Virtuous Organizational Culture

J. Thomas Whetstone

Contents

Abstract

This chapter addresses how social organizations can develop cultures that are virtuous, according to an Aristotelian-Thomistic understanding. It concentrates on three interrelated distinctions of a virtuous culture: (1) the aretaic purpose or common good of flourishing, (2) the exemplary role and virtuous character of leaders, and (3) the habitual exercise of practical wisdom by organizational members for making and implementing decisions in pursuit of the common good. Based on Moore's understanding of MacIntyre's Aristotelian framework, a virtuous business organization as a practice-institution combination must have a good purpose, such as providing a product or service that benefits the overriding good of the community while perfecting the practitioners in the process. Leaders must exemplify virtuous practice and create structures that promote relational values, providing experiential training, mentoring, and on-the-job opportunities to the organization's practitioners. Practical wisdom is the primary business virtue needed for making decisions and facilitating a learning environment.

J.T. Whetstone (✉)
Chesapeake, VA, USA
e-mail: twhetstone1@cox.net

Practical approaches, illustrated by organizational examples, are offered as suggestions for the development of the distinctive features. Each particular organization must commit to structuring and administering its institutions creatively so as to support, rather than discourage, virtuous development of its culture.

Introduction

A virtuous organizational culture develops and supports employees such as Luke, a "virtuous custodian" (Wrzesniewski and Dutton 2001; Schwartz and Sharpe 2010). When verbally abused by a distraught father for neglecting to clean properly, Luke did not object but recleaned the room of the man's comatose son. He believed that his calling, his real job, was not merely to perform according to his official job description of routine tasks. He therefore willingly repeated his task to address his real job, seeking the aim of the hospital's practice of promoting health, curing illness, and relieving suffering of patients and their families. Luke understood and internalized the aims of the hospital's practice and demonstrated the virtue of practical wisdom in contributing toward it willingly.

How can an organization develop such a culture, one that allows and even encourages such virtuous responses by and among its employees? This chapter addresses this question from the perspective of Aristotelian virtue theory and suggests practical ways management can promote developing and nurturing a virtuous culture within its organization. However, it does not claim to offer a well-engineered model with a cookbook-like set of precise steps. Instead, it highlights distinctive aspects of a virtuous culture and offers practical suggestions that can help organizations to craft their own customized approaches.

An organization is a collection of people working together to achieve a common purpose. The culture of an organization is the system of shared beliefs, values, and assumptions that develops among its members and guides their behavior (Schein 2010). They may come to describe it simply as "the way we do things around here."

Culture not only influences what an organization seeks, but how (Trevino et al. 1998). Since Aristotelian ethics as moral virtuousness is so intimately linked to excellence in human action, the theoretical basis for expecting a relationship between ethical culture and positive employee emotions and attitudes is a strong one.

Virtuous organizational culture within the Aristotelian-Thomistic tradition is distinctive in that:

1. The purpose or common good of human flourishing is to be sought as intrinsically desirable (Bragues 2012, p. 2) for the organization as a collective (Sison 2013) as well as for its interrelating members.
2. The moral character and relational roles of organizational leaders are critically important for virtuous organizational culture development.
3. Practical wisdom (Aristotelian *phronesis* or Aquinian *prudentia*) is the highest and most essential virtue enabling pursuit of the common good in the organization (Beabout 2012; Bragues 2012).

The conditions in which businesses protect practices, develop virtues, and encourage moral agency in decision making mainly arise from the mode of institutionalization and environment (Moore and Beadle 2006). The organization thus must structure and administer its institutions creatively so as to support, rather than discourage, virtuous culture development within its particular context.

This chapter proposes that efforts for developing virtuous organizational cultures stress development of a common organizational purpose, focus on the leaders' roles and virtue orientation, and cultivate the exercise of practical wisdom throughout. Each of the next three sections focuses on one of these distinctive features, proposing ways for cultivating it within the institutional structure of an organization. The fourth section proposes how a program of interpersonal mentoring might help integrate virtuous cultural development throughout the organization.

Develop a Consensus as to the Common Purpose

In a virtuous culture, the common good (happiness or flourishing) is the unifier, that toward which every person and everything aims (Sison 2013). Particular virtues contribute to that flourishing. A "good firm" is well governed, and it makes its members good (Sison and Fontrodona 2012, p. 225; Collier 1985). The first priority for establishing a culture of virtue is for organizational members and other stakeholders to agree as to what should be the common good – the organization's basic, all governing purpose. Achieving such a consensus can take, and certainly deserves, much thought and effort.

Moore (2012) addresses the notion of organizational purpose theoretically and empirically by adapting (Alasdair MacIntyre's 1994, 2007) conceptual framework that describes business organizations as practice-institution combinations. At the core of any organization is a practice (such as fishing, retailing, or manufacturing); unless the institution sustains the core practice on which it is based, the organization will not survive. Within organizations, virtues are exercised particularly inside practices and give rise to internal goods (such as the excellence of products and the improvement toward perfection of the individual in the process). Organizational survival also requires that practices need to be housed within institutions that support them by providing the necessary external goods (including survival, reputation, power, and financial profit).

To be virtuous, a business organization as a practice-institution combination must have a good purpose. For example, a healthcare company is to provide products and services for the overriding good of the community while also perfecting its practitioners (employees, management, and other participating stakeholders). Since the institution has as its most important function the sustenance of the particular practice it houses, the organization encourages excellent pursuit of that practice. It must also successfully achieve external goods, such as profits, but only to the extent they are necessary and worthwhile to sustain and develop the practice (Moore 2012).

Reaching a consensus as to organizational purpose can involve learning from experience and from observation of the virtuous examples of others. The primacy of a clear, community-embraced purpose is exemplified in the Benedictine monastery developed according to the *Rule of Saint Benedict* (Merton 2009). The whole purpose of the *Rule* is to unite the monks (in the community) with Christ (O'Connell 2009, xlviii). The *Rule* is moderate and flexible. The abbot has the responsibility to make the will of God for the community known and lived by both teaching and personal example, using firmness and kindness as he and subordinate leaders discipline and judge according to the virtues of practical wisdom and justice.

Such cultural consensus is not limited to the religious community, however. Commitment to purpose according to the common good also can be a reasonable aim for business firms and other organizations. Southwest Airlines purports to accomplish this through a culture of mutual respect, where a high percentage of employees "own" their jobs. One employee declares:

> It's incredible that we are given the opportunity to serve on behalf of Southwest's noble cause: the opportunity to work with incredible and talented coworkers, the opportunity to enjoy the best leadership of any public company, and the opportunity to provide positively outrageous customer service every day out of LUV for our customers and our Southwest family. (Stack 2014, p. 4)

In a virtuous organizational culture, all contribute according to their capabilities; and the right people and the right resources are fitted together for the common good, since the common good admits no free-riders (Sison and Fontrodona 2012, p. 215). This involves careful selection and training of employees at every position, mutual support toward their virtuous contribution, and just discipline for building an environment of trust.

Sison (2013) stresses that a business organization also should be efficient (physically, financially, and environmentally ethical) in lawfully producing goods and services that are useful in meeting legitimate needs. He further adds that the culture must provide for distributive justice, just wages, benefits, governance, and opportunities for employees, and proper returns for all stakeholders. This requires the organization to maintain supportive structures for hiring and promoting, training, communication, budgeting, and compensation. All employees and other stakeholders correspondingly need to dedicate their best efforts according to their roles.

For this, Sison recommends a participatory organizing approach for the firm, one in which each worker and stakeholder makes a difference to the collective.

The purpose must be a genuinely good one, however. Consensual commitment to the organization's purpose was arguably a characteristic of Nazi concentration camps and Soviet gulags, neither being virtuous. Developing a purpose that is consensually understood as virtuous, or vicious, often is not so straightforward. For example, aerospace corporation Lockheed Martin has developed a truly impressive ethics program, having ingrained discussion of issues such as conflict of interest, proprietary information, and various forms of harassment deeply within the corporation's culture (Terris 2005). Nevertheless, employees sometimes view the corporation's top management cynically, questioning its contributions to the common good because it evades some issues (including executive compensation and ethical accountability) that go to the core of its mission (Terris 2005, p. 113). Even such an exemplary organization needs continually to pursue justice and fairness throughout to establish and maintain the perception of a virtuous culture.

The common good is a practical matter that needs consensual agreement through participation in joint deliberation and dialogue (Sison and Fontrodona 2012). Good leadership is also essential for implementing such programs, from organizational members as leaders at the top and also throughout the organization – as exemplified by Luke, "the virtuous custodian."

Focus on the Leaders' Exemplary Roles and Virtue Orientation

A key responsibility of an organization's leaders is to understand its culture. They need to know the values and desires of the participants, avoiding manipulating them or undermining their values.

Followers may be more motivated and energized to contribute to the learning capacity of the firm when leadership is virtuous in nature (Pearce et al. 2008, p. 220). A good leader thus must accept her responsibilities for developing her own moral awareness, ethical reflection, moral decision-making skills, and a capacity for employing moral imagination (Werhane 1999). She can cultivate her character by following a personal development plan that includes experiential learning, attention to mentors, and observation of other exemplary leaders.

An organization's top leaders potentially control the most powerful means for embedding and reinforcing culture. Primary mechanisms include what leaders pay attention to, measure, and control; how they allocate resources; and how they react to crises. Leaders also mold culture through their example, coaching, criteria for rewards, and criteria for selecting, promoting, retiring, and excommunicating employees (Schein 2010). Also important, though secondary, are the messages sent via organization design and structure, the values that ground organizational systems and procedures; the influence of organizational rites, rituals, and stories that portray important traditions (Schein 2010); and, in some cases, ethics codes (Pearce et al. 2008, p. 218). Leaders in a virtuous culture must properly delegate

authority and the corresponding responsibility, possibly learning from the principle of subsidiarity (Sison 2013) or the Japanese concepts of *kyoshi* (living and working together for the common good).

Johnson & Johnson CEO Jim Burke's decision to recall its Tylenol capsules in 1986 is an example of leadership truly committed to a good purpose under tough circumstances (Jennings 1999). Burke demonstrated practical wisdom, virtuous leadership, and purposeful commitment to the corporate founder's credo of first being responsible to the people who use its products and services.

Karakas and Sarigollu (2013) find that imaginative leaders, employing what they call *benevolent leadership*, enhance collective performance and wellbeing in Turkey's Anatolian Tigers, a number of small and medium-sized enterprises. These leaders exemplify wholehearted and genuine actions at work that benefit people around them, such as offering generous social and educational benefits exceeding industry norms to build work satisfaction and prideful identity with the organization. Karakas and Sarigollu suggest that benevolent leaders with spiritual depth, ethical sensitivity, positive engagement, and community responsiveness can develop virtuous and compassionate organizations.

Based upon his study of Scottish oil industry consulting companies, Crockett (2005) suggests that entrepreneurial ventures represent the optimal setting for introducing an Aristotelian paradigm for contemporary organizations. Prospects for successful conversion of larger, established organizations are not so favorable, due to their ingrained competing interests, bureaucracies, empiricism, and competitive pressures. But public expectations are increasing that businesses, large and small, should serve a purpose beyond generating profits lawfully (Gunther 2004; Paine 2003).

Since a good leader is guided by normative assumptions regarding leader-follower relationships (Ciulla 2006), he might well adopt a normative approach, such as Transformational Leadership (Burns 1978), Servant Leadership (Greenleaf 1977), or Responsibility Leadership (Maak and Pless 2006). These indeed differ but each represents a moral leadership approach that focuses on leader-follower relationships of trust. One should adopt the approach that best fits him as the leader for the good purpose of the organization as a practice-institution. But no theoretical model of leadership is adequate for a virtuous culture without the enabling virtue of practical wisdom.

Cultivate and Exercise Practical Wisdom

Virtuous practice relies on practical wisdom, the one essential and universal virtue needed by leaders and employees to establish a virtuous culture in a business organization (Beabout 2012; Bragues 2012). Such wisdom (*phronesis*) is practical and depends on one's ability to perceive the particular situation accurately, to have the appropriate feelings or desires about it, to deliberate as to the proper action in the situation, and to act. It allows a person to act in a virtuous manner, thinking so as to decide upon the right way to do the right thing in the particular circumstance at

the right time. A person so acts, not because of financial reward or threat of punishment, but because it is right.

Four business situations especially call for an organization's manager to practice practical wisdom (Moberg 2007):

1. When key information is lacking, uncertain, or incomplete.
2. When financial costs are significant and the manager needs to consider ethical alternatives.
3. When facing a moral dilemma involving trade-offs between self-interest and the good of the group, justice and mercy, or truth and loyalty.
4. When some people in the organization or group may be opposed to a proposed change, one that is needed without adversely affecting morale.

When such difficulties arise, a practically wise leader knows whether to increase efforts toward the goal or victory with greater determination or whether to step back and replan, or even to move elsewhere.

Virtuous balance requires experienced expertise; practical wisdom is not inbred but must be learned. There are no step-by-step linear algorithms for applying and prioritizing decision-making principles with the virtue of practical wisdom. Schwartz and Sharpe (2010) instead point to a virtuous circle: humans are happiest when their work is meaningful and allows discretion for using their judgment. These authors espouse the wisdom-nurturing process of planning, executing the plan, assessing what worked and what did not, reevaluating the original plan, and trying again. Practical wisdom can increase as people gain experience of doing the work well, seeking to serve others and the community better.

In-depth study of an Australian insurance company led Nyberg (2007) to conclude that allowing organizational members to discuss critically and even disagree about how to act in the organization can promote development of practical wisdom. The opposite approach of setting and enforcing rigid rules is counterproductive. Universal ethical codes and rules of right and wrong can be useful guides since at times employees can lack internally powered motivation to contribute to the organization's purpose, especially in novel situations (Stansbury and Barry 2007). But the organization should demonstrate trust through support of employees even when they choose to bend or break a rule, if the particulars of the situation point to such nonbureaucratic initiative (e.g., spending unbilled time with a frustrated customer or allowing the employee who is a single parent to report late for work because she has to drive her children to school). Instead of over-scripting procedures, a virtuous organization allows flexibility and innovativeness. The intent is that people learn to make "good judgments in difficult situations" (Maguire 1997, p. 1412), especially over time as they gain experienced judgment.

An organization can prepare the ground for enculturation of practical wisdom by hiring and nurturing people who indicate a sense of calling or desire to be called. The organization must then construct and administer the institutions that support, rather than discourage, its application (e.g., protecting against oppressive time pressures, excessive rules, and misdirected external incentives). To best facilitate

this, management should place experienced and knowledgeable people (not seen as cogs or mere instruments but as leaders themselves) where they can best fulfill themselves and contribute to the organization's common good.

Decision-makers at every level throughout the organization should learn to balance empathetic compassion and detachment (Schwartz and Sharpe 2010). This requires achieving the objective technical aims of the practice while simultaneously treating the person with dignity and respect in light of his particular circumstances – according to the overriding purpose of the practice. Training of organizational members should concentrate on providing on-the-job opportunities to develop such thinking. Indoctrination is of course to be avoided, but most find it is easier to do right, to act virtuously, when this is the common, accepted cultural practice of the group or institution. Role modeling also can be effective, as can talking openly about corporate purpose and values. How people talk will affect how they frame situations, but for encouraging certain kinds of speech, role modeling is better than rules (Hartman 2013, pp. 5–6).

Developing practical wisdom is nevertheless a difficult challenge. One must recognize the tendency of humans to rationalize, especially when facing complex situations (Hartman 2013). And whereas an act can still be ethical even if it involves good for the organization's practice as well as the decision-maker's self-interest, the wise leader needs to engage in serious self-examination. As Bishop Butler (1726, p. 99) observed, "...many men seem perfect strangers to their own characters. They think and reason, and judge quite differently upon any matter relating to themselves, from what they do in cases of others where they are not interested." Respected mentors can help overcome such human and thus organizational weaknesses, while possibly developing future leaders and nurturing practical wisdom.

Implement a Mentoring Program

Efforts for developing virtuous organizational cultures should focus on building purpose, leadership, and the virtue of practical wisdom. Previous sections address each of these features and how they can be developed within an organizational context. This section recommends mentoring for cultivating their integrated application by organizational participants.

Mentoring is a well-accepted development approach for career development, material gain, and psychological benefits (Moberg and Velasquez 2004). Aristotle (1976) taught that persons of virtuous character, with relevant experience in the contextual domain of practice, can mentor others through application of *phronesis* or practical wisdom. To the extent that people can better observe and know others as virtuous mentors, their basic assumptions regarding human nature and their identity with the organizational purpose can be influenced (Whetstone 1998, 2013).

An expert mentor can model practical wisdom concerning what to do by helping the mentee focus on the goal and not just the formal rules, to see analogies to similar problems that might help solve the problem, and to grasp what is most important given the particularities of each situation (Schwartz and Sharpe 2010, p. 246).

Leaders can provide the required organizational support, including administrative efforts for organizing mentor-mentee assignments, time and suitable space, and training for willing participants.

Mentors can build morale by encouraging meaningful practice through feedback and praise – not just for successes but also for learning from failures through trial and error. The organization should design its training and other policies on the good faith assumption that employees want to improve on the job (Schwartz and Sharpe 2010). Institutional structure should provide no more than basic standards and guidelines, however, patiently allowing and expecting the mentors and trainers to help others to find good solutions, but not "the" solution and certainly not the specific steps to take in a particular situation (Schwartz and Sharpe 2010).

Empirical research finds that participants most generally have positive experiences, although both mentors and mentees have reported abuses, dysfunctions, and ethical risks (Moberg and Velasquez 2004), which managements must address (Weaver 2006). To avoid perceptions of corporate imposition and manipulation of employees, the organization must take care to promote the program only for willing volunteers. Successful mentoring also may motivate the mentees to mentor others, promoting multiplication of character enhancement within the organization.

Instituting a virtue-oriented mentoring program may thus be used to develop leadership and nurture practical wisdom among organizational members. By promoting enhanced overall understanding and more widespread commitment to a culture that values the common good, the organization can become a more virtuous one.

Conclusion

This chapter addresses how businesses and other social organizations can develop cultures that are designated virtuous, according to an Aristotelian-Thomistic understanding. It recommends that stress be placed upon three interrelated distinctions of a culture of virtue: (1) the aretaic purpose or common good of flourishing, (2) the exemplary role and virtuous character of leaders, and (3) the exercise of practical wisdom by organizational members for making and implementing decisions. Since the conditions in which businesses protect practices, develop virtues, and encourage moral agency in decision-making arise mainly from the mode of institutionalization and environment (Moore and Beadle 2006), the organization must structure and administer its institutions creatively so as to support, rather than discourage, virtuous culture development within and throughout its particular context. This chapter recommends practical approaches that organizations might adopt or adapt to enhance its rightful claim to possessing these distinctive features, thereby developing a more virtuous culture.

The first priority is for organizational practitioners and other stakeholders to agree as to what should be the common good – the organization's basic, all governing purpose. Based on MacIntyre's Aristotelian framework, a virtuous business organization as a practice-institution combination must have a good

purpose, such as providing a product or service that benefits the overriding good of the community while perfecting the practitioners in the process (Moore 2012). For example, a healthcare company is to provide products and services for the overriding good of the community while also perfecting its practitioners (employees, management, and other participating stakeholders).

The common good is a practical matter that needs consensual agreement through joint deliberation and dialogue, drawing upon experience and observation of others. Success that results in organizational members such as Luke, the "virtuous custodian," requires commitment and good leadership, from organizational practitioners as leaders, at the top and throughout the organization.

Controlling the primary means for embedding and reinforcing culture, top leaders have the corresponding institutional responsibility for influencing and exemplifying character development to the members and other stakeholders. As exemplars of virtue, they should act to assure that all practitioners are valued and thus treated with dignity and respect, and they are most responsible for creating structures and relational values throughout the organization and for governing its interactions with the broader environmental context. People throughout the organization need to accept responsibility for developing their own moral awareness and decision-making skills and for encouraging these capacities in others. Institutional structures are to provide the resources and challenging opportunities that promote and nurture such cultural values.

Virtuous practice relies on practical wisdom, the one essential and universal virtue needed by leaders and employees to establish a virtuous culture. Management must construct and administer the institutions so as to support, rather than discourage, its cultivation (e.g., protecting against oppressive time pressures, excess of rules, and misdirected external incentives). All practitioners need responsible workplace opportunities and the freedom to learn, exercise, and further develop their practical wisdom. This should improve decision making, facilitate a learning environment, encourage the exercise of moral imagination, and also help identify other virtuous qualities that can be prioritized to promote closer realization of the common good.

Personal mentoring is a means for developing the character of organizational practitioners. A mentoring program is recommended for reinforcing and integrating the institutional processes for the organization-wide exercise of practical wisdom, good leadership, and overall commitment to a good common purpose. Undertaking the suggested development efforts is challenging, but the result can be a more virtuous organizational culture.

Cross-References

▶ Leadership and Moral Excellence: Cultivating Virtue Through Moral Imagination
▶ Organizations and the Development of Virtue
▶ Personal Virtues and Firm Goals: An Aristotelian–Thomistic Approach

References

Alasdair M (1994) A partial response to my critics. In: Horton J, Mendus S (eds) After macIntyre. Polity Press, Cambridge, pp 283–304

Alasdair M (2007) After virtue, 3rd edn. Duckworth, London

Aristotle (1976) The nicomachean ethics (trans: Thomson J). Penguin, London

Beabout G (2012) Management as a domain-relative practice that requires and develops practical wisdom. Bus Ethics Q 22:405–432

Bragues G (2012) Aristotelian business ethics: core concepts and theoretical foundations. In: Lutge C (ed) Handbook of the philosophical foundations of business ethics. Springer, Berlin/Heidelberg

Burns J (1978) Leadership. Harper & Row, New York

Butler J (1726) Upon self-deceit: fifteen sermons upon human nature. In: Sommers C, Sommers F (eds) (2001) Vice and virtue in everyday life: introductory readings in ethics, 5th edn. Harcourt, Fort Worth

Ciulla J (2006) Ethics: the heart of leadership. In: Maak T, Pless N (eds) Responsible leadership. Routledge, London

Collier J (1985) The virtuous organization. Bus Ethics 4:143–149

Crockett C (2005) Grounding the theory of virtue. Unpublished PhD thesis, Robert Gordon University, Aberdeen

Greenleaf R (1977) Servant leadership. Paulist, New York

Gunther M (2004) Faith and fortune: the quiet revolution to reform American business. Crown Business, New York

Hartman E (2013) Aristotle on character formation. In: Lutge C (ed) Handbook of the philosophical foundations of business ethics. Springer Reference. http://www.springerreference.com/docs/html/chapterdbid/333489.html. 14 Oct 2013

Jennings M (1999) Case 6.13: tylenol: the first rescue. Business ethics: case studies and selected readings, 3rd edn. Ohio, West, Mason, pp 255–256

Karakas F, Sarigollu E (2013) The role of leadership in creating virtuous and compassionate organizations: narratives of benevolent leadership in an Anatolian Tiger. J Bus Ethics. Springer Science & Business Media, Dordrecht 113:663–678

Maak T, Pless N (2006) Responsible leadership. Routledge, London/New York

Maguire S (1997) Business ethics: a compromise between politics and virtue. J Bus Ethics 16:1411–1418

Merton T (2009) The *rule* of Saint Benedict: initiation into the monastic tradition 4. Liturgical Press, Collegeville

Moberg D (2007) Practical wisdom and business ethics. Bus Ethics Q 17:535–561

Moberg D, Velasquez M (2004) The ethics of mentoring. Bus Ethics Q 14:95–122

Moore G (2012) Virtue in business: alliance boots and an empirical exploration of MacIntyre's conceptual framework. Organ Stud 33:363

Moore G, Beadle R (2006) In search of organizational virtue in business: agents, goods, practices, institutions and environments. Organ Stud 27:269–289

Nyberg D (2007) The morality of everyday activities: not the right, but the good thing to do. J Bus Ethics 81:587–598

O'Connell P (2009) Introduction. In: Merton T (ed) The *rule* of Saint Benedict: initiation into the monastic tradition 4. Liturgical Press, Collegeville xi–lxi

Paine L (2003) Value shift: why companies must merge social and financial imperatives to achieve superior performance. McGraw-Hill, New York

Pearce C, Waldman D, Csikszentmihalyi M (2008) Virtuous leadership: a theoretical model and research agenda. In: Manz C et al (eds) The virtuous organization: insights from the world's leading management thinkers. World Scientific, Singapore

Schein E (2010) Organizational culture and leadership, 4th edn. Jossey-Bass, San Francisco

Schwartz B, Sharpe K (2010) Practical wisdom: the right way to do the right thing. Riverhead, New York

Sison A (2013) Aristotle and the corporation. In: Luetge C (ed) Handbook of the philosophical foundations of business ethics. Springer Science+Business Media B. V. Springer Netherlands 45–66 doi:10.1007/978-94-007-1494-6_47

Sison A, Fontrodona J (2012) The common good of the firm in the Aristotelian-Thomistic tradition. Bus Ethics Q 22:211–246

Stack L (2014) How to engage employees in their jobs just like Southwest Airlines. Bus J 4. http://www.bizjournals.com/bizjournals/how-to/growth-strategies/2014/05/how-to-engage-e. . .. 7 May 2014

Stansbury J, Barry B (2007) Ethics programs and the paradox of control. Bus Ethics Q 17:239–261

Terris D (2005) Ethics at work: creating virtue in an American corporation. Brandeis University, Waltham

Trevino L, Butterfield K, McCabe D (1998) The ethical context in organizations: influences on employee attitudes and behaviors. Bus Ethics Q 8:447–476

Weaver G (2006) Virtue in organizations: moral identity as a foundation for moral agency. Organ Stud 27:341–368

Werhane P (1999) Moral imagination and management decision making. Oxford University Press, New York

Whetstone J (1998) Teaching ethics to managers: contemporary problems and a traditional solution. In: Cowton C, Crisp R (eds) Business ethics: perspectives on the practice of theory. Oxford University Press, Oxford

Whetstone J (2013) Leadership ethics & spirituality: a Christian perspective. Westbow, Bloomington

Wrzesniewski A, Dutton J (2001) Crafting a job: revisioning employees as active crafters of their work. Acad Manage Rev 26:179–201

Personal Virtues and Firm Goals: An Aristotelian–Thomistic Approach

Héctor O. Rocha

Contents

Abstract

The major theme in virtue ethics, business, and management is "virtues in relation between individuals and firms as moral agents" (Ferrero I, Sison AJG, A survey on virtue in business and management (1980–2011). Universidad de Navarra, 2012). The main unit of analysis is neither the person nor the organization but the person in the organization.

However, the conflicting framing self-interest versus others' interests implicit in the dominant self-interest approach in both economic and management prevent theoretical development on harmonious relationships between personal motives and firm goals. The argument of this chapter is that, for an intrinsic alignment between personal motives and firm goals, it is necessary to find a view that considers both self-interest and other interests as ends, superseding the trade-off logic implicit in the self-interest view. For this purpose, furthering a previous work (Rocha HO, Ghoshal S, J Manag Stud 43:585–619, 2006), this chapter

H.O. Rocha (✉)
Business Policy and Entrepreneurship, IAE Business School, Pilar, Buenos Aires, Argentina
e-mail: hrocha@iae.edu.ar

proposes an Aristotelian–Thomistic approach, which considers excellence as the main human motive and practical rationality as the main logic to allow an intrinsic alignment between personal motives and firm goals.

Introduction

Could personal motives and firm goals be aligned in an intrinsic way? This question is at the heart of the major theme in virtue ethics, business, and management, that is, "virtues in relation between individuals and firms as moral agents" (Ferrero and Sison 2012).

To find an answer to this question, the starting point is to investigate the nature of the relationship between self-interest and others' interests. Many scholars have identified self-interest as the dominant personal motive shaping human action and interaction (Mueller 1986; Sen 1990; Mansbridge 1990; Argyris 1973; Ferraro et al. 2005), and the most influencing management theories such as Transaction Cost Economics (Williamson 1975), Agency Theory (Jensen and Meckling 1994), Resource-based View (Barney 1991), and Industrial Organization Economics (Porter 1985) are based on the assumption that people are self-interested (Ghoshal 2005; Rocha and Ghoshal 2006: 596).

According to the self-interest view on human motives, the answer to the question on an intrinsic alignment between personal motives and firm goals is negative, because others' interests are either not taken into account or used for personal ends (Fig. 1).

Indeed, a previous work has identified that there are two versions of the self-interest view of human motives, which differ according to both the object of motivation and whether others' interests are taken into account (Rocha and Ghoshal 2006: 591–596; see Fig. 1). In the first version, the only human motive is narrow self-interest, which is defined as the individuals' motive to do whatever it takes to satisfy their individual desires, being indifferent about how their actions affect others (Adams and Maine 1998). The object of motivation is pleasure in general, defined as a state that results from *having* health, material goods, honors, status, power, or any bodily pleasures (Aristotle 1984b).

In the second version, the only human motive is still self-interest, but the object of motivation could be other than pleasure, and others' interests are taken into account, but only as means to achieve a personal end. Individuals seek to maximize their own utility, rationally choosing the best means, even the motives of other people, to serve their goals. Therefore, others' interests have no intrinsic value or value in itself; any supposed motive seeking the well-being of others can be reduced to self-interest because individuals are willing to substitute some amount of a good for some amounts of other goods (Jensen and Meckling 1994).

Basic human impulse = Good in general (self-love)

Object— what is good?	Subject—whose interests?				View		
	Only self	Only others'	Self as end and others' only as means	Both self and others' as ends			
Pleasure	1 Narrow self-interest	N/A	2 Instrumental or Enlightened self-interest	N/A	Self-interest as only motive (cells 1,2, and 4)	Self-interest as opposed to unselfishness (all cells except cell 8)	Self-love as the basic human motive integrating self-interest and unselfishness (all cells)
Sentiments	N/A	3 Unselfishness (sentiment-driven altruism)	4 Instrumental or Enlightened self-interest	5 Sentimental love			
Duty	N/A	6 Unselfishness (Duty-driven altruism)	N/A	7 Duty			
Excellence	N/A	N/A	N/A	8 Excellence			

Fig. 1 Human motives beyond self-interest Source: Rocha and Ghoshal (2006: 589)

In sum, assuming that people are self-interested means that either people do not care about the alignment between their personal motives and firm goals or this alignment is instrumental to their own motives rather than intrinsic.

In order to have an intrinsic alignment between personal motives and firm goals, it is necessary to find a view that considers both self-interest and other interests as ends, superseding the trade-off logic implicit in the self-interest view. Furthering a previous work (Rocha and Ghoshal 2006), this chapter proposes a model for an intrinsic alignment between personal motives and firm goals introducing the Aristotelian–Thomistic concepts of excellence and practical rationality.

This work is organized in four parts. The first part makes explicit the Aristotelian–Thomistic assumptions on human motives and human relationships summarized from Rocha and Ghoshal (2006). The second part investigates how these assumptions relate to firms as intermediate bodies between the family and the state. The third part presents how the Aristotelian–Thomistic assumptions allow an intrinsic alignment between personal motives and firm goals. Finally, the fourth part concludes.

Aristotelian Assumptions on Human Motives, Human Relationships and Human Communities

Human Motives

For Aristotle, the basic human tendency is toward good (1984b, Book I,1), and the pinnacle of all goods is Eudaimonia, happiness (Aristotle 1984b, Book I, 4) or human flourishing. Although both "the general run of men and people of superior

refinements" say that happiness is the highest good, "with regard to what happiness is, they differ" (1984b, Book I, 4). Thus, Aristotle investigates how different goods (wealth, pleasure, honor and excellence) contribute to happiness and argues that the greatest of all the goods is excellence (1984b, Book I,5), because it helps to develop to the full potential what is specifically human. Flourishing which is an activity rather than a state, occurs when the human being develops his excellences (1984b, Book I,13, Book X, 6-7). "The happy life is thought to be one of excellence" (Aristotle 1984b, Book X, 6), because happiness lies in excellent activities or, better, is "activity in accordance with excellence" (Aristotle 1984b, Book X, 7).

Excellence is not a mutually exclusive motivational category competing with wealth, pleasure, and honor; it is simultaneously present with them. In fact, those motives are interdependent. Aristotle establishes a hierarchy among these goods according to the intrinsic goodness of each of them (1984b, Book V,5). Aristotle's search for the good (that is, Eudaimonia) is a search for the highest good, and the highest good, whatever it turns out to be, has three characteristics: it is desirable for itself, it is not desirable for the sake of some other good, and all other goods are desirable for its sake. Given these criteria, Aristotle demonstrates that excellence is the highest good and provides reasons for both why excellence is higher than wealth, pleasure and honor, and the interdependence among these goods (Aristotle 1984b, Book I, 5).

The development of excellence uses a practical, or part–whole, rationality approach. Practical rationality can be traced back to the Aristotelian concept of practical wisdom (Aristotle 1984a, Book II, 1; VI, 5), which stresses the idea of holism (Solomon 1992) or part–whole relation. In effect, practical rationality focuses on different ends, while instrumental rationality aims at connecting an action with an external end (Aristotle 1984a, Book VI, 5). Contrary to instrumental rationality, which allows the separation between given ends and the means to achieve them, practical rationality requires that each part be present to achieve the whole (García Sanchez 2004). Multiple ends are evaluated rather than selected; the issue is how different ends are connected and evaluated rather than how to select the best means to maximize an assumed end.

Human Relationships

As to human relationships, Aristotle asserts that human beings are social beings by nature (1984b, Book VII). This assertion has at least two consequences: first, excellence is beneficial to both the individuals who possess it and those who have been influenced by them; second, the search for good and perfection that is common to all men (*sic*) is not possible outside a community.

The tendency towards good and the social nature of men leads to the conclusion that every community of men is established with a view to some good (Aristotle 1984b: Book I, 1). The first natural community is the family, because "there must be a union of those who cannot exist without each other; namely, of male and female, that the race may continue" (Aristotle 1984b: Book I, 2). Several related families

form a village, and when several communities are united on a single complete community, large enough to be self-sufficing, "the state comes into existence, originating in the bare needs of life, and continuing in existence for the sake of a good life" (Aristotle 1984b: Book I, 2). The *polis*, then, is a natural community based on human needs and the social nature of men and has the end of providing men the necessary means for a good life, a life based on excellences. Therefore, the achievement of a good life is within a context, which for Aristotle is the *polis*. The alignment between human beings and their communities is based on the human tendency towards good and the development of excellences within the *polis*.

Firms as Human Communities for Shared Economic Ends

How might the previous assumptions be related to firms? Although Aristotle is silent about firms given the context in which he lived, some scholars in the Aristotelian tradition have said that a firm is an artificial community of persons between the family and the state that pursues economic ends (cf. Solomon 1992; Melé 2012; Sison 2013).

Indeed, firms are artificial intermediate bodies because they do not arise directly from human nature (Sison 2013) but from voluntary bonds. They are also communities of persons (Solomon 1992; Melé 2012) based on the social nature of human beings rather than a nexus of contracts based on the individual pursue of self-interest (Rocha and Ghoshal 2006). Finally, firms are established to pursue economic ends (Sison 2013) or to achieve external goods (cf. Moore 2005, who applies MacIntyre's notion of institutions to corporations). This economic dimension of the firm distinguishes it from other intermediate groups, which, although they have an economic dimension, it is not their main concern. It is important to note that, in the pursuing of economic ends, Aristotle mentions two types of wealth acquisition: the unnecessary and the necessary. The unnecessary is characterized as an activity that searches for wealth as a goal in itself. On the contrary, the necessary acquisition searches for wealth as far as it is an indispensable means to lead an honest life. That is, what appears to be necessary is the existence of a limit to the accumulation of wealth, even though the exact opposite usually happens in practice, because most people are devoted to obtain wealth up to unlimited quantities (Aristotle 1984a). This tendency towards avarice could be moderated by the personal virtue of temperance, which, at the corporate level, is part of what Moore terms corporate character – that is, "the seat of the virtues necessary for a corporation to engage in practices with excellence," thus preserving its purpose (Moore 2005: 661).

A literature review of the management tradition shows that the foundations of management are closely related to the idea of firms as a community of persons (cf. Rocha and Ghoshal 2006; Rocha 2008; Mele 2013). Indeed, firms are viewed as communities or cooperative systems for a common purpose (cf. Barnard 1938; Follet 1940; Drucker 1989; Selznick 1957). (The scope of this chapter does not allow explaining the specific arguments of each of these authors; for a summary of arguments and specific references, see Rocha and Ghoshal (2006), Rocha (2008),

and Melé (2012).) This common purpose or mission of the firm has an economic dimension, which is not the maximization of profit for the shareholders but the creation and distribution of wealth to each of the constituencies or stakeholders of the firm. This tenet has been developed in more recent years by the stakeholder view of the firm (Freeman 1984; Post et al. 2002), which defines firm wealth as the "capacity of an organization to create benefits for any and all of its stakeholders over the long run" (Post et al. 2002: 45). This definition includes as beneficiaries not only the stockholders but also any individual and constituency that contributes to the wealth-creating capacity of the firm.

There is an emergent empirical literature supporting the notion of firms as a community of persons for a purpose wider than profit maximization that, given space limitations, cannot be detailed here. This emerging evidence may be found in Sampson (1995), Cameron et al. (2003), Hart (2005), Miles et al. (2005), Nahapiet et al. (2005), and Rocha and Miles (2009), among others.

Alignment Between Personal Motives and Firm Goals

Section "Aristotelian Assumptions on Human Motives, Human Relationships and Human Communities" has analyzed the Aristotelian notions of excellence, practical rationality, and the social nature of human beings; in turn, section "Firms as Human Communities for Shared Economic Ends" has shown how the Aristotelian notion of community applies to firms. Based on the assumptions and arguments presented in the previous section, this section analyzes how they provide support for an intrinsic alignment between personal motives and firm goals.

The introduction of this chapter has shown how the dominant self-interest view of human motives does not allow an intrinsic alignment between self-interest and others' interest, because of the trade-off logic inherent to the instrumental rationality it uses to maximize an individual's own utility function and, therefore, treating others' interests as means. For an intrinsic alignment to occur, it is necessary to find an approach that considers both self-interest and others' interest as ends, thus superseding the trade-off or instrumental logic of the self-interest view.

The Aristotelian–Thomistic approach allows an intrinsic alignment given that the development of excellences is beneficial to both the individuals who possess it and those who relate to them. The alignment is intrinsic given both the social nature of human beings and the nature of excellence, which considers both self and others' interest as ends and, therefore, as valuable in themselves. This intrinsic dimension is stressed, in particular, by the political or cardinal virtue of justice, defined as "a stable and lasting willingness to do the just thing for everyone" (Aquinas II, 11, 58). Finally, for this intrinsic alignment to occur, human beings are endowed with practical rationality, which focuses on different ends in order to integrate them based on a part–whole rather than end–means relationship.

The intrinsic nature of alignments between personal motives and others' interests based on excellences and practical rationality, together with the notion of firms as

human communities for a shared purpose, implies that personal motives and firm goals could be aligned in an intrinsic way.

As in the case of firms conceived as communities of human persons, there is an emergent empirical literature studying the possible relationship between personal virtues and organizational outcomes. For example, Cameron (2003), based on three empirical studies spawned across more than sixteen industries, shows that virtuousness "mitigates the negative performance outcomes of downsizing and is positively associated with higher organizational performance" (Cameron 2003: 59). Other researchers focus on the intrinsic alignment between personal motives and firm goals through the study of cooperation based on excellences (Miles et al. 2005; Nahapiet et al. 2005; Rocha and Miles 2009). For example, mutual identification of interests, attention to the intrinsic value of relationships, and taking pleasure in acknowledging others' ideas were found as key assumptions for the sustainability of collaborative communities of organizations (Rocha and Miles 2009). Finally, from the practitioners' stand point, emerging trends such as B Corps (Sabeti 2011; Forbes 2014), which are identified by their economic, social, and environmental purposes, are supportive environments for an intrinsic alignment between personal motives based on excellence such as pro-social and environmental values and firm goals.

Conclusion

The major theme in virtue ethics, business, and management is "virtues in relation between individuals and firms as moral agents" (Ferrero and Sison 2012). The main unit of analysis is neither the person nor the organization but the person in the organization.

However, the conflicting framing self-interest versus others' interests implicit in the dominant self-interest approach in both economic and management prevent theoretical development on harmonious relationships between personal motives and firm goals. The argument of this chapter is that, for an intrinsic alignment between personal motives and firm goals, it is necessary to find a view that considers both self-interest and other interests as ends, superseding the trade-off logic implicit in the self-interest view. For this purpose, this chapter proposes an Aristotelian–Thomistic approach, which considers excellence as the main human motive and practical rationality as the main logic to allow an intrinsic alignment between personal motives and firm goals. Table 1 summarizes the main features of the self-interest of the alternative Aristotelian–Thomistic approaches discussed in this chapter.

The main contribution of this chapter is to show how the Aristotelian–Thomistic assumptions on human nature and relationships provide a richer lens to understand and explain the relationship between people and firms at both the theoretical and practical levels.

At the theoretical level, it contributes to the call for a management philosophy that integrates social and economic objectives (Walsh et al. 2003: 876), embracing a

Table 1 Alignments between personal motives and firm goals

	Self-interest approach	Aristotelian–Thomistic approach
Main motive	Self-interest	Excellence
Framing	Self-interest (end) versus others' interests (means)	Self-interest (end) and others' interest (end)
Assumption	Conflict	Harmony
Alignments between personal and firm levels	Instrumental	Intrinsic

complementary articulation (Smelser and Swedberg 1994), or a scholarship of integration (Boyer 1990), approach to theory building. Both the self-love and practical rationality assumptions show that this relationship is naturally intrinsic, which direct the effort towards discovering shared goals rather than resolving trade-offs.

At the practical level, the proposed integration is not limited to a richer description of assumptions, because assumptions impact managerial and policy practice. Indeed, the assumptions embodied in practitioners' mental models and attitudes have the potential to change the very behavior they assume (cf. Ferraro et al. 2005, Ghoshal and Moran 2006, Ghoshal 2005). This chapter contributes the Aristotelian–Thomistic assumptions on human motives and relationships that could both explain and foster the emerging empirical evidence on the alignment between personal motives and firm goals as outlined in sections "Firms as Human Communities for Shared Economic Ends" and "Alignment Between Personal Motives and Firm Goals."

References

Adams DM, Maine EW (eds) (1998) Business ethics for the 21st century. Mayfield Publishing Company, Mountain View

Argyris C (1973) Some limits of rational man organizational theory. Public Adm Rev 33:253–267

Aquinas T (1963) Summa Theologiae. Blackfriars with Eyre and Spottiswoode, London

Aristotle (1984a) Nicomachean ethics. In: Barnes J (ed) The complete works of Aristotle. The revised Oxford translation. Princeton University Press, Princeton, NJ

Aristotle (1984b) Politics. In: Barnes J (ed) The complete works of Aristotle. The revised Oxford translation. Princeton University Press, Princeton, NJ

Barnard CI (1938) The functions of the executive. Harvard University Press, Cambridge, MA

Barney JB (1991) Firm resources and sustained competitive advantage. J Manag 17:99–120

Boyer EL (1990) Scholarship reconsidered: priorities of the professoriate. The Carnegie Foundation for the Advancement of Teaching, Princeton

Cameron KS (2003) Organizational virtuousness and performance. In: Cameron KS, Dutton JE, Quinn RE (eds) Positive organizational scholarship. Foundations of a new discipline. Barrett Koehler, San Francisco, pp 48–65

Cameron KS, Dutton JE et al (2003) Positive organizational scholarship. Foundations of a new discipline. Barrett Koehler, San Francisco

Drucker P (1989) The new realities. HarperCollins, New York

Ferraro F, Pfeffer J, Sutton RI (2005) Economic language and assumptions: how theories can become self-fulfilling. Acad Manag Rev 30:8–24

Ferrero I, Sison AJG (2012) A survey on virtue in business and management (1980–2011). Universidad de Navarra

Follet MP (1940) In: Metcalf HC, Urwick L (eds) Dynamic administration: the collected papers of Mary Parker Follett. Routledge. London: Pitman

Forbes (2014) The 10 companies considered "Best for the world". http://www.forbes.com/sites/susanadams/2014/03/31/10-companies-considered-best-for-the-world/

Freeman RE (1984) Strategic management: a stakeholder approach. Pitman, Boston

García Sanchez J (2004) Alcance y Límites de la Racionalidad Económía. Buenos Aires: IAE Management and Business School

Ghoshal S (2005) Bad management theories are destroying good management practices. Acad Manag Learn Educ 4:75–91

Ghoshal S, Moran P (2006) Bad for practice: a critique of the transaction cost theory. Acad Manag Rev 21:13–47

Hart SL (ed) (2005) Capítalism at the Crossroads: the unlimited business opportunities in solving the world's most difficult problems. Wharton School Publishing

Jensen MC, Meckling WH (1994) The nature of man. J Appl Corp Finance 3:4–19

Mansbridge JJ (1990) The rise and fall of self-interest in the explanation of political life. In: Mansbridge JJ (ed) Beyond self-interest. The University of Chicago Press, Chicago

Melé D (2012) The firm as a "community of persons": a pillar of humanistic business ethos. J Bus Ethics 106:89–101

Miles R, Miles G, Snow C (2005) Collaborative entrepreneurship: how networked firms use continuous innovation to create economic wealth. Stanford University Press, Stanford

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15:659–685

Mueller DC (1986) Rational Egoism vs. Adaptive Egoism. Public Choice 51:3–23

Nahapiet J, Gratton L, Rocha HO (2005) Knowledge and relationships. When cooperation is the norm. Eur Manag Rev 2:3–14

Nussbaum MC (1995) Poetic justice: the literary imagination and public life. Beacon, Boston

Porter ME (ed) (1985) Competitive advantage: creating and sustaining superior performance. The Free Press, New York

Post JE, Preston L, Sachs S (2002) Redefining the corporation: stakeholder management and organizational wealth. Stanford University Press, Stanford

Rocha HO, Ghoshal S (2006) Beyond self-interest revisited. J Manag Stud 43:585–619

Rocha HO (2008) Las teorías y la práctica de la dirección son una fuerza para el bien. La contribución de Sumantra Ghoshal. Empresa y Humanismo 11:171–217

Rocha H, Miles R (2009) A model of collaborative entrepreneurship for a more humanistic management. J Bus Ethics 88(3):445–462

Sabeti H (2011) The for-benefit enterprise. Harv Bus Rev 88:98–104

Sampson A (1995) Company man: the rise and fall of corporate life. Harper Collins. New York: Crown Business

Selznick P (1957) Leadership in administration: a sociological interpretation. Row and Peterson, Evanston

Sison AJG (2013) Aristotle and the corporation. In: Handbook of the philosophical foundations of business ethics. Springer Netherlands, pp 45–66

Smelser NJ, Swedberg R (1994) The sociological perspective on the economy. In: Smelser NJ, Swedberg R (eds) The handbook of economic sociology. Princeton University Press, Princeton

Solomon RC (1992) Ethics and excellence. New York: Oxford University Press

Walsh JP, Weber K, Margolis JD (2003) Social issues and management: our lost cause found. J Manag 29:859–881

Williamson OE (1975) Markets and hierarchies: analysis and antitrust implications. The Free Press, New York

Part XIII

Teaching and Training in Virtue Ethics

Teaching and Training Virtues: Behavioral Measurement and Pedagogical Approaches

Mitchell J. Neubert

Contents

Abstract

This chapter explains the author's approach to teaching and training virtue in the classrooms of universities and workplaces of today's organizations. It includes a description of seven primary virtues, the presentation of a behavioral measure of these seven primary virtues developed for use in teaching and training, and examples of pedagogy that have been used to promote virtue in universities and organizations. Finally, the other chapters in this section on teaching and training virtue are briefly introduced.

M.J. Neubert (✉)
Hankamer School of Business, Department of Management, Baylor University, Waco, TX, USA
e-mail: Mitchell_Neubert@baylor.edu

Introduction

Virtues represent good behavior or habits, or what represents excellent character. Moreover, virtues are recognized by most if not all members of society as worthwhile. As such, there is little resistance to the idea that virtues should be promoted across society. Although some might argue that businesses and business schools lack virtue, these institutions are in fact important purveyors of virtue. Successful businesses and notable business schools have modeled and promoted the virtue of prudence as outlined in Adam Smith's *Wealth of Nations*; yet, there is a growing awareness, consistent with the full work of Smith, that prudence operates most effectively in conjunction with other virtues (McCloskey 2008). There is mounting evidence that the best and most admired companies promote virtuous corporate cultures that embrace a range of virtues (Cameron, Bright, and Caza 2004; Malloch 2010; Sosik et al. 2012).

In my own quest to integrate an array of virtues in my teaching and consulting, I first faced the question of "which virtues should I focus on and promote?" The paper proceeds by explaining how I answered this question and developed a behavioral measure of these virtues for feedback and research; then, it describes the approaches I use to promote virtue in my teaching and training. In discussing the latter, I refer to other approaches discussed in the accompanying articles in this section.

Identification of Virtues and Behavioral Measurement

The Concept of Virtue

The question of what is recognized as virtue is unsettled (MacIntyre 1981: Weaver 2006). One approach drawing from philosophical and economic treatises of the topic suggests that a set of "primary virtues" can be identified from which other virtues emanate (McCloskey 2008, p. 46). The seven primary virtues are rooted in a consensus that emerged in Europe following from the works of Plato, Socrates, Aristotle, and Aquinas (McCloskey 2008). These primary virtues include the four cardinal virtues based in natural law (prudence, temperance, justice, and courage) and the three theological virtues that transcend natural law (faith, hope, and love) (Aquinas 1999; McCloskey 2008). These primary virtues are not more perfect than other virtues but are more principal in being the bases for other virtues and more central to a flourishing human life (Aquinas 1999).

Although conceptions of what is virtuous have been associated with social roles, human telos, or instrumentality (MacIntyre 1981), the conception of virtue promoted here is teleological in conceptualizing character as an end in itself rather than a means to satisfy societal roles or provide instrumental utility (MacIntyre 1981). That is not to say that virtue has no value or utility because in many ways it does (Neubert 2011). Good character may contribute to positive ends, and often does, but this approach asserts that good character is inherently good. "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" (Hartman 2008, p. 319). Yet, the conception of virtue promoted here also is about character demonstrated in community, in particular the workplace (Dyck and Kleysen 2001). Thus, good character has its own reward while also offering utility to the person of good character and benefits to their communities.

This primary set of virtues can be defined in recognizable behavior, applied to ethical decision-making, and taught (Kolp and Rea 2006; Neubert and Dyck 2014). This includes the theological virtues, which need not be exclusively transcendent but can have down-to-earth applications (McCloskey 2008). Brief definitions are as follows:

- Prudence is using practical wisdom or sound judgment that is characterized by foresight. It involves considering long-term interests and consequences (Marshall et al. 2013).
- Temperance is exercising self-control or balance in avoiding excess (McCloskey 2008). It involves acting with moderation rather than denying one's own interests (Mendonca 2001).
- Justice is demonstrating fairness in administering processes, distributing outcomes, and interacting with others (Colquitt, Conlon, Wesson, Porter, and Ng 2001). It also involves giving consideration to personal, organizational, and community responsibilities (Dyck and Kleysen 2001).
- Courage is exhibiting fortitude in the face of difficulties and speaking up for what is right (Dyck and Kleysen 2001). It involves doing what is good or noble despite obstacles or negative consequences (Mendonca 2001).
- Faith is acting based on trust. It is backward-looking in demonstrating trust or faith in others based on experience (McCloskey 2008).
- Hope is expressing and instilling confident expectations about the future. It involves a positive assessment of agency and plans (Snyder 2000).
- Love is showing compassion or care for others. It involves behavior that is unselfish and concerns itself with benefits for others (Oman 2011).

Identifying a set of seven primary virtues allows for behavioral aspirations to be more specific than generally referring to acting in good character. Moreover, in the context of ethical decision-making, these virtues can serve as specific referent points in a decision-making process. For example, is this decision just? Is it loving toward others? Does the decision build or destroy faith or trust?

Measuring Virtue

Having decided on a set of virtues to promote and not finding an existing measure that included this set of primary virtues, I embarked on the journey of developing my own measure. A valid and reliable scale results from a multiphase process. After the

first phase of defining the concepts, the next phase is item generation. This involves having experts familiar with the focal concepts generate items to measure the construct. In this case, I and another faculty member, who taught a class on leadership using a text including these seven primary virtues, generated six items per virtue for a total of 42 items.

The next step involved testing for content validity. Evidence for content validity can be attained by having informed respondents categorize possible items according to their appropriate conceptual categories. Our sample of informed respondents included 24 undergraduate students who had read the text as part of a class. They were asked to classify items according to the seven primary virtues. Items that failed to be categorized as expected by the majority of students were discarded. This resulted in 20 items that were retained; of which two per virtue were included in the initial scale based on an assessment of relative agreement and face validity considerations.

The next stage of measure development involves having yet another group of respondents, representing a sample that can be generalized to the population of interest, complete a survey using the items to rate themselves and/or another person. In this case, several cohorts of EMBA students rated themselves and had colleagues rate them on the 14 focal items. In a large sample of over a thousand ratings, confirmatory factor analyses demonstrated that a seven-factor solution representing the seven virtues achieved acceptable levels of fit (seven-factor fit indices: Chi-square of 379.71, $p < .001$; RMSEA $= .06$; CFI $= .98$; TLI $= .97$; SRMR $= .02$). A one-factor solution demonstrated slightly lower, yet still acceptable, level of fit indicating that although they are separate, the virtues also are related in reflecting an overall level of good character (one-factor fit indices: Chi-square of 606.72, $p < .001$; RMSEA $= .07$; CFI $= .97$; TLI $= .97$; SRMR $= .02$). The alpha reliability of the overall scale was 96. The scale items are as follows:

Prudence
1. Considers the long-term implications of his/her actions.
2. When making daily decisions, he/she thinks about how it will impact the future.

Love
3. Demonstrates concern for how others are impacted by her/his actions.
4. Shows compassion to others at work.

Faith
5. Trusts others ability to get the job done.
6. Expresses faith in others by delegating authority whenever possible.

Courage
7. Does the right thing even if he/she must experience negative consequences.
8. Initiates change when he/she perceives something is not right.

Justice

    9. When making decisions she/he considers whether it is fair to all involved.

  10. Goes to great lengths to make sure others are treated fairly.

Temperance

  11. Makes a point of balancing work demands with other concerns.

  12. Has the discipline to control himself/herself and not act impulsively.

Hope

  13. Communicates a hopeful picture of the future.

  14. Takes advantage of every opportunity to empower others.

This initial set of items can be used for the purpose of specifying behavioral standards and providing feedback for those aspiring to demonstrate good character. Developing new behavior is facilitated by first identifying a behavioral standard and then assessing performance relative to this standard; in turn, this contributes to self-awareness that can lead to evaluation and self-regulation (Manz 1986).

Pedagogical Approaches to Promoting Virtue

Teaching Undergraduate and Graduate Students

The initial target audience in my endeavor to promote virtue was business students in an undergraduate leadership course. This involved teaching prudence, temperance, courage, justice, faith, hope, and love as referents in deciding among competing courses of action as leaders and discussing practices for promoting virtuous behavior through modeling good character. I initially found Kolp and Rea (2006) *Leading with Integrity* book to be quite helpful. The text familiarized the students with the definition of each virtue as it relates to behavior in organizations and provided examples of leaders who exemplified this behavior. When the examples became outdated and one of the virtuous exemplars was imprisoned for financial fraud, I turned my attention to writing and using my own textbooks.

Bruno Dyck and I have written two textbooks that explicitly integrate virtue theory throughout: *Management*: *Current Practices and Future Directions* (2010) and *Organizational Behavior* (2014). Both provide two contrasting perspectives on topics within the texts to stimulate critical thinking. We label one perspective as conventional or mainstream which is based on a materialist-individualist moral point of view that dominates traditional textbooks, while we label the other perspective as sustainable or multistream which is based on an alternative moral point of view based on the primary virtues. Although over a century ago Max Weber called for the development of alternative theories in response to the shortcomings of the dominant materialist-individualist approach to leading organizations; more recently, a chorus

of voices has emerged calling for competing approaches (e.g., Ferraro et al. 2005; Ghoshal 2005). Our textbooks provide a virtue-based alternative that promotes virtuous practices in organizations through exploring relevant theories and describing exemplars of virtuous behavior.

Beyond introducing students to examples of virtuous behavior, I encourage students to practice the virtues in the context of the class by integrating aspects of virtue in my pedagogy. For example, the necessity of completing several assignments in teams provides opportunities to practice faith and love in the pursuit of collective goals and responsibilities. Students are able to practice acting justly through providing peer ratings of performance on several projects. To practice prudence students complete a team report that diagnoses the team's composition and states behavior goals for their team, whereas to practice temperance students individually complete a self-leadership assessment that culminates in a set of holistic personal and professional goals. Hope is modeled and practiced by having student teams envision a virtue training session for their peers, and I commit time to provide feedback and the necessary resources to enhance their efficacy in delivering it.

A specific experiential activity also is used in my class and facilitated in other large classes at my university to practice and promote courage. As described by *Neubert and McCormick* in a subsequent chapter in this section, The Ethics Slam is an experiential activity that is scalable to a variety of class contexts. The goal of the activity is to practice courageous behavior in relationally situated ethical dilemmas that they may be currently facing as students and to prepare them for future challenges they are likely to face in the workplace. Its central premise is that many ethical challenges emerge in the context of meaningful relationships, which makes it difficult to resist unethical behavior. The Ethics SLAM provides a rhetorical tool to deal with these relationally situated dilemmas and engages students in practicing the use of this tool to demonstrate courage in ethical decision-making.

In promoting virtue among my executive MBA students, I employ a similar tact of utilizing my textbook, employing virtuous pedagogy, and inviting students to share examples of virtuous exemplars from their work experience. Additionally, I engage students in an assessment of their virtuous leadership based on the measure described earlier in this chapter. Students rate themselves and then invite peers, direct reports, and their direct manager to complete the survey. These "observer" ratings are averaged together across respondents and presented to the students alongside their own self-ratings. Support for this approach comes from research demonstrating that high-performing managers who are more self-aware, as measured by the degree of similarity between self and others ratings, are more effective managers (Church 1997) and have lower potential to engage in career-derailing behavior (Braddy et al. 2014).

In another chapter in this section, *Crossan, Mazutis, and Seijts* provide a compelling justification for how character can be developed in business schools through faculty role modeling and in pedagogical choices faculty make in their courses. Drawing on their own experiences promoting virtue, they provide examples of reflective exercises, experiential activities, and helpful resources that faculty may employ across a range of courses to promote virtue. They also note the importance of

coordination across the business school and university to provide a reinforcing system in which virtue is practiced and promoted among faculty, staff, and students.

Training and Corporate Virtue

There is a great need for the exercise of character in organizations. The virtue or vice of organizational leaders is of particular importance given their influence over organizations (Sosik et al. 2012). The exercise of virtuous character by organizational leaders contributes to organizational character that can be described as "the seat of the virtues necessary for a corporation to engage in practices with excellence, focusing on those internal goods thereby obtainable, while warding off threats from its own inordinate pursuit of external goods and from the corrupting power of other institutions with which it engages" (Moore 2005, p. 661).

Although some leaders already possess virtue, it can be acquired through learning and consistent practice (Hackett and Wang 2012). This represents an opportunity in higher learning that requires intentionality and innovation. Success as leaders of organizations requires more than classroom training (Allio 2005); new methods are called for that move beyond the acquisition of knowledge to the development of virtuous character. Organizations are leading in the development of new methods to develop virtue in leaders (Manz et al. 2011). This point is discussed in *Malloch*'s chapter "Teaching Virtues to Business Professionals." Malloch asserts that an increasing number of successful organizations are employing virtue and spiritual capital to managerial and ethical decision-making. In doing so, these organizations are contributing to the formation of a virtuous world ethic that has utility beyond the secular approaches of the past.

Malloch also briefly refers to a few specific organizations and their practices in promoting virtue. For example, the Chaplaincy Program at Tyson Foods is noted as a practice intended to promote virtue among a variety of faith traditions. Workplace chaplains practice a ministry of presence and compassion by being available on-site or on-call to provide visitations and counselling, engage in crisis intervention, and promote virtue through facilitating small group discussions and training sessions (Nimon et al. 2008). Indian conglomerate Tata also is mentioned as an exemplar of promoting virtue; they do so through a broad range of curricular and extracurricular initiatives. In keeping with their founders' belief that the community and environment are essential stakeholders, Tata promotes learning about and practicing corporate social responsibility (CSR) through classes taught at its training center in Pune, policies established and reinforced across its companies, and partnerships developed within the communities in which they operate (Srivastava et al. 2012).

In my own experience, I find that virtuous behavior often already exists in organizations and these behaviors can be reinforced and expanded through a training session or retreat that includes guided reflection and action planning. In such a session with leaders of a school district, I first briefly explained the seven primary virtues to the participants, provided a few examples of relevant behavior, and then

had each person rate themselves on the behavioral measure described in this chapter. A discussion of the ratings was stimulated by asking each person to share within small groups which virtues were strengths and which virtues were weaknesses. The next stage of the session involved dividing the participants into groups, intentionally including a diversity of positions and workplaces within each group, and assigning each group a virtue. The group was charged with the task of identifying where and how this virtue is currently practiced and where and how can it be practiced in the future. The session concluded by groups reporting out in a short presentation.

In other organizations, virtue is promoted in the systemic adoption of virtuous work practices. For example, in adopting quality management and/or lean Six Sigma work practices, employees receive training in the use of tools and methods that promote prudent thinking and open-mindedness (Malik and Blumenfeld 2012). In subsequent programs, employees can earn certifications such as Six Sigma Black Belts through applying the tools to organizational problems (Malik and Blumenfeld 2012). These certified experts then train others in prudent work practices. Altogether, this approach engages a wide range of employees in a virtuous cycle of learning, applying, and teaching others.

Concluding Charge

In this chapter and in those that follow in this section, examples are provided for how to promote virtue broadly as character worth emulating and how to apply virtue to decision-making in organizations. Beyond mere calls to act ethically or productively in organizations, this chapter responds to the challenge to proactively contribute to developing leaders and organizations that make a positive impact on their members and society. Promoting virtue is not simply a noble ideal, but as is described in this and following chapters, it is a real possibility. I hope readers find the particular examples and practices described within to be practically useful as well as powerful in stimulating new approaches to promoting virtue.

References

Allio RJ (2005) Leadership development: teaching versus learning. Manag Decis 43 (7/8):1071–1077

Aquinas St. T (1999) Disputed questions on virtue (Quaestio disputata de vertibus in commune and Quaestio . . . cardinalibus) (trans and ed: McInerny R). St. Augustine's Press, South Bend

Braddy PW, Gooty J, Fleenor JW, Yammarino FJ (2014) Leader behaviors and career derailment potential: a multi-analytic method examination of rating source and self–other agreement. Leadersh Q 25(2):373–390

Cameron KS, Bright D, Caza A (2004) Exploring the relationships between organizational virtuousness and performance. Am Behav Sci 47(6):766–790

Church AH (1997) Managerial self-awareness in high-performing individuals in organizations. J Appl Psychol 82(2):281

Colquitt JA, Conlon DE, Wesson MJ, Porter CO, Ng KY (2001) Justice at the millennium: a meta-analytic review of 25 years of organizational justice research. J Appl Psychol 86(3):425

Dyck B, Kleysen R (2001) Aristotle's virtues and management thought: an empirical exploration of an integrative pedagogy. Bus Ethics Q 11(4):561–574

Dyck B, Neubert MJ (2010) Management: current practices and new directions. Cengage/Houghton Mifflin Harcourt Publishing Company, Boston

Ferraro F, Pfeffer J, Sutton RI (2005) Economic language and assumptions: how theories can become self-fulfilling. Acad Manage Rev 30(1):8–24

Ghoshal S (2005) Bad management theories are destroying good management practices. Acad Manag Learn Educ 4(1):75–91

Hackett RD, Wang G (2012) Virtues and leadership: an integrating conceptual framework founded in Aristotelian and Confucian perspectives on virtues. Manag Decis 50(5):868–899

Hartman EM (2008) Socratic questions and Aristotelian answers: a virtue-based approach to business ethics. J Bus Ethics 78:313–328

Kolp A, Rea PJ (2006) Leading with integrity: character-based leadership. Atomic Dog Publishers, Cincinnati

Malik A, Blumenfeld S (2012) Six Sigma, quality management systems and the development of organisational learning capability: evidence from four business process outsourcing organisations in India. I J Qual Reliab Manag 29(1):71–91

Malloch TR (2010) Spiritual enterprise: doing virtuous business. Encounter Books, New York

Manz CC (1986) Self-leadership: toward an expanded theory of self-influence processes in organizations. Acad Manage Rev 11(3):585–600

Manz CC, Manz KP, Adams SB, Shipper F (2011) Sustainable performance with values-based shared leadership: a case study of a virtuous organization.". Can J Admin Sci Revue Canadienne des Sciences de l'Administration 28(3):284–296

Marshall A, Baden D, Guidi M (2013) Can an ethical revival of prudence within prudential regulation tackle corporate psychopathy? J Bus Ethics 117(3):559–568

McCloskey D (2008) Adam Smith, the last of the former virtue ethicists. Hist Polit Econ 40 (1):43–71

MacIntyre AM (1981) After virtue. Duckworth, London

Mendonca M (2001) Preparing for ethical leadership in organizations. Can J Admin Sci 18 (4):266–276

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Neubert MJ (2011) Introduction: the value of virtue to management and organizational theory and practice. Can J Admin Sci 28(3):227–230

Neubert MJ, Dyck B (2014) Organizational behavior. Wiley, New York

Nimon K, Philibert N, Allen J (2008) Corporate chaplaincy programs: an exploratory study relates corporate chaplain activities to employee assistance programs. J Manag Spiritual Relig 5 (3):231–263

Oman D (2011) Compassionate love: accomplishments and challenges in an emerging scientific/ spiritual research field. Ment Health Relig Cult 14(9):945–981

Snyder CR (2000) Handbook of hope. Academic, San Diego

Sosik JJ, Gentry WA, Chun JU (2012) The value of virtue in the upper echelons: a multisource examination of executive character strengths and performance. Leadersh Q 23(3):367–382

Srivastava AK, Negi G, Mishra V, Pandey S (2012) Corporate social responsibility: a case study of TATA group. IOSR J Bus Manag 3(5):17–27

Weaver GR (2006) Virtue in organizations: Moral identity as a foundation for moral agency. Organization Studies, 27(3):341–368.

Developing Courage Through the Ethics SLAM!

Mitchell J. Neubert and Blaine McCormick

Contents

Abstract

This chapter describes an experiential activity, the Ethics SLAM!, that promotes the development of undergraduate students' courage in voicing their ethics in relationally situated ethical dilemmas. The pedagogical approach and activity are grounded in established psychological principles and have been honed through years of practice in both large and small classes. Explanations of the guiding principles of the Ethics SLAM!, suggestions for its format, and examples of student reactions are provided.

M.J. Neubert (✉)
Hankamer School of Business, Department of Management, Baylor University, Waco, TX, USA
e-mail: Mitchell_Neubert@baylor.edu

B. McCormick
Department of Management, Baylor University, Waco, TX, USA
e-mail: Blaine_McCormick@baylor.edu

Introduction

The dominance of rational assumptions in teaching business ethics has privileged analytical reasoning over emotions in ethical deliberations (Bos and Willmott 2001). Although analysis certainly has its place, this approach suffers from a lack of personal relevance and is detached from the emotions associated with ethical decision-making in context. Analyzing ethical challenges in real or hypothetical organizations can enhance decision-making skills and contribute to good intentions, but this approach is limited in its capacity for developing the courage to act ethically in relationally situated ethical dilemmas common to students' present academic context or to work contexts they are likely to encounter in their immediate future. The courage to make ethical decisions in these contexts stems from ethical awareness and competency in responding to these dilemmas.

In this chapter, we present an activity, the Ethics SLAM!, that has been used to develop courage in students who are faced with relationally situated ethical dilemmas in which preserving the relationship may be as important as choosing the ethical course of action. We agree that courage, more than good intentions, is a hallmark of virtuous leaders and contributes to a leader's success (Hackett and Wang 2012; Sosik et al. 2012), and, therefore, contributing to the development of courage is a worthwhile endeavor.

The Need for a Novel Approach

A common approach to teaching ethics is to identify and analyze examples of ethical challenges or failures found in current events or published cases. Although these examples can be engaging discussion starters, this analytical approach falls short in being about the actions of executives or seasoned professionals. In many cases, students are acquiring knowledge and thinking analytically about situations in which they have little experience and are not likely to encounter in their immediate future (Berggren and Söderlund 2011). There is value in this approach if the salience of the analytical exercise is heightened by having to present and defend their ideas, but it may not be relevant to many of the everyday decisions students face now or will face early in their career.

A deficiency of a purely analytical approach to analyzing the ethical challenges or shortcomings of unacquainted characters in unfamiliar contexts is that this practice discounts the role of affect or emotion in ethical decision-making (Gaudine and Thorne 2001). Affect influences many decisions and behaviors but takes on an even larger role in situations when individuals are rushed or the decision is based in a social context (Taggar and Neubert 2008; Maciejovsky et al. 2012). In these

contexts, the competencies needed are not exclusively analytical skills but instead include the relational and emotional skills to adapt to and deliver responses to the demands of social interactions (Waters and Sroufe 1983). Momentary emotions can dominate or diminish rational considerations in decisions with ethical implications (Taggar and Neubert 2008; Maciejovsky et al. 2012).

Helping students make courageous decisions requires facilitating the development of capabilities to manage emotions, understand and acknowledge others' perspectives, interact constructively, and maintain positive relationships (Elias et al. 1997). Reviews of this approach in academic settings indicate that these skills can be developed and that their development has wide-reaching benefits including improved social behaviors, academic performance, and lower instances of misconduct or emotional distress (Durlak et al. 2011). Similarly, we expect the development of relational and emotional skills will help students respond courageously to socially contextualized ethical dilemmas.

Our approach was to create an activity for students that contributes to the development of courage by practicing relational competencies for navigating situations that are both personally relevant and likely to evoke emotions in addition to rational analysis. The result was the creation of our Ethics SLAM! competition for first year students in the business school that is facilitated by upperclassmen in the business school. The Ethics SLAM! is designed for students to practice courageously responding to ethical challenges that are situated in the context of meaningful relationships. Paralleling poetry slams that involve judging poems read aloud, the Ethics SLAM! involves the audience in judging the responses of participants to various ethical dilemmas.

Pedagogical research is clear that relevance is critical in any transfer or retention of training (e.g., Burke and Hutchins 2007) and research on the influence of emotions and cognitions points to emotions as often having more influence than cognitions in decisions to act in the context of relationships (e.g., Taggar and Neubert 2008). The situations created for the Ethics SLAM! involve a significant personal or professional relationship and require an immediate response. For example, a student meets a friend in the hallway and shares that he is struggling with a particular class. In response his friend says, "I know where I can get a copy of the quiz for the class. Do you want it?" What would the student say, in that moment, to his friend? Or how would a student respond to a friend who stops by the dorm and says, "I'm going to have to miss class to work on another project; can you sign me in with my electronic key pad?"

These immediately relevant situations foreshadow possible future corporate ethical challenges. Consider the phone call Martha Stewart received regarding alleged insider information. She was called by a representative of a trusted advisor and offered information. In the moment, she made a decision that in retrospect may have been based more on relational trust than rational analysis. Moreover, what about the underwriter whose signature is necessary for a colleague to approve a subprime loan? No doubt within the expansive reach of the mortgage loan fraud debacle, there were occasions when an associate, perhaps even a friend, stopped by the desk of an underwriter to ask for a favor on a dubious loan. In such cases, it may

not be the cognitive and moral complexity that makes these situations particularly difficult; it is the time and relational pressures that create havoc on a person's decision-making process. These situations don't call for more extensive or structured analysis; they call for courage to do what is ethical but to do so while demonstrating respect to others.

The Courage to Express Ethical Voice

Courage is the will to do what is morally right in spite of personal consequences. Our conscience signals what is right or wrong in these situations and courage is the decision to follow this leading. Further, courage is "the virtue that allows one to endure difficulty and pain" (Naughton and Cornwall 2006, p. 73). It this sense, courage is the willingness to endure the pain or consequences that result from refusing to do something unethical. We describe this courageous expression of what a person knows to be right as one's "ethical voice." It is an expression of personal leadership in acting according to what a person believes is good or right. Courageously communicating one's ethical voice in a difficult situation is a learnable skill (Hannah et al. 2011).

The idea of developing the courage to express one's ethical voice undergirds Mary Gentile's writings on voicing values. Gentile asserts that the probability of persons voicing their values increases to the extent they are prepared to do so. As such, her research has uncovered, and her curriculum promotes, techniques that help organizational members learn how to effectively voice their ethical concerns in a manner that does not lead to damaged relationships or retaliation (Gentile 2011). Courage can be developed through observing courageous role models as well as through developing one's own competency through practice (Putnam 2010; Hannah et al. 2011).

Expressing one's ethical voice is difficult even in the best of circumstances. People may have great clarity on the proper course of action (e.g., not to cheat on the exam) but still engage in dishonorable behavior to avoid the emotional discomfort or fear associated with refusing the requests of someone you know or spend time with. Maintaining quality relationships is challenging and the repercussions for mishandling relational exchanges can be substantial; the results can be temporary awkwardness, long-term damage to the quality of the relationship, or the end of the relationship. The psychology of maintaining relationships by managing affective exchanges is explained in affective events theory (Weiss and Cropanzano 1996). Broadly, the theory asserts that the nature and content of emotional exchanges result in predictable reactions that influence work decisions and relationships. Daniel Goleman and Richard Boyatzis (2008) in their work on promoting social intelligence argue that the developed skill of being able to manage affective exchanges is critical to healthy and long-lasting work and personal relationships. As such, in the Ethics SLAM!, we focus on teaching and practicing the "No Sandwich," a simple yet practical tool for expressing one's ethical voice in relational exchanges.

The centerpiece of the Ethics SLAM! is learning to express one's ethical voice by delivering a "positive no" in a difficult ethical situation (Ury 2007). Ury defines a "positive no" as having a Yes-No-Yes structure, in which a negative response is sandwiched by two positive or cooperative statements. Structuring one's refusal in this way is "soft on the people and hard on the problem" (Fisher et al. 1991). Psychological research indicates that feedback presented in a positive–negative sequence elicits more positive feelings toward the speaker than a negative–positive sequence (Mettee 1971). Moreover, the positive–negative sequence results in higher levels of acceptability from the recipient and reduces the potential for a blocking effect, in which the negative information blocks out attention to subsequent positive information (Stone et al. 1984). Similarly, in the context of relationships, we teach students to affirm-refuse-affirm. That is, the first step is to affirm the relationship with the other participant in the dilemma. Next, clearly refuse to participate in the unethical behavior. Finally, either reaffirm the relationship or present a new option to which you can agree. This approach signals a desire to maintain the relationship and can create a positive affective response even while delivering negative information (Goleman and Boyatzis 2008).

Sandwiching a "no" or "refusal" with positive or affirming statements equips students with a learnable skill to manage the emotional exchanges inherent in many relationally situated ethical challenges students face now and will face in the future. If the "no" also is coupled with a short explanation that legitimizes the refusal, it also is likely to improve reactions to what can be an uncomfortable exchange (Waung and Jones 2005). Without the skill to gracefully refuse a proposed unethical behavior, students as well as professionals are prone to make faulty decisions in the moment of temptation. Training future leaders to deliver clear ethical responses in ways that minimize the relational fallout from these exchanges raises the probability that these leaders will avoid the false choice of being ethical or preserving relationships.

The Ethics SLAM!

In our university, the Ethics SLAM! occurs in a large, lower division business class populated primarily by first year business students. Upper division students from a senior level leadership elective class focused on ethics facilitate the three-stage Ethics SLAM! competition. The goal of the activity is to help students develop the courage to use their ethical voice and to reward competency in doing so. Throughout the stages of the competition, students are expected to practice their ethical voice as well as observe and evaluate the capability of others to demonstrate their ethical voice. Specifically, we present students with common dilemmas in which someone close to them is engaging in or inviting the student to engage in unethical behavior. (See "Appendix" for a variety of personal and professional examples.)

Fig. 1 The three stages of the Ethics SLAM!

Stage 1: Qualifying Work
1. "Finding Your Ethical Voice" lecture given to all students.
2. Ethical dilemma response memo assigned to all students.
3. Upper division students collect and evaluate response memos.
4. Top four students are contacted to prepare for semi-final rounds. They are given six possible ethical dilemmas to prepare for.

Stage 2: Semi-final Round
1. Top four students respond to ethical dilemmas live in front of the rest of the class. The choice of dilemma is by random draw.
2. The class audience votes via electronic response technology.
3. The two participants with the most votes move to the final round.

Stage 3: Final Round
1. The top two students respond to new and previously unseen ethical dilemmas.
2. The class audience votes via electronic response technology.
3. The winner is announced and prizes are awarded.

Process and Plans for the Ethics SLAM!

Figure 1 diagrams the overall flow of the three-stage competition. The three stages involve a qualifying round in which everyone in a class participates in a written assignment. This is followed by a second stage that involves a subset of students addressing ethical dilemmas live in front of their peers. The third stage is a final round in which the students receiving the most votes compete for the top prize. Prior to the first stage, the upper division students must develop a relevant ethical dilemma to which all students in the lower division class will respond.

Stage 1 (35–40 min). The professor gives an introductory ethics lecture designed to stimulate moral reasoning by offering basic considerations related to legality and consequences for stakeholders, but it also challenges students to move beyond pragmatic analysis to issues of character (Cragg 1997). In other words, students are challenged to envision if a course of action is consistent with virtuous character in themselves or in others (e.g., Cooley 2004; Hartman 2008). At the conclusion of this lecture, upper division students from the elective leadership class explain the competition and the principles of using one's ethical voice and also model a good response to a common ethical challenge faced by students. For example, in response to a fellow student offering to provide an unauthorized copy of a class quiz, the

upper division students model their ethical voice by first affirming the relationship by saying something positive (e.g., "I appreciate that you are willing to help me prepare for the quiz."), then rejecting the unethical behavior (e.g., "However, I don't feel comfortable taking looking at the quiz from last semester; I'd rather just earn my score and live with it."), and, in closing, affirming or restoring the relationship (e.g., "But, thanks for thinking about me and I'll let you know how it turns out."). At this point, a new ethical dilemma is assigned to the whole class to be responded to in memo form and completed by the following class meeting. In the memo, students are asked to describe what they would say in the context of the particular dilemma and then explain their reasons for their response but do so in keeping with the one-page limit. It also is important for each student to include their phone number given the need to contact the authors of the top memos.

The upper division students review the memos, select the top four memos, and invite the authors of those memos to compete in the next stage of the competition. The upper division students encourage participation by enthusiastically congratulating these top students, explaining how this competition is a unique and notable experience for the student's resume, and promising a prize for participation (e.g., $25 Starbuck's card) and cash prizes for the winners (e.g., $200 for first place, $100 for second place). Typically, most students respond positively to the invitation, but a few do not or cannot be reached in a timely manner. Therefore, we recommend that the upper division students identify a dozen top memos, rank them, and then start calling from the top. Those who accept the invitation compete in Stage 2, the "Ethics SLAM live" competition. Prior to the live competition on Stage 2, the semifinalists are given six dilemmas (see "Appendix"), one of which will be randomly selected for presentation during the live competition.

Stage 2 (25–30 min). During this stage of the competition, participants draw a number, and when their number is called, the dilemma is projected on a screen and read aloud to the audience. After allowing the student a moment to reflect, the student is asked to respond with their "ethical voice" and then explain why they provided that particular response. After all participants have responded to a dilemma, the audience of 250 peers is asked to vote for the person who most effectively demonstrated his or her ethical voice. Votes in both Stage 2 and Stage 3 are gathered via classroom electronic response technology. Specifically, we used NXT response pads Turning Technologies. However, several alternative polling technologies are available including Poll Everywhere (www.polleverywhere.com), Pinnion (www.pinnion.com), and many others. We have found the live voting element to be an essential part of the Ethics SLAM!

In earlier versions of the Ethics SLAM!, we chose six students for this stage. To facilitate this process, the students involved in the competition were divided into two groups. The first group stays on stage while the second group was escorted by an upperclassman to an area away from the competition room. This is designed to prohibit the second group from hearing the first. This is necessary to avoid giving the second group an advantage because although we provided six dilemmas to the participants in advance of this stage, only four of the dilemmas were utilized during the competition and those in the second group repeated some dilemmas. In each

group, once a dilemma has been drawn, it is no longer available to be selected by others in the group. After hearing all six participants respond to a dilemma, the 250 observing peers are asked to vote for the person who provided the most compelling demonstration of their ethical voice in response to an ethical dilemma. In either the four-student or six-student competition, the two participants with most votes advance to the final round a week later.

Stage 3 (25–30 min). In the final round, the two finalists do not receive the ethical dilemmas prior to the live competition. Rather, they must respond to the dilemmas "on the spot" hearing them for the first time. Two approaches have been used. The first is the simplest and takes the least time. This approach involves asking the finalists to answer separate dilemmas. This allows both participants to stay on stage while answering one or more unique dilemmas.

A second approach maximizes comparability for the audience by having the finalists respond to the same dilemmas. We suggest bringing in the first finalist to respond to a dilemma, while keeping the second finalist in a separate room. Then, escort the first finalist out of the room and have the second finalist do both the first and another dilemma. Then, switch the finalists again and have the first finalist do the second and third dilemmas. Finally, return the second finalist to the stage for the third dilemma. (Put differently, think of it as this pattern: [A1 (switch) B1 + B2 (switch) A2 + A3 (switch) B3].) Immediately after the second finalist responds to the third dilemma, the observers vote via electronic response technology once again for the person who they would be most likely to follow given their response to the ethical dilemma.

Regardless of the approach, the competition concludes with the votes being tallied, the winner announced, and cash prizes awarded to both finalists. This competition is repeated each year in each semester, resulting in all students entering the business school having the opportunity to experience the Ethics SLAM!

Additional Pedagogical Considerations and Benefits

The Ethics SLAM! is intentionally designed to leverage the power of social proof or peer influence (Cialdini 1993) in adopting behaviors. Beyond the initial instruction, the student facilitators and participants – not the instructors – demonstrate the vast majority of the ethical behaviors. As Cialdini succinctly stated, "Influence is best exerted horizontally rather than vertically," (2001, p. 76), and this may be doubly important when teaching and modeling character (Hackett and Wang 2012). Research on social learning theory (Bandura 1986) is clear in demonstrating the power of role models to shape attitudes and behavior. By observing upper division business students facilitate the competition and watching their own classmates practice their ethical voice, students are influenced to adopt this same approach in responding to their own particular challenges.

The audience also benefits by actively engaging in the process even if they do not make it to the stage as a competitor. The whole class participates in learning the skill through writing their own response memo and then has the skill reinforced by

observing and judging other students practicing their ethical voice; this process contributes to building both competency in and commitment to the skill through repetition of a consistent approach to dealing with ethical situations (Dempster 1996; Toppino and Cohen 2010). From writing the initial memo to listening to and picking high-performing peers, students are practicing, rehearsing, and judging the use of the fundamental principles of acting courageously in the context of relationships. The collective exposure of students to these principles contributes to developing individual courage and a virtuous norm for the cohort of students, a norm from which individual deviation may result in a feeling of dissonance.

The value to the upper division students lies in the depth of learning that occurs when these students are required to demonstrate or teach the skill rather than simply understand it themselves. The junior and senior students not only facilitate the presentation but also create many of the dilemmas that are used in the competition. Several of the dilemmas listed in the appendix originated from the experiences of business school students. In one poignant example of learning from teaching, a senior student recounted in class that because she was teaching the use of an ethical voice, she put it into practice when her sorority sister called and asked her what was on a particular test. The student freely admitted that in the past, given their friendship, she felt obligated to share some of the details, but this time she said, "I understand that these tests can be difficult, but I don't feel comfortable telling you what is on the tests. You are welcome to review my notes though if that will help."

Student Outcomes

Our intention in developing and delivering the Ethics SLAM! was to expose every student to the skill of acting courageously early in their tenure in the business school and establish an expectation that ethical behavior begins now. We conducted the Ethics SLAM! twice each year for 4 years in a required introduction to business class, and it has recently resumed in an introductory career class offered each semester for entering business students. In doing so, we achieved our goal of exposure, but we were not sure how students reacted to the experience. After one competition, students were asked to rate their agreement to the following statements: (1) the Ethics SLAM! competition made me aware of the importance of being prepared for ethical challenges and (2) the Ethics SLAM! competition helped me develop a useful skill to handle ethical challenges. The responses are illustrated in Fig. 2. The responses were positive, with 78 % indicating agreement or strong agreement with increased awareness and 67 % indicating agreement or strong agreement with the development of a competency to courageously communicate one's ethical voice.

Exposing students to a positive experience with ethics early in their academic program also set an expectation for ethics as an important consideration in all their actions now and in the future. Subsequent classes build on this initial experience with class discussions of ethics within disciplines and cocurricular experiences

1. The Ethics SLAM! competition made me aware of the importance of being prepared for ethical challenges. (Multiple Choice)

	Responses	
	Percent	**Count**
Strongly Disagree	8.49%	9
Disagree	13.21%	14
Agree	71.70%	76
Strongly Agree	6.60%	7
Totals	**100%**	**106**

2. The Ethics SLAM! competition helped me develop a useful skill to handle ethical challenges. (Multiple Choice)

	Responses	
	Percent	**Count**
Strongly Disagree	7.55%	8
Disagree	25.47%	27
Agree	60.38%	64
Strongly Agree	6.60%	7
Totals	**100%**	**106**

Fig. 2 Student experiences with the Ethics SLAM!

interacting with ethical business professionals who reinforce courageous ethical behavior. Over time, we expect these discussions and experiences to contribute to the moral development of our students, with upper division students assuming a role in perpetuating ethical virtues within the business school. In one compelling example, a student who won the Ethics SLAM! competition in his freshman year went on to facilitate the competition during his senior year.

Conclusion

The Ethics SLAM! is but one means to promote courage, and it is certainly not sufficient to ensure courageous behavior in face of all ethical challenges. Yet, it is an effective activity to promote the development of a skill to act courageously in response to ethical challenges in relationally situated contexts. Rather than privileging reason over emotion or vice versa, we employed an approach to teaching ethics that recognizes that acting courageously calls for skill in balancing reason and emotion (Bos and Willmott 2001).

The competition format and content has evolved and improved overtime based on our experiences and the input of student participants. In one case, we delivered Stage 1 – both the faculty instruction and upperclassmen invitation – via a video

accessible to all students via the campus intranet. The Ethics SLAM! also has been adapted for use in small classes, in which all students practice the verbal delivery of their ethical voice in small groups and then nominate a member to represent their small group in a short class competition. Whereas the format and content have changed, our core objective has remained the same: to provide a relevant experience for students that allows them the opportunity to practice courageously responding to relationally situated ethical dilemmas. The Ethics SLAM! has fulfilled this objective and provided students with a skill that can help them courageously express their ethical voice in the ethical challenges that they currently face and are likely to face in the future.

Appendix

Personal or Academic Examples

Last year before you came to Private U, you received a $35,000 scholarship for your outstanding demonstration of leadership and service in high school. The requirements are that you fulfill 60 hours of community service per year while maintaining a cumulative GPA over a 3.0. Your freshman year has been very challenging academically and in order to keep your GPA above a 3.0, you only put in 40 h of service. Today, when you turn in your hours to the scholarship coordinator and admit your deficiency, she says, "I see you only have 40 h, I'll just change this to 60 h and no one will know."
What do you say and why?

Your suitemate has a friend who has attention deficit disorder and sometimes gets a pill from her prescription of Adderall in order to help concentrate. You have an important paper to complete by tomorrow that is worth 50 % of your total grade in a class. You have been swamped with a challenging week of tests and are tired and struggling to focus on the paper. Your suitemate approaches you with the offer to give you an Adderall pill. This is only a "one time thing" and no one will find out.
What do you do and why?

Everyone in the business school has to take some required business classes that are very challenging. You are taking one this semester and you find out that the old tests have been floating around without the professors permission. You know that the tests don't change much from year to year. Without scoring high on the tests, it is very difficult to pass the class. Your friend who is taking the class with you stops in at your dorm room and offers you a test.
What do you say and why?

You are taking a really hard class and trying your best to get through it. Even though you constantly study and get tutoring, it just isn't helping. You know the student instructor of the class. She is a good friend of yours and also grades the papers and

sees the test prior to taking them. She has noticed your hard work and deep frustration with the class. During a conversation with her at a local coffee shop, she says she will give you some "extra" help by giving you a couple points on homework and "strongly suggesting" what to study for the next test.

What do you say and why?

You are in a student group and each member is responsible for a specific task that contributes to the success of a major case analysis assignment. Your friend John (a group member) has missed meetings and has been slow to complete his work. He is responsible for the financial analysis portion of the project and the team really needs his results to prepare for the presentation tomorrow. Your professor has made it clear the deadline is firm. John calls you and says that he is too far behind so he is going to send the professor an email saying he is sick and asks you to back him up and tell the rest of the group he is sick.

What do you say and why?

Your professor handed back your paper and you made a 75 % on a very difficult assignment; however, you log on to Blackboard and you see that he posted a score of 95 %. You know that you really made a 75 %. A few weeks later as you ask questions about another assignment, the professor says you should have no problem because from his records you earned 95 % on the last assignment.

What do you say and why?

Early Professional Examples

You just started as a sales rep for a pharmaceutical company that you really have wanted to work for. It is the end of the quarter and the time has come to fill out expense reports. You have heard that the norm in your department is to always claim the maximum amount of expenses even if your actual expenses were lower. Because you were just recently hired, you do not have very many expenses. Your boss stops by and asks you to fill out the report claiming the maximum amount of expenses allowed so you do not make him and the rest of your coworkers look bad.

What do you say and why?

You recently started in a part-time position at a large department store. One of your coworkers told you during break that he and a few others are allowing their friends to take items from the store without paying. You don't say anything, but you decide you won't allow your friends to steal. On your next shift, you see one of your coworkers allowing someone else to steal, and she asks you not to say anything.

What do you say and why?

You are working on some video editing on your personal laptop at home, when suddenly the hard drive crashes. Later at work, an IT tech that works at your

company overhears you talking to another coworker about your broken laptop. The IT tech approaches you and says he can fix it for you if you bring it in to work with you the next day. He says that he can spend a few hours trying to fix it during the work day tomorrow.

What do you say and why?

You were offered a new position after an internship by a manager who during the interview process misread your resume and assumed that you were successful in completing a major project because you had a specific set of valuable skills. In reality, someone on your team had those skills, not you. In negotiating your new salary, he mentions those skills were the critical factor in choosing you.

What do you say and why?

References

Bandura A (1986) Social foundations of thought and action: a social cognitive theory. Prentice Hall, Englewood Cliffs

Berggren C, Söderlund J (2011) Management education for practicing managers: combining academic rigor with personal change and organizational action. J Manag Educ 35(3):377–405

Bos RT, Willmott H (2001) Towards a post-dualistic business ethics: interweaving reason and emotion in working life. J Manag Stud 38(6):769–793

Burke LA, Hutchins HM (2007) Training transfer: an integrative literature review. Hum Resour Dev Rev 6(3):263–296

Cialdini RB (1993) Influence: the psychology of persuasion. Morrow, New York

Cialdini RB (2001) Harnessing the science of persuasion. Harv Bus Rev 79(9):72–79

Cooley DR (2004) The moral paradigm test. J Bus Ethics 50:289–294

Cragg W (1997) Teaching business ethics: the role of ethics in business and in business education. J Bus Ethics 16:231–245

Dempster F (1996) Distributing and managing the conditions of encoding and practice. In: Bjork EL, Bjork RA (eds) Memory. Academic, San Diego, pp 317–344

Durlak JB, Weissberg RP, Dymnicki AB, Taylor RD, Schellinger KB (2011) The impact of enhancing students' social and emotional learning: a meta-analysis of school-based universal interventions. Child Dev 82(1):405–432

Elias MJ, Zins JE, Weissberg RP, Frey KS, Greenberg MT, Haynes NM et al (1997) Promoting social and emotional learning: guidelines for educators. Association for Supervision and Curriculum Development, Alexandria

Fisher R, Ury W, Patton B (1991) Getting to yes, 2nd edn. Penguin, New York

Gaudine A, Thorne L (2001) Emotion and ethical decision making in organizations. J Bus Ethics 31(2):175–187

Gentile MC (2011) Combatting ethical cynicism and voicing values in the workplace. Ivy Bus J 75 (3):13–15

Goleman D, Boyatzis R (2008) Social intelligence and the biology of leadership. Harv Bus Rev 86 (9):74–81

Hackett RD, Wang G (2012) Virtues and leadership: an integrating conceptual framework founded in Aristotelian and Confucian perspectives on virtues. Manag Decis 50(5):868–899

Hannah ST, Avolio BJ, Walumbwa FO (2011) Relationships between authentic leadership, moral courage, and ethical and pro-social behaviors. Bus Ethics Q 21(4):555–578

Hartman EM (2008) Socratic questions and Aristotelian answers: a virtue-based approach to business ethics. J Bus Ethics 78:313–328

Maciejovsky B, Schwarzenberger H, Kirchler E (2012) Rationality verses emotions: the case of tax ethics and compliance. J Bus Ethics 109(3):339–350

Mettee DR (1971) Changes in liking as a function of the magnitude and affect of sequential evaluations. J Exp Soc Psychol 7(2):157–172

Naughton MJ, Cornwall JR (2006) Bus Ethics Q 16(1):69–93

Putnam D (2010) Philosophical roots of the concept of courage. In: Pury C, Lopez S (eds) The psychology of courage: modern research on an ancient virtue. American Psychological Association, Washington, DC, pp 9–22

Sosik JJ, Gentry WA, Chun JU (2012) The value of virtue in the upper echelons: a multisource examination of executive character strengths and performance. Leadersh Q 23(3):367–382

Stone DL, Gueutal HG, McIntosh B (1984) The effects of feedback sequence and expertise of the rater on perceived feedback accuracy. Pers Psychol 37(3):487–506

Taggar S, Neubert MJ (2008) A cognitive (attributions) – emotion model of observer reactions to free-riding poor performers. J Bus Psychol 22(3):167–177

Toppino TC, Cohen MS (2010) Metacognitive control and spaced practice: clarifying what people do and why. J Exp Psychol Learn Mem Cogn 36(6):1480–1491

Ury W (2007) The power of a positive no. Bantam Books, New York

Waters E, Sroufe LA (1983) Social competence as a developmental construct. Dev Rev 3:79–97

Waung M, Jones DR (2005) The effect of feedback packaging on ratee reactions. J Appl Soc Psychol 35(8):1630–1655

Weiss HM, Cropanzano R (1996) Affective events theory: a theoretical discussion of the structure, causes, and consequences of affective experiences at work. Res Organ Behav 18:1–74

Developing Character in Business Schools

Mary Crossan, Daina Mazutis, and Gerard Seijts

Contents

Abstract

In this chapter, we seek to elaborate how character is developed in business schools both deliberately and often unintentionally. We explore how character development can be purposefully embedded in specific leadership as well as functional courses and propose how business schools influence character development in perhaps a more unconscious manner through various faculty and institutional practices. We also provide a concrete example of how several of these insights have been applied in a leadership development course and

M. Crossan (✉) • G. Seijts
Ivey Business School, Western University, London, ON, Canada
e-mail: mcrossan@ivey.ca; gseijts@ivey.ca

D. Mazutis
Telfer School of Management University of Ottawa, Ottawa, Canada
e-mail: daina.mazutis@telfer.uottawa.ca

conclude with a discussion of the broader context that can serve as either barriers or enablers to character development.

Introduction

Our commitment to understanding and developing leadership character arose from a project we undertook to investigate the role of leadership and business education in the 2008 financial crisis (Gandz et al. 2010). As part of this project, we held a series of roundtable discussions with over 300 senior leaders and human resource and organizational development specialists between September 2009 and May 2010 in Canada, China, England, and the United States. While leadership character was raised frequently in our discussions, there was no consistent understanding about what it meant, despite general agreement that it is important in a business context. More pointedly, there was also no consensus on whether character could or should be taught to students and executives in business programs. We sought to address these issues and in the process developed the leader character framework (see chapter " ▶ Leadership Virtues and Character: A Perspective in Practice" of this book for the full development and application of the framework) consisting of 11 character dimensions.

In this chapter, we seek to elaborate how character is developed in business schools both deliberately and often unintentionally. We begin by exploring the manner in which character development can be purposefully embedded in specific leadership as well as functional courses. We then propose how business schools influence character development in perhaps a more unconscious manner through various faculty and institutional practices. We also provide a concrete example of how several of these insights have been applied in a leadership development course and conclude with a discussion of the broader context that can serve as either barriers or enablers to character development.

Dedicated Leadership Courses

We suggest that business schools can purposefully design courses that incorporate deliberate character development components. Character development may be in the backdrop of the session content, yet at other times, it may be the essence of the discussion. In dedicated leadership courses, for example, we see three primary gaps when it comes to focusing on character development. First, many individuals are not aware of any models of virtues, character strengths, and values, and hence, at a minimum, there is a need to expose students to learning opportunities that enable them to uncover these elements. Second, many individuals are unaware of where

they stand relative to character development, particularly given that most have not spent time thinking or reflecting about their character. Hence, there is an important reflective diagnostic element to developing character. Finally, closing the gap between knowing and doing is a lifelong journey, much of which must occur in context, and hence providing experiences that develop character is necessary.

Several researchers have suggested potential pedagogical approaches to teaching character, including but not limited to: increased training in ethical decision-making skills, reflection exercises designed to surface dissonance between the type of person one is and the type of person one might wish to become, and mentoring. The use of the case method helps students think through the ethical decision-making process because a well-taught case creates awareness of the ethical issue, allows for the critical judgment of alternatives, and encourages the formulation of an intention to act (Falkenberg and Woiceshyn 2008; Hartman 2006; Mintz 1996).

Many authors have suggested the use of more experiential methods to help students move from knowing what is good to actually doing good (Hannah and Avolio 2010; Hill and Stewart 1999). For example, role-playing – where students are put into character-stretching situations – can serve to highlight existing cognitive biases or dominant behavioral preferences and act as interventions in positive character development (Schmidt et al. 2009). To illustrate, we teamed up with local firefighters who took senior executives through a series of mock rapid rescue intervention drills at their training facilities, including rescuing dummies from a smoke-filled building. This simulation embedded traditional lessons around leadership, communication, and teamwork, as well as highlighted the importance of character in successfully completing the exercises. In feedback sessions with the firefighters, executives talked openly about how the drills raised their appreciation and understanding of the role of virtues and character strengths such as humility, perseverance, courage, gratitude, prudence, and humor – linking these easily and readily to character strengths required in organizational success. We put together a similar experience for undergraduate students at a Canadian Forces base, lasting 4 days. The simulations embedded in the course required decisions and a set of specific actions to be initiated in ambiguous yet realistic situations. The ultimate aim of the course was to increase awareness of "leadership of self" with a specific focus on leadership character and commitment to the role of leadership. Both exercises – firefighters and Canadian Forces – provided powerful teaching moments and opportunities for individuals to reflect and learn about their character.

Similarly, service-learning opportunities, where students are engaged in different community outreach programs, have also been shown to improve student awareness of ethical issues, developing a responsible mind-set and engaging moral values (Brower 2011; Pless et al. 2011). Pedagogically, the role of reflection as a component of an undergraduate business ethics course, both as a guided and as an individual activity, has been shown to increase cognitive moral development in business students (Schmidt et al. 2009). This, in turn, has been linked to enhanced ethical decision making (Kish-Gephart et al. 2010; O'Fallon and Butterfield 2005).

Lastly, mentors can supplement the learning or insights gained from these reflections. Mentors share their experiences – both good and bad – and impart

personal knowledge in areas that are challenging for students including business situations that involve ethical dilemmas. Students can learn from such real-world experiences and also receive hands-on support and coaching to practice and develop the requisite skills to do the right thing in challenging situations.

In courses where leadership is not the focus, we should not lose sight of character development while focusing on developing other functional competencies. It is not only *what* we teach but *how* we teach that affords the opportunity to develop a student's character. Many of the tools listed above can be incorporated into marketing, finance, operations, accounting, strategy, or other discipline-based courses as well. For example, a marketing course could add a service-learning exercise such as developing a marketing plan for a local charitable organization to both hone students' course content skills while simultaneously developing dimensions of character such as humility and humanity. A strategy course could incorporate reaction papers to heated case debates (e.g., the function of the firm and whether the focus should be on creating shareholder value or stakeholder value) where students reflect on how their personal values, beliefs, or attitudes affect the way in which they approach the ethical issues surfaced in the classroom discussion to increase character dimensions of justice and temperance.

We believe that three things are required for faculty to embed character development within current functional competency courses. First, it takes awareness that when we consider the process of learning, there is tremendous opportunity to develop character in all courses. Second, it requires ownership among faculty that it is both their role and responsibility to develop character while also delivering core knowledge. Third, it requires character development within the faculty member to engage this process. As such, we now turn to the ways in which we develop character in business schools through faculty and institutional practices.

Character Development in Faculty and Practices

Just as we advocate leadership of self to our students, so must we believe in its importance as applied to ourselves as business school faculty. What values, beliefs, or attitudes do we unconsciously hold that may be biasing our pedagogical approach to leadership development? For example, when teaching, do we evaluate all the perspectives and intellectual contributions, even if it may be contrary to our own personal beliefs, thus displaying the character elements of open-mindedness and critical thinking reflective of the dimension of judgment? Do we communicate our personal limitations and acknowledge our weaknesses, thus displaying the character dimension of humility?

Given our authority-imbued role as professors, business educators naturally serve as professional role models and therefore serve as character models by default as well (Hill and Stewart 1999). Whether or not we claim to use a value-neutral pedagogical approach, we nonetheless implicitly set an example of good/bad or right/wrong behavior for our students by our behavior, both in class and outside of class. If we wish to develop leaders with integrity, we must act with integrity

ourselves. If we wish to develop leaders with courage, we must act courageously ourselves. When we fail to act in ways that demonstrate these character dimensions – by pandering to students to get good teaching evaluations or by being unfair in our marking scheme, as examples – then we are reinforcing experiences that contribute to developing character weaknesses both in ourselves as well as in our students. Reflection as a method for developing leadership of self is thus not limited to students.

As faculty members, we are also responsible for developing positive relationships with others, within the classroom, the department, and the business school as a whole. Within the classroom, we are accountable for setting rules of engagement and norms of appropriate behavior. If we encourage collaborative learning groups as a pedagogical tool, then we are also responsible for establishing proper guidelines for acceptable conduct within the groups and we cannot abdicate this responsibility when issues of character surface. Business schools seem to be notorious for tolerating fiefdoms and silos between groups, something that we would admonish in other organizations. In many instances, it appears faculty are more aligned with their particular functional discipline than they are with their organization. Unfortunately, similar to debate around business ethics in general, these fissures erode the collective capability of the organization to foster a coherent approach to the teaching of character (Evans et al. 2006). This lack of coherence makes it particularly problematic as the organization attempts to deal with breaches of character.

As educational institutions, we teach character by providing an environment that fosters virtuous behavior and where virtuous behaviors can be observed and discovered. In evaluating our organizational level practices then, we need to assess how our strategies, structures, and processes serve to develop character in our business recruits. Whether conscious or not, we impart what we value by whom we admit, by the criteria we use, by how we socialize them to the school's culture and norms of appropriate behavior, by the criteria we use in allocating student awards, and in how we deal with ethical transgressions, among other structural influences and career management practices. We first signal what gets valued in our recruitment materials, which may emphasize placement statistics and starting salaries over honor, integrity, and valor. Further, the very design of our curriculum itself – from the formulation of a guiding mission to the selection or exclusion of various topics for instruction to the cases or teaching materials we use – also indicates what gets valued. Similarly, when we have systems that allow for cheating to go unaddressed, we are complicit in demonstrating that honesty and integrity are not valued as character strengths in our role as leadership educators.

The magnitude of the changes we have outlined are significant, and it is unrealistic to expect easy and widespread adoption of our recommendations. Our experience has been a more evolutionary process whereby faculty members are drawn to the potential that exists to develop leadership character within themselves and their students. Their desire is not bounded by discipline but rather their own personal experience and readiness to embrace the possibilities. We do not see this as something that could be mandated in business schools. Such an approach would likely backfire. Rather, we recommend a process that encourages and enables

interested faculty. Adoption of what we are proposing is not dependent on others, although as we discuss in the next section, it is not a solitary endeavor.

Implementation and Application

Although it has been our intent to provide ideas for implementation and application throughout this essay, we share our experience and experimentation with developing leadership character in a course we specifically designed for that purpose. The course is offered as an MBA elective that runs over 5 weeks with 10 three hour sessions. The first session is largely an exploration of the core concepts (e.g., virtues, character strengths, and values) as well as an invitation to the students to engage in the learning and discovery process. Pivotal to the learning experience is setting the tone that this will be a different kind of course. Students are invited to introduce themselves using a symbol or object that signifies who they are. Successful executives from the business community are assigned as mentors to the students such that each mentor has two or three students. Mentors are invited to the first class to greet the students, share their experience, and begin to develop a rapport with their mentees that continues throughout the course and often beyond. We have some provocative videos, poems, and perspectives designed to ignite the interest and curiosity of the students in what at first appears to be very abstract concepts. As well, students keep reflective journals throughout the course. After the first 3-hour class, one of the students wrote:

> Today's class was a great help in defining in greater detail my goals for the class and the impact it will have on my personal and professional life. It was extremely insightful and humbling to listen to classmates introduce themselves on a deeper level than I have related to many of them and to hear the life long journeys that the mentors for the course are on. I see this course more now as a way to help me become comfortable with the life long self-reflection journey I will take over my life and a course that will provide me the resources both tactical tools and support network to successfully complete this journey . . . I find that for the most part I have a set of core values that help guide the decision I make in life, but struggle to articulate these values in a genuine and thoughtful manner. My hope for the remaining classes this week is that I will start this process and through more self-reflection define at a much deeper level the core values that govern my life and have an understanding how they will impact my leadership style.

We use a diagnostic tool that is developmental in nature that we have developed to help the students reflect on their character. The movie Invictus has proved to be extremely valuable as a means for the students to identify character strengths in Nelson Mandela and Francois Pienaar, the captain of the South African rugby team. Amongst other leadership character dimensions the movie illustrates humility, courage, forgiveness, perseverance, judgment, and empathy.

Personal life stories are used to help students reflect on who they are and why they have become the person they are today (George 2003; Petriglieri et al. 2011; Shamir and Eilam 2005). Case studies are also used to identify these attributes in

others (Hartman 2006; Sadler-Smith 2012). For example, the Craig Kielburger video case series, which was created for the course, was profound as students had the chance to wrestle with the issues Craig (an activist for the rights of children) faced in the strategic evolution of his not-for-profit and for-profit organizations. They could see the exercise of character and its impact on choices made, as many of the choices were rooted in courage, justice, wisdom, temperance, humanity, and transcendence.

We have also relied on Mary Gentile's (2010) Giving Voice to Values (GVV) materials to help students bridge intent and behaviors. Similar to the findings of a recent survey of MBA students (Aspen Institute 2008), the majority of our students also recognized that they are ill equipped to face ambiguous ethical issues at work, particularly as they anticipate entering into situations that are in conflict with their values. The GVV scripting and role-playing exercises helped students prepare for these difficult conversations. Courage and candor were embedded in the exercises we used.

The highlight of the course was the student-led workshops in which groups select one of the character dimensions and prepare a one hour workshop for the class designed to help their peers understand the character strengths associated with that dimension and engage them in developmental exercises to deepen the character strengths associated with that virtue. For example, to examine the dimension of transcendence, we engaged in a near-death visualization experience in order to help students come to terms with their sense of purpose.

The following journal entry by one student provides a good overview of the entire course experience:

> I must admit that when I first signed up for this course I really did not know what I was getting myself into. I have always been a reflective individual who took the time to write in a journal growing up. However, in university that reflection piece got put on the back shelf as school work, labs, extracurricular activities and job searches took over. This course has given me the opportunity to reignite my reflective side and discuss concepts and ideas that I have never had the opportunity to do in a classroom setting.
>
> I found the reflection component and the ability to discover myself and my values to be the most precious part of taking this course. While many in the MBA class speculated that this would be a so-called "fluff" course, I can now confidently say that it was not. The speakers that were brought in to discuss value systems and leadership styles were phenomenal and have contributed to my learning in a way that textbooks and casebooks could not.
>
> Furthermore, one of the most valuable components that I found to this course was the incorporation of mentors . . . I feel that the mentors really offered some real world advice from their many experiences and enriched my learning.
>
> During the first couple of classes I did struggle a little bit as I found the discussion to be somewhat abstract. The concepts that were discussed seemed to be overly philosophical and I was not sure where it would go. However, [name instructor] clearly had a vision for this course and as we progressed and did our own values analysis the whole course gradually came together for me. I really liked the idea of starting off with abstract concepts, focusing in on what those concepts meant for me as an individual given my value system and ultimately how I would apply those concepts in my life moving forward.
>
> Since taking this course I have spoken to a number of people about it including alumni and many wish that they would have had the opportunity to experience this course for

themselves. I feel that it was a pivotal component for me in this MBA program because at the end of the day I can learn skills but values must be discovered and nurtured. This course did that for me.

Character Development: It Takes a Village

While the efforts on the part of one or two inspired faculty acting alone may foster character development in some individuals, the magnitude of the need for leadership character development requires a broad coalition to make substantial progress (Sadler-Smith 2012). Aristotle implied that virtues and character strengths can only be learned by individuals living in strong and virtuous communities and so the broader context can serve to either enable leadership character development or to put up barriers to its development.

The business school village encompasses a number of important individuals beyond just the faculty from the various functional disciplines. It includes the program directors – those that are responsible for leading the undergraduate, graduate, and executive education programs. These individuals, alongside the dean, provide the context for the educational experience and, through their decisions and actions, signal in subtle or not-so-subtle ways their level of support for the focus on character development. Alumni can also play an important role as members of the business school village and can be called upon to assist in the development of character by serving as mentors, as they did in our leadership character course. Furthermore, alumni could also offer their assistance in developing learning experiences that foster character development, such as case studies. Alumni are in a unique position where they can provide concrete examples and advice to the students on how to transfer their knowledge and skills from an educational institution to the actual workplace. Recruiters and the companies that employ business school graduates also play a crucial role in leadership character development. Students frequently remark that they see little on the recruiting agenda that signals the importance of character. When recruiters focus on student marks or how clever the students are at solving problems, they send clear signals to students on what the company values, and this reverberates back to what students' desire from their business education. As one of the executives we talked to stated: "If you're in an interview talking to somebody and they do not communicate to you that values and integrity are enormously important, I'd be out of there faster than you can count to three because the reality is that first-class leaders, corporate or otherwise, who don't put integrity and those values at the very top, are not people in my view that you should associate with."

Lastly, the admissions department also plays a crucial role in the business school village as the first point of contact in terms of students' understanding of what gets valued at the institution. The common questions raised by the executives we spoke to were: Are you selecting the right students into the program? Are we selecting students into our business programs that have a genuine desire to act virtuously? Bergman et al. (2010) suggested that a large percentage of business students are in

fact fundamentally narcissistic and motivated primarily by the desire to become rich. Lan et al. (2008) found that the primary motivational value of business majors is hedonism. If this is the case, how do we get them to be motivated to act more virtuously or encourage them to engage in reflective learning? Clearly, most schools look beyond grades to understand the profile of the student with respect to leadership and extracurricular activities. There are many ways in which admission departments could expand their criteria for recruitment and selection. For example, while not perfect, the interview process tries to identify a multitude of characteristics such as personal accountability, openness to different opinions, and temperance.

The community extends to other faculties on campus that could support the business school in shaping the character of its students. For example, experts in psychological assessments and counseling psychologists may help faculty during a particular course. Education faculty too may have critical insights that help to develop character. Our assertion is that if we want to make a meaningful, if not significant, leap forward in the development of leadership character, then we must, in addition to looking at the philosophy and business literatures, integrate findings from other fields such as psychology, education, social work, sports, and so forth.

Conclusion

Business schools have been critiqued for focusing only on developing managers' technical competencies. Our aim here was to offer an approach that supplements that technical competence with leadership character. The ideas in this chapter are not just a possibility. They are a reality that exists. Building on the findings from our conversations with executives, we designed an MBA course that integrates many of the recommendations we make herein (e.g., skills training, experiential methods, reflection exercises, and mentoring) with the explicit goal of introducing self-reflection and a focus on virtues, values, and character strengths into the business curriculum. Our personal experience is that exposing both our students and ourselves as faculty to this process has been not only possible but also profound for all involved as the comments from the students' reflective journals illustrate. We acknowledge the difficulty in determining whether any program makes students behave more virtuously or ethically as opposed to making them more fluent in discussing ethics. Our approach and ideas for developing leadership character are a starting point for discussion and subsequent initiatives. We hope to have inspired educators to reflect on their role in developing leaders of character that can make a positive difference in the world by providing practical recommendations that can be implemented in both stand-alone courses and in general curriculum redesign. Given the multitude of recent crises and the subsequent calls for business schools to reconsider not only the content but also the character of the students they graduate, we feel the time is right to engage in a deeper conversation about the role of character development as the responsibility of the broader business school community.

Cross-Reference

References

Aspen Institute (2008) Where will they lead? MBA student attitudes about business and society. The Aspen Institute Center for Business Education http://www.aspeninstitute.org/sites/default/files/content/docs/bsp/SAS_PRINT_FINAL.PDF. Accessed 1 Dec 2013

Bergman JZ, Westerman JW, Daly JP (2010) Narcissism in management education. Acad Manag Learn Educ 9:119–131

Brower H (2011) Sustainable development through service learning: a pedagogical framework and case example in a third world context. Acad Manag Learn Educ 10:58–76

Evans JM, Treviño LK, Weaver GR (2006) Who's in the ethics driver's seat? Factors influencing ethics in the MBA curriculum. Acad Manag Learn Educ 5:278–293

Falkenberg L, Woiceshyn J (2008) Enhancing business ethics: using cases to teach moral reasoning. J Bus Ethics 79:213–217

Gandz J, Crossan M, Seijts G, Stephenson C (2010) Leadership on trial: a manifesto for leadership development. Ivey Publishing, London

Gentile MC (2010) Giving voice to values: how to speak your mind when you know what's right. Yale University Press, New Haven

George B (2003) Authentic leadership: rediscovering the secrets to creating lasting value. Jossey-Bass, San Francisco

Hannah ST, Avolio BJ (2010) Moral potency: building the capacity for character-based leadership. Consult Psychol J Pract Res 62:291–310

Hartman EM (2006) Can we teach character? An Aristotelian answer. Acad Manag Learn Educ 5:68–81

Hill A, Stewart I (1999) Character education in business schools: pedagogical strategies. Teach Bus Ethics 3:179–193

Kish-Gephart JJ, Harrison DA, Trevino LK (2010) Bad apples, bad cases, and bad barrels: meta-analytic evidence about sources of unethical decisions at work. J Appl Psychol 95:1–31

Lan G, Gowing M, McMahon S, Rieger F, King N (2008) A study of the relationship between personal values and moral reasoning of undergraduate business students. J Bus Ethics 78:121–139

Mintz SM (1996) Aristotelian virtue and business ethics education. J Bus Ethics 15:827–838

O'Fallon MJ, Butterfield KD (2005) A review of the empirical ethical decision-making literature: 1996–2003. J Bus Ethics 59:375–413

Petriglieri G, Wood JD, Petriglieri JL (2011) Up close and personal: building foundations for leaders' development through personalization of management learning. Acad Manag Learn Educ 10:230–450

Pless NM, Maak T, Stahl GK (2011) Developing responsible global leaders through international service-learning programs: the Ulysses experience. Acad Manag Learn Educ 10:237–260

Sadler-Smith E (2012) Before virtue: biology, brain, behavior, and "moral sense". Bus Ethics Q 22:351–376

Schmidt CD, McAdams CR, Foster V (2009) Promoting the moral reasoning of undergraduate business students through a deliberate psychological education-based classroom intervention. J Moral Educ 38:315–334

Shamir B, Eilam G (2005) What's your story?: a life-stories approach to authentic leadership development. Leadersh Q 16:395–417

Teaching Virtues to Business Professionals

Theodore Roosevelt Malloch

Contents

Abstract

The focus of many professional and executive level programs is the promotion of a secular world ethic applied to managerial decision making, but this approach has proven insufficient to develop wise managers because it is disconnected from deep-rooted spiritual and philosophical traditions and their cultural context. The *Practical Wisdom Initiative* brought together business professionals who seek to emphasize virtue and leverage spiritual capital in management decision making, which leads to wise decisions in strategic management, leadership, finance, and human resource management. This chapter discusses the need for this approach, how this approach can serve as a basis for a virtuous world ethic, and examples of how this approach is being employed to address a number of leadership issues in the knowledge age.

Keywords

Practical wisdom • Ethics • Spiritual capital

T.R. Malloch (✉)
Said Business School, University of Oxford, Oxford, UK
e-mail: trmalloch@gmail.com

Introduction

In ancient Greece, Meno asked Socrates, "Can virtue be taught?" Around the same time, Confucius was teaching the key virtues for leadership. Today, 2500 years later, in the field of management development we ask a similar question: "Can managers learn to be wise?" In the Greek Aristotelian tradition, practical wisdom is the mother of all virtues, but this view is not unique to this tradition and is indeed central to most traditions.

The Academy of Business in Society (ABIS)-Yale *Practical Wisdom Initiative* looked at the practical virtues inherent in managerial decision making, which leads to wise decisions in strategic management, leadership, finance, and human resource management. The focus was on professionals and programs teaching them. In this way, it avoided the constraints imposed on debate and reflection by an externally conceived, normative, or arbitrary list of virtues and ethical principles. This approach takes into account the consequences of globalization and the belief that a global market economy needs an ethical framing and a moral compass to be viable, sustainable, and equitable. The emergence of a world ethic has been called for to make this happen.

But projects on secular world ethics geared at professionals and intellectuals are encountering difficulties because they are often disconnected from the deep-rooted spiritual and philosophical traditions and their cultural context. Such secular projects do not start from these roots and therefore are at risk of remaining superficial and ultimately meaningless. Often those undertaking these projects are unfit for contributing to such a world ethic as they cut ethics off from its historically embedded roots (Abderrahman 2008).

It is precisely practical wisdom, as derived from these traditions, known by professionals from their experiences in the real world, which serve as a platform for discovering the common ground between the traditions. It makes the traditions speak to each other in a global society and a global economy. But it starts with an intimate discovery of the traditions in their cultural context, realizing the facts that business teaches and professionals experience day in and day out.

The Practical Wisdom Project embraced modernity (critically), viewed business and management as forces for the common good, and held firmly to the belief that commerce and free trade make essential contributions to world peace and stability. It sought to construct a bridge between the worlds of management and the spiritual and philosophical traditions on a basis of mutual appreciation and professionalism instead of mutual suspicion (Malloch 2010a).

A Conceptual Framework for a World Ethic

All peoples achieve the condition of happiness and respectability only through the *practice* and *discipline* of the virtues. We teach our children to be courageous, wise, just, and temperate because we know that this will make them respected by their fellows, secure in their decisions, and able to take full responsibility for their lives.

Success in business is similar. Success is not an accident or matter of luck. The crooks usually, in time, get caught. We prepare for business success by acquiring virtues – dispositions that help us to take risks, to make decisions, to take responsibilities for our actions, and to accept wise advice and correction. These virtues are the most important part of our human capital. We do not invent them for ourselves. Instead, they grow organically over time, through history, tradition, and experience. The best and lasting companies breed respected and virtuous corporate cultures (Cameron et al. 2004; Malloch 2010b).

The three theological virtues (faith, hope, and charity) and the hard virtues (leadership, courage, patience, perseverance, and discipline) need to be combined with the soft virtues (forgiveness, gratitude, and humility). Only by returning to the acceptance of ethical norms – things which people must possess *before* they go to market to compete – can we regain our way and have some sense again of a moral compass. These are the indispensable supports, which preserve both the market and competition from degeneration.

Business is the real test of the moral life and those who engage in it are putting themselves in a position where trust in goodness, whether from god or nature's laws, is the surest guarantee of success. The immediate result is the shaping of the human character, which in turn transforms culture – national, global, as well as corporate. Vices lose their attraction and virtues become easier as spiritual discipline exerts its hold over the human personality.

Business is all about the creation of wealth and that requires capital investment. Professionals with work experience know well and believe the most essential part of that investment is the spiritual capital with which enterprise begins, then flowers, and bears fruit – talents creating and sustaining still more talents, and all of us thriving in a vital bond. This spiritual capital is founded in the acquired habits of virtue.

More and more professionals are finding because of the crises of modernity that this is a time to renew our spiritual capital in each religious tradition by living the virtues in the entire global business sphere and in our specific enterprises (Malloch 2010a). For only in so doing will companies realize an incomparable source of the certainties that they will need in order to succeed in the highly competitive and interconnected international commerce that we have come to experience. In so doing, they will be able to sort out the good from the bad and to foster freedom and responsibility. They will change hearts and minds and humanize globalization itself, for the betterment of all.

Spiritual Capital

Those nations, peoples, and businesses that neglect the moral ecology of their own cultures, especially corporate cultures, cannot enjoy the fruits of democratic capitalism. Because that system must essentially be moral or it falters, declines, and fails. What we need to rediscover and renew today at this time more than any other

in modern memory is virtuous enterprise, which is democratic capitalism in its most profound and important virtuous form (Malloch 2010a).

Spiritual capital is *the fund of beliefs*, *examples*, *and commitments that are transmitted from generation to generation through a religious*, *moral or spiritual tradition*, *and which attach people to the transcendental source of human happiness* (Malloch 2013, p. 304). Without rediscovery of the virtues we cannot understand or resolve the deepest roots of our present financial, business and, ultimately, moral crisis.

The Virtues

It is characteristic of the age in which we live to see the "moral dimension" as a matter of following yet more rules or dictated governmental regulations. The ancient traditions, however, seldom referred to rules or even principles. For them a moral life was not a matter of what you do but of what you are. The fundamental notion was not duty but virtue (Latin virtus, Greek arête) and the task of the moral person was to describe the virtues that we should emulate and teach. This is how Socrates, Plato, Moses, and preeminently Aristotle conceived of the moral life. St. Thomas Aquinas synthesized it into Christianity. The words of the Roman, Cicero closely corresponds, as do those of the great sage Confucius. In China, The Prophet Mohammed stated similar notions. Like him, the Greeks, Romans, and Christians all attempted to find a basis for moral conduct in human nature. They all believed that the core idea is virtue.

Today virtue is literally and figuratively missing from our public vocabulary and the idea of "the moral" has been either trivialized or totally relativized. At the very root of our financial and business crisis is a moral vacuum, which can only be filled with true virtue.

Democratic capitalism, the goose that laid our golden eggs over the past decades, brings about immense transformation, particularly in its globalized form. It is in nature as Adam Smith reminded us in his first book, written long before his better-known work, *The Wealth of Nations*, all about what he called "the moral sentiments." There are moral preconditions in a market economy: the sentiments of sympathy, benevolence and compassion, of approval, disapproval, and indignation, which underpin the social order and make it possible to engage in business in the first place. Human beings and the corporations they originate are not just profit-maximizers. They have moral scruples, personal commitments, and the desire for happiness. These set limits to their plans for personal profit and also stimulate them to pursue profit in ways that honor their higher values and generosity. Many companies, large and small, public and private, around the world and from each tradition exhibit these, live and conduct business by these values.

Practical Wisdom

Thou hast taught us: in truth it is Thou who art perfect in knowledge and wisdom."
(Qur'an:2/32)

So God created man in his own image, in the image of God he created male and female
(Genesis 1:27)

Jesus grew both in body and in wisdom, gaining favor with God and men
(Luke 2:52)

Where is the knowledge we have lost in information? Where is the wisdom we have lost in knowledge?
(T.S. Elliot)

Knowledge without wisdom is like a blind man walking out in the dark with a lantern.
(Buddhist proverb favored by Peter Drucker)

The pursuit of knowledge and wisdom may be seen as bestowing (divine) purpose and meaning on the human condition and may be the ultimate driving force of all human endeavors. But since Western Enlightenment and the progress of industrialization and modernity, only reason and knowledge are hailed as the guarantees for human advancement. Ongoing secularization has lead to traditions being considered as seats of backwardness. Aggressive atheism of the sort of Dawkins and populist anti-Islam feelings has portrayed all religions as either infantile ignorance of scientific progress or even dangerous regressions into intolerance.

Religions are, however, back in the public domain, and indeed not always in positive ways (or portrayed that way). So what can religious and spiritual traditions offer to modern times when it comes to teaching virtues? The most valuable thing they have to offer is the wisdom which is at the inner (mystical) core of all religions and which recognizes universal divine revelation and human interconnectedness beyond religious doctrine and dogma. Many in the West have rediscovered this in various Eastern spiritual traditions (Hackett and Wang 2012; Malloch 2010a). But religious traditions also offer a wealth of practical wisdom through the proverbs, tales, and parables in the Holy Books and beyond, in the teachings on individual and social responsibility, on the relationship of the material and the immaterial in the economy, in the oral traditions on how humans shape the world by the spirit they project on it. Practical wisdom needs to guide the pursuit and application of knowledge, otherwise this pursuit can cause enormous damage; it can degenerate into economic vice.

The project of The Enlightenment can be considered incomplete and modernity rudderless without a reconnection to the practical wisdom to be rediscovered in the religious and spiritual traditions, seen as virtues. Projects on creating world ethics are very difficult to achieve without a reconnection to the deep-rooted religious traditions and their reconciliation through their teachings of wisdom; without these roots, these projects risk becoming superficial and, ultimately, meaningless. Practical wisdom (*phronesis*) is a virtue, but at the same time, it transcends the domain of virtues and vices, of good and bad. The Muslim mystic Mevlana Jelaludin Rumi said about wisdom: "Out beyond ideas of right doing and wrongdoing, there is a field. I will meet you there." (Thirteenth century).

The recent financial crisis and the fear for more systemic upheaval in the global economy have ignited a debate on the value of practical wisdom in management and management education. It has forced a discussion about teaching virtues to professionals – and not only in financial services. The root causes of the recent financial crisis have been debated extensively. Despite the assumption that abundant information had been mathematically modeled and knowledge of the working of markets had been researched, spectacular miscalculations and failures occurred. Market failures and governance failures have been listed and remedies for better regulation and more effective incentives have been devised. But has real learning taken place? And, beyond systemic failures, what about personal responsibilities?

Personal failures of executives have been highlighted (See my book, *The End of Ethics*, Wiley, 2013), and contrary to previous corporate scandals, executives in an entire industry did fall victim to the temptations of excessive risk taking, greed, and short-term gains with disastrous effects. The narrative of "a few rotten apples in an otherwise healthy fruit basket" does not hold. It was an entire managerial class, which lost the wisdom of judgement and prudence. Not that they all necessarily behaved in immoral ways; they rather behaved without the virtue of wisdom.

Within the social traditions of the religions, the good company and a good economy are premised on an understanding of practical wisdom that ability to discern effective means for attaining good ends in light of particular and unique circumstances. It is important to develop our understanding of this relationship among practical wisdom, virtue, and business, since it is underdeveloped in current scholarship within the fields of business ethics and economics. Traditionally, there has been a tendency to focus on the virtue of justice and the virtuousness of institutions without sufficient consideration of practical wisdom stemming from the personal level and extending into institutions. While the traditions themselves often articulate the premier importance of practical wisdom, contemporary scholars have tended not to develop this virtue in relationship to justice and the other moral virtues in the context of business and management. Business and management are global realities, which affect the life of persons and institutions on a daily basis. Companies are the dominant institutions in our modern societies where practical wisdom should make inroads.

Within business ethics, there has been a revival of the idea of virtue but in a way that is not properly connected to the traditions from which this idea comes. Virtues are often presented as an arbitrary list of qualities, rather than starting from practical wisdom, as the mother and form of the moral virtues. This lack of unity of thought in business ethics has left business practitioners unnecessarily unsupported when they have wanted to avoid abuse and to find a way forward in making practically wise decisions.

Teaching Virtues to Professionals

Some academics find it offensive to talk of higher learning as an "industry." But to comprehend how our institutions must cope with learning in the twenty-first century, responsible leaders must examine traditional higher learning from the

outside looking in, using the lenses of other learning enterprises. This industry includes not only traditional learning enterprises such as universities but also a host of fresh competitors.

From a twenty-first century view, the balance of power in the higher learning industry will likely be shifted dramatically. This is particularly true when educating professionals. My long experience in the field suggests new methods; deliverables and techniques are necessary when attempting to work at the higher levels of companies and organizations. The peer-based model of learning works best and yields the greatest results. Lecturing or typical MBA style modules do not work nearly as well. Executives want and learn more when the process is dialogical with fellow peers.

"Perpetual learning" or continuous learning is radically altering the learning landscape today, especially for professionals. New balances of power are arising. The revised cast of players in the world of continuous learning is assuming new roles and exerting new levels of influence. It is therefore necessary to think about the expanding higher learning industry globally as it affects the world. This portends the emergence of a new higher learning industry that is broader, more robust, and more diverse than our current collaboration of traditional higher education institutions, universities, and corporate training entities. Indeed, even the distinction between higher learning and the rest of the learning industry may disappear over time. Professionals are demanding this shift in virtue or ethically based offerings as well as technically focused ones.

This new learning industry for the Knowledge Age consists of a dizzying array of players from the existing learning, entertainment, and technology industries, plus new players from other industries affected by the opportunities associated with Knowledge Age learning. In this new, expanded industry, learners, not traditional institutions, define value. New, nimble competitors are establishing fresh practices and innovative approaches that will set new standards. The vertical integration of learning, research, and public service on existing campuses is being assaulted by disaggregated, horizontal competition for particular learning experiences.

Colleges and universities need to develop skills in learning partnerships where they may not own the entire value chain – they may even be junior partners. Technology and competition will essentially deregulate the higher education franchise. Free trade will drive down the cost and price of unbundled learning experiences. And the distinction between levels of learning will become less clear.

The merging of learning, knowledge creation, and entertainment is succeeding the separation of teaching and education as stand-alone activities. Clearly, we are on the brink of the emergence of a new industry – one that fuses elements of the existing industries dealing with education, information, knowledge, and entertainment. At times such as these, new insights are needed and explanatory ventures should be mounted.

In examining emerging new industries, the renowned corporate strategist, Gary Hamel made the following observations:

- Analysis of existing industry conditions is not the real key to success: Where will the industry begin and end? How is it changing? Those are the real questions.
- The focus on current competitors is misplaced: Your new competitors are the ones who will surprise you.
- It's not you against the world: Your suppliers, allies, and collaborators provide the competencies you lack.

So, the only way to comprehend the emerging learning industry in the age of perpetual learners is by planning from the future backward. One must look at higher learning from the outside in, rather than the inside out.

All of this places great challenges on leadership. The successful learning organizations and communities of the Knowledge Age will be testimonies to the power of a new and continuous kind of learning. It is every community's responsibility to see that all of its citizens have the opportunity to be empowered by such learning. One such example is the PricewaterhouseCoopers *CEO Learning Partnership*, which has evolved over the years to help CEOs "invent the future." It is peer based, intimate, and organized by industry sectors. Other professional services firms have embarked on similar paths.

These changes present tremendous challenges to leadership of all kinds: educators, business leaders, elected political leaders, and emergent community leaders. These challenges begin with overcoming the outmoded baggage of current vision and practices. The constellation of vision and practices cannot be extrapolated forward into the Knowledge Age. Instead, we must use our vision of perpetual learning to plan from the future backward. Using vision, we can discern the redirected processes, structures, and activities necessary for this new kind of learning. Changes necessary for Knowledge Age learning are ripping our vision back to the present suggesting changes in both our learning vision and practices. Examination of these challenges should shape our educational dialogue over the next decade.

Across the globe, particularly in the USA and now in the UK, we are making substantial investments in the physical, human and policy infrastructures necessary to support the Knowledge Age. But the state is no longer able to foot the entire bill for higher learning. Indeed, it is increasingly necessary to forge a sustainable partnership between the private, public, and social sectors. To do so requires innovative new tax laws on charitable giving and incentives to draw business into the equation so as to build a viable future workforce and trained in virtue ethics.

But while most nations aspire to reap the benefits of the information technology revolution and the digital economy, most have distinctive barriers to overcome. Some of these barriers relate to technology. Others are social and cultural. At the end of the day, the nations and communities that scale these barriers most nimbly will emerge as successful. Much of the developed world is lagging behind the USA, Canada, Australia, and New Zealand in the use of personal computing. European nations in particular are striving to catch up. Technology infrastructure is necessary but not sufficient to become a smart community, and also a wise community. Leadership, organizational flexibility, and other factors are critical. Societal support

of learning – at all levels, not just advanced learning – is most critical. One example here is the way Deloitte has emphasized ethics training as a way to build its own corporate culture globally and project a positive image as a professional service provider. Increasingly, large firms are trying to make world citizenship or responsible leadership or integrity a core part of their teaching both inside the firm and with their vendors, supply chain, and the media.

It is difficult for national communities to contemplate truly becoming smart and wise communities when basic literacy of significant portions of their populations is inadequate. This is a threat to democracy and economic growth that should be addressed decisively. Moreover, we must upwardly define our expectations for improvement in societal learning to leap beyond basic education to encompass perpetual learning over the lifetime of every learner and professional. Three examples here worth mentioning are the Chaplaincy Program at Tyson Foods, a global giant in agribusiness, where the employees were engaged and human resources improved as a result of providing spiritual counselors in the firm from a variety of faith traditions. The large Indian conglomerate Tata has also developed extensive material and curricula on business behavior taught at its training center in Pune. Finally, UBS has for many years invested heavily in its Wolfsburg Executive Center in Switzerland where experts and leaders interact on a host of relevant subjects and with the executives of the firm. These and other examples of companies that seek to teach virtue and promote spiritual capital are examined in detail in my book, *Practical Wisdom in Management* (Malloch 2014).

Conclusion

In order to foster the development of such learning across every segment of our society, all of the major players in the world of learning have significant roles to play. Smart and wise communities will develop where the combination of national and local forces create and sustain pervasive atmospheres of perpetual learning (Kaipa and Radjou 2013). It will be rooted in the teaching of the virtues and practical wisdom.

References

Abderrahman,T (2008) A Global ethic: its scope and limits. Tabah Paper series Number 1. The Tabah Foundation, Abu Dhabi

Academy for Business in Society (ABIS). See http://www.abis-global.org/en/practical-wisdom

Cameron KS, Bright D, Caza A (2004) Exploring the relationships between organizational virtuousness and performance. Am Behav Sci 47(6):766–790

Hackett RD, Wang G (2012) Virtues and leadership: an integrating conceptual framework founded in Aristotelian and Confucian perspectives on virtues. Manag Decis 50(5):868–899

Kaipa P, Radjou N (2013) From smart to wise: acting and leading with wisdom. Wiley, Somerset

Malloch TR (2010a) Spiritual capital and practical wisdom. J Manag Dev 29(7–8):7–8

Malloch TR (2010b) Spiritual enterprise: doing virtuous business. Encounter Books, New York

Malloch TR (2013) Spiritual capital as practical wisdom for management. In: Handbook of faith and spirituality in the workplace. Springer, New York, pp 303–312

Malloch TR (2014) Practical wisdom in management. Greenleaf Publishing, Sheffield

Part XIV

Virtues in Decision-Making and Moral Psychology

Knowledge, Preferences, and Virtues in the Decision

Miquel Bastons

Contents

Abstract

The relationship between knowledge (reason) and desires (personal interests) is a central issue in virtue ethics. In the history of ethics they have often been regarded to be in conflict, which is resolved in many cases in terms of the subordination of one over the other, resulting in several dilemmas, e.g., between deontological and utilitarian approaches. The aim here is to present this relationship in terms of mutual interdependence rather than subordination. We will proceed as follows: first, we analyze the role of knowledge in action. Here we will pay attention to the Aristotelian criticism of intellectualism and will see the especial character of practical knowledge. Secondly, we will study the circular link between knowledge and desires in the decision, discovering the role of interests in the human identification of ends. And thirdly, we will move to the point, which sets the rationality-interests relationship on the level of virtues, where again we will find a circular interdependence between practical wisdom and moral virtues. Finally, we conclude in the last section by looking at some implications for ethical education.

M. Bastons (✉)
School of Economics and Social Sciences, Universitat Internacional de Catalunya, Barcelona, Spain
e-mail: bastons@uic.es

Abbreviations

NE   Nicomachean ethics
ON   On the soul
Pol   Politics

Introduction

As D. Koehn points out (1995: 563), "Virtue ethics focuses on the conformity
between right thinking and desire." The relationship between knowledge and
human preferences in decision-making is a central issue of virtue ethics. We can
indeed see, both in the work of A. MacIntyre on virtue (1984) and in following
studies carried out within the context of virtue ethics, that action and decision is the
point where the intellectual and the voluntary, knowledge and desire, rationality
and preference, connect (Moore 2008; Koehn 1995; Arjoon 2010; Bastons 2008;
Roca 2007). The relationship between rationality and interest is a matter that has
been present in practically the entire history of ethics, since Socrates. However,
they often appear to be in conflict, which in many cases is resolved in terms of the
subordination of one over the other, resulting in several dilemmas, e.g., between
deontological and utilitarian approaches (Koehn 1995). The aim here is to present
the relationship between rationality and interests in terms of mutual
interdependence rather than subordination.

    We will proceed as follows: first, we analyze the role of knowledge in action.
Here we will pay attention to the Aristotelian criticism of intellectualism and will
see the especial character of practical knowledge. Secondly, we will study the
circular link between knowledge and desires in the decision, discovering the role
of interests in the human identification of ends. And thirdly, we will move to the
point, which sets the rationality-interests relationship on the level of virtues, where
again we will find a circular interdependence between practical wisdom and moral
virtues. Finally, we conclude in the last section by looking at some implications for
ethical education.

    It is generally admitted that Aristotle remains a source of new ways to approach
matters of ethics (Tsoukas and Cummings 1997; Dyck and Kleysen 2001), even
though we can see some limitations from the point of view of modern psychology
(Koehn 1998). And the relationship between knowledge and interests was a central
issue in his ethics. The main points of this relationship can be summarized in three
texts, in which he refers to three interrelated issues: a) the role of knowledge in
action, b) the relationship between knowledge and desire in the decision, and c) the
relationship between practical wisdom and moral virtues. What is in some way
surprising is that in all of them he expresses the relationship between knowledge

and interests in a circular manner (The concept *circle* plays an important role in hermeneutical philosophy, in which it has a precise meaning. It refers to the process of "seeking adequate meaning" to enable the comprehension of human realities and it is opposed to the *explanation* as a linear process of "seeking causes" applied in the scope of nature (See Gadamer 1986; Wright 1971).) The three texts are the following:

1. Regarding the role of knowledge in action: "For the things we have to learn before we can do, we learn by doing" (*NE*, II, 1103 a 33 – 35).
2. Regarding the relationship between knowledge and desire in the decision: "Hence choice is either desiderative thought or intellectual desire" (*NE*, VI, 2, 1139 b 4 – 6).
3. And regarding the relationship between practical wisdom and moral virtues: "It is not possible to be good in strict sense without practical wisdom, nor practically wise without moral excellence" (*NE*, VI, 13, 1144 b 30 – 32).

The Role of Knowledge in Action

To understand the role of knowledge in action, we have to return to a previous question. It is regarding the nature of human good, the way of knowing it and the discussion against intellectualist positions. Indeed, to intellectualists – Aristotle gives the example of Plato (see *The Republic*, IV and VII) – the human good is of "intellectual" nature. He conceives it as something separate, as an "idea" that is "outside" ourselves. In the sixth chapter of the first book in the *Nichomachean Ethics,* three objections to intellectualism are presented:

(a) The first one is regarding the *reality* of the human good. The human good is not an "idea." This does not mean it does not exist, but that it is not something "separate." The human good exists "in" the reality and "as" the reality. It is actually a quality of things and of people (*NE*, I, 6, 1096 b 23–28, 31–34).
(b) The second objection is regarding the relationship between the human good and the action. The human good cannot be thought of as something that "already" exists, but rather as something that has "to be done." Human good is something "achievable by action" (*NE*, I, 7, 1097 a 18–24), a "practical" good (*agathon prakton*); something for the sake of which things are done and is therefore characterized as an "end" that, as such, is related to the human action. The good is not something we must "find"; it is something we must "do." The practical good is the "end" of an action. And, as we will see later, in this sense it is something related with interest.
(c) The third objection against intellectualism is regarding the special role of knowledge in action. As the good does not have an ideal status (first objection), but exists as an "end" within human actions (second objection), it cannot be known separately from action, but "by" and "through" human actions (third objection). Practical knowledge is not actually prior to acting and action is not a

mere "application" of what is previously known. Knowing the good is not creating a theory and applying it. Theories do not make us good (*NE*, II, 4, 1105 b 12–18). "Knowing" what is actually good means "acting well," in the same way that, e.g., "knowing how to swim" means "swimming" or knowing how to take decisions is taking good decisions.

As a result of the objections to the intellectualism, a limit to the role of *theory* in practical life is defined. It is not a negation of role of knowledge in action. It is a limit of the "theoretical" knowledge, which is a specific type of knowledge (Hardie 1968: 302). This limitation of the theory is rather an extension of knowledge, which, to be effective in the field of action, must be turned into a different type of knowledge: from "theoretical" to "practical" knowledge; from knowing "prior" to the action to knowing "in" action. He or she who swims knows how to swim when he or she swims. Applied to ethical life, this means that the important question is not "what" is virtue, but "how" to become a good person (*NE*, II, 2, 1103 b 26–32; Hartman 2008: 317). Moving from the question "what" to the question "how" is the way in which theoretical knowledge becomes "practical wisdom" (Van Hooft 2001: 149). This is what is meant by the first key phrase of Aristotle: "For the things we have to learn before we can do, we learn by doing." In practical life, there is no separation or subordination between knowing and doing, as though human action were merely the "application" of previously acquired knowledge. As H. G. Gadamer pointed out (1974: 326), within virtue ethics, we are not dealing with knowledge and the "application" of knowledge but with two different types of knowledge: theoretical and practical. The relationship between knowing and doing is circular. As Aristotle notes, reason "does not rule like mathematics," but more like a father or friends (NE I, 13, 1102b 28 -1103a 3; Pol. I, 5, 1254b 1–6). Pure theory is "applied" to reality; whereas practical wisdom "dialogues" with it. In this dialogue, wisdom is able to govern the action and action, in turn, becomes intelligent. It is therefore that in practical activity both the expressions *practical intelligence* and *intelligent action* can be used. Rationality becomes practical and the action rational.

Rationality and Interests in the Decision

The (practical) nature of human good and the knowledge of good have some implications to the relationship between knowledge and interests in the level of decision. The main point here is that the human good has status of "end" and "theory" does not refer (directly) to the ends. The manner in which we relate (directly) to ends is not through theory; it is through "wish" (órexis) or "will" (boulesis) (*NE*, III, 2, 1111 b 26; III, 4, 1113 a 14; *OS*, II, 3, 414 b 1–3). This means that when I know something, it only becomes an "end" if it interests me. In the action, both knowledge and desires come into play (Arjoon 2010: 8), but desire is what identifies the goals. If knowledge is in any way related to goals it would not be directly, but "through" the desire or the will, which are directly related to them. We

know "objects" (theoretically), but they become "objectives" (practically) at the moment that they are wanted. Once they are wanted, one can know them as "ends."

This connection between knowledge and interest takes place in the choice. Within the choice, the intellect is interested; and, at the same time, interest becomes intellectual (Kenny 1978: 188–189). This is what the second key phrase of Aristotle means in defining choice as "either desiderative thought or intellectual desire." It is again a circular expression, but not a vicious circle. It is rather a *virtuous* circle (Gadamer 1974: 327). In decision-making, desire and will are responsible for guiding us toward the ends. The intellect does not choose the end, but accepts it and focuses on the means that lead to it. Thus, the dialogue between intellect and will in the choice is what assures the connection between means and the end, which every action requires in order to be effective.

It is true that in order to want something, first one has to know it, hence, the general principle that "nothing is wanted, unless it is known" (*nihil volitum, nisi praecognitum*). But this knowledge is theoretical and does not consider the object as a goal. What is known can only be identified as goal when it is desired, when we say: "I want it." Thus, in the practical field, the reverse principle is also true: "nothing is known (as a goal), unless it is wanted." The knowledge-interest interaction would be as follows: (1) something is theoretically known and (2) can be desired (and therefore perceived as an end) and, at that moment, (3) can be done (and known in a practical sense). What is important here is that in virtue ethics there is not an opposition between rational knowledge and personal interest in action (Roca 2007: 612; Hartman 2008).

The role of interests can be difficult to understand from an intellectualist approach to ethics, affected by what Ghoshal (2005: 83–84) calls "the pessimistic model of people," according to which people's preferences and interests are considered to be compellingly perverse or selfish. This implies that personal interests are incapable of contributing anything that would benefit ethical attainment and that they are rather an obstacle (or something suspicious). From a virtue ethics point of view, however, interests are not necessarily selfish (Koehn 1995: 536). Interests are useful (and necessary) to act well, because they identify and define our objectives. It may be said that values enter into our decisions through interests. They should not be set aside, but should be formed correctly and that is what ethical education is about. As A. MacIntyre indicates: "To act virtuously is not, as Kant was later to think, to act against inclination: it is to act from inclination formed by the cultivation of virtues" (1984: 149). We know the end (practically), if we are interested in it and depending on how we are interested in it.

In this respect, even though Aristotle (*NE*, I, 2, 1094 a 18–24) and Plato (*Sisyphus*, 391 a 1–391 d 1) do so, it does not seem exact to compare the problem in practical life with the problem of an archer hitting a target. This comparison, although very graphic, is confusing because it can lead to think that the goal of life is something given a priori and that the problem lies in "hitting" it. But in practical life this is not the issue. The critical point in ethical live is not only knowing "how to reach" a previously proposed end; it is also knowing "what" end we have to set ourselves. The problem with decisions is not hitting a target, but discovering "the

correct" target. Knowing what end – what target – one has to pursue is part of the practical problem (Gadamer 1965: 300, 1974: 327–328). Within the decision, the objectives also have to be decided and that depends on the quality of our interests.

Practical Wisdom and Moral Virtues

The third point considered by Aristotle's virtue ethics sets the rationality-interests relationship on the level of virtues, where again a circular interdependence between practical wisdom and moral virtues is found. At this point, the Aristotle's distinction between "action" (*praxis*) and "production" (*poiesis*) and the difference between *practical wisdom* (the capacity "to act" well) and "technique" (the capacity "to produce" well) has to be remembered. The main difference is that "making has an end other than itself, action cannot; for good action itself is its end" (*EN*, VI, 5, 1140 b 5–7). Both are different sides of behavior: the practical (ethical) refers to the "internal effect" of action (to make ourselves a good or a bad person) and the productive (technical) refers to the "external effect" (to make something). The technique is concerned with means for the production of something, an end, which is not proposed by the technique itself, but is assumed. An architect, e.g., does not question whether a person should build a house or not. That is decided by the client; and the architect, accepting the objective, concentrates on "how" to do it. The technique is concerned with the means, not the ends. This means that the technician can leave his personal preferences and his values aside. He has to know "how" to produce a result, but there is no reason for him to be interested in it. This is why the technician can be considered "morally neutral."

The idea of moral neutrality (and the distinction between "facts" and "values") is an idea of great methodological influence in social sciences and in management practice (Weber 1947; Tsoukas and Cummings 1997: 668; Rothschild 1993: 21–27). This idea – based on neopositivism – was recovered and applied by H. Simon to management when indicating that the "administrative man" should concentrate on the purely "factual" aspects of decisions and not on the "evaluative" aspects. These are reserved for ethics, and what Simon calls "political decisions" (Simon 1976: Chap. III). This has also lead to what Freeman calls the "separation thesis" between the discourse of business and the discourse of ethics (1994; Werhane and Freeman 1999; Hartman 2011). This "rationality limited to the factual" is the basis of the idea of the manager as an "administrator" of the interests of others, in which he himself does not feel involved. "The manager treats ends as given, as outside his scope. His concern is with technique" (MacIntyre 1984: 30; see also Moore 2008: 485; Bastons 2008). Moral neutrality is also a dominant idea in the education of managers and it is what leads to the situation of conflict that many managers perceive between achieving economic interests and their moral values (Ghoshal 2005: 76; Pfeffer 2005; Roca 2007: 608).

However, moral neutrality nowadays doesn't meet with a universal acceptance in social research, because it responds to an abstract view of action and it separates what in reality is joint. No action is only "practical" (ethical) or "productive"

(technical), but all actions have a practical and a productive dimension. Every human action has both an external and an internal effect. We make something external (a product) and make ourselves (good or bad). In any case, there is a commitment with goals. Decision-making research has shown that people find themselves faced with unstructured problems, in which the identification of objectives is a critical part of the problem (Tversky and Kahneman 1981, Bastons 2008: 392–396). Setting the goal is not a "fact" that is external or prior to the decision (*NE*, VI, 4, 1140a 27; Hartman 2008: 316–320). When deciding, one also decides what one wants. Our goals are not "data" of the problem, but they are part of our problem. Therefore, the decision cannot be made in a morally neutral way. Decision-making is a question of values and the quality of our values depends on the quality of our interests. As MacIntyre points out, "virtues are dispositions not only to act in particular ways, but also to feel in particular ways" (1984: 149).

This concerns the understanding of virtues. The decision is interested intelligence or intelligent desire (Kenny 1978: 188–189). Therefore, for it to be right we need the righteousness of both: knowledge and interest. Righteousness of knowledge is "practical wisdom"; righteousness of interest is "moral virtue." When we are faced with decisions we need both righteousness of knowledge (practical wisdom) and righteousness of interest (moral virtue). And that means that, just as there is a circular relationship between intellect and desire, there is also a circular relationship between practical wisdom and moral virtues. For that reason, Aristotle proposes the third circle around which the rationality-interests relationship turns: "it is not possible to be good in strict sense without practical wisdom (phronesis), nor practically wise without moral excellence (ethikes arête)."

From this point of view it is possible to distinguish practical wisdom from other forms of intelligence, for example, cunning. One can be intelligent without moral virtue. This is cunning, which is the ability to hit a target, whatever it may be. Practical wisdom, however, is the ability to find the means that lead to an end, not just any end, but the "valuable" end (Koehn 1995: 535). And this cannot be found unless the quality of the preferences is presumed, i.e., moral virtue. Therefore it is impossible to be wise without being good. One can be *cunning* but not *wise*. Cunning is the ability to achieve any goal, be it good or bad (Gadamer 1965: 307). Practical wisdom is the ability to achieve ends that also prove to be good (*NE*, VI, 12, 1144 a 23–30).

Something similar happens in moral virtue. There is also a "natural" virtue and a "moral" virtue: "Therefore, as in the part of us which forms opinions there are two types, cleverness and practical wisdom, so too in the moral part there are two types, natural excellence and excellence in strict sense, and of these the later involves practical wisdom" (*EN*, 1144 b 14–17). There are people with a natural feel for identifying genuine goods. However, so long as this spontaneous tendency toward goodness is not directed rationally, it is a blind force. Moral virtue is that which converts cunning into practical wisdom, and practical wisdom elevates purely natural virtue to a moral level. It is not possible to be wise without moral virtue and it is not possible to be good without practical wisdom (Tsoukas and Cummings 1997: 665, 666).

Conclusion: Educational Implications

Practical wisdom is a special form of knowledge and requires a special type of education (Roca 2007). Knowing how to decide is not the same as understanding mathematics or physics (Hartman 2008: 313–314). Rationalist ethics is designed under the fear of preference and human will, in which the excessive preeminence of reason destroys interests, because, in reality, it is not capable of dominating and directing them. The virtue ethics approach shows more trust in reason's ability to control human preferences. Thus can be stated something surprising: "each man loves not what is good for him but what seems good" (*EN*, VIII, 2, 1155 b 25–26), which seems to place us very close to moral subjectivism. However, this is because the meaning of "subjective" is not understood. The fact that "each man loves what seems good" does not mean that ethics breaks down into mere personal opinions; it means that values become present through our personal desires and the quality of our values depends on the quality of our desires (our moral virtues). It means that it is possible – and necessary – to educate our personal preferences.

   Things are truly valuable, or not. But that does not mean that this value is known "objectively." The good "exists" objectively, but "is known" subjectively. Precisely, the object of moral education is to ensure that what interests us *subjectively* is that what is *objectively* good. Contrary to what Kant thought, the possibility of knowing the human good is conditioned by the interest in it. We decide according to our preferences and our preferences are personal and subjective. It is all about ensuring that that which presents itself as "apparent" good is "actually" good. That is the task of ethics education, which is, to certain extent, the way out of moral relativism.

   It is not about condemning human pleasures here. It is not a matter of enjoying or suffering, but of enjoying or suffering *well or badly* (Hartman 2011: 7). There is no reason for ethics education to be unpleasant or painful. In this context, the false dichotomy between self-interest and altruistic interest makes no sense; and the false image of altruism as mere "self-sacrifice" even less (Solomon 2004: 1025). There can be a contradiction between the valuable and the pleasant, but this is because one can find something that is not valuable pleasant, due to a deterioration of the preferences. As it is happening with the sick man who finds sweet to be bitter or with the drunk who considers any wine to be good. There is no contradiction between personal desires and the valuable in the virtuous man: he has trained his preferences in such a way that he is interested in what is truly valuable and not in what is harmful. It is therefore that his opinions are more valuable than those of others and that his manner of conduct is paradigmatic. He is interested in what is truly interesting.

   For Aristotle's virtue ethics, the good is beautiful (Koehn 1998: 500). Success in ethical life does not exclude preferences. It is more a matter of "good" preferences: knowing how to prefer what is preferable. As Hartman points out: "Good character is therefore a matter not only of doing the right thing but also of having the right desires and emotions" (2006: 70; see also Van Hooft 2001: 142). This is what moral education entails. True ethics education cannot be understood as a mere instruction

or as learning techniques or practical strategies. It should include training of personal interest to know how to become interested in what is truly interesting and to help interest take on the role of guide and protector of intelligence. Rules, regulations, and standards of conduct make sense as guides to building the ability to perceive what is valuable. Virtues cannot be taught, but they can be acquired. And we can only be sure that we have acquired them if we "enjoy" the good and "suffer" the bad.

References

Aristotle (1984) In: Barnes J (ed) The complete works of Aristotle, vol 1 and 2. Princeton University Press, Princeton

Arjoon S (2010) Aristotelian-Thomistic virtue ethics, emotional intelligence and decision-making. Adv Manag 3(4):7–13

Bastons M (2008) The role of virtues in the framing decisions. J Bus Ethics 78(3):389–400

Dyck B, Kleysen R (2001) Aristotle's virtues and management thought: an empirical exploration of an integrative pedagogy. Bus Ethics Q 11(4):561–574

Freeman RE (1994) The politics of stakeholder theory: some future directions. Bus Ethics Q 4:409–421

Gadamer HG (1965) Wahrheit und Methode. J.C.B. Mohr, Tübingen

Gadamer HG (1974) Hermeneutik als praktische Philosophie. In: Riedel M (ed) Rehabilitierung der praktischen Philosophie. Rombach, Freiburg, pp 325–344

Gadamer HG (1986) Vom Zirkel des Verstehens. In: Wahrheit und Methode, vol 2. J.C.B. Mohr, Tübingen, pp 57–65

Ghoshal S (2005) Bad management theories are destroying good management practices. Acad Manag Learn Educ 4:75–91

Hardie WFR (1968) The final good in Aristotles's ethics. In: Aristotle (ed) A collection of critical essays. Macmillan, London/Melbourne

Hartman EM (2006) Can We Teach Character? An Aristotelian Answer, Acad Manag Learn Educ 5(1):68–81

Hartman EM (2008) Socratic questions and Aristotelian answers: a virtue-based approach to business ethics. J Bus Ethics 78:313–328

Hartman EM (2011) Virtue, profit, and the separation thesis: an Aristotelian view. J Bus Ethics 99:5–17

Hooft V (2001) Judgment, decision, and integrity. Philos Explor 2:135–149

Kenny A (1978) The Aristotelian ethics. Clarendon, Oxford

Koehn D (1995) A role for virtue ethics in the analysis of business practice. Bus Ethics Q 5 (3):533–539

Koehn D (1998) Virtue ethics, the firm, and moral psychology. Bus Ethics Q 8(3):497–513

MacIntyre A (1984) After virtue. University of Notre Dame Press, Notre Dame

Moore G (2008) Re-imagining the morality of management: a modern virtue ethics approach. Bus Ethics Q 18(4):483–511

Pfeffer J (2005) Why do bad management theories persist? A comment on Ghoshal. Acad Manag Learn Educ 4(1):96–100

Plato (1997) In: John M (ed) Complete works. Cooper, Hackett Publishing, Indiana

Plato (2006) The Republic (trans: Jowett B). Echo Library, Teddington

Roca E (2007) Introducing practical wisdom in business schools. J Bus Ethics 82:607–620

Rothschild KW (1993) Ethics and economic theory. Ideas, models, dilemmas. Edward Elgar, Hants

Simon H (1976) Administrative behavior, 4th edn. The Free Press, New York

Solomon RC (2004) Aristotle, ethics and business organizations. Organ Stud 25(6):1021–1043

Tsoukas H, Cummings S (1997) Marginalization and recovery: the emergence of Aristotelian themes in organization studies. Organ Stud 18(4):655–683

Tversky A, Kahneman D (1981) The framing of decisions and the psychology of choice. Science 211:453–458

Weber M (1947) The theory of social and economic organization. Free Press, New York

Werhane PH, Freeman RE (1999) Business ethics: state of the art. Int J Manag Rev 1:1–16

Wright GH (1971) Explanation and understanding. Cornell University Press, New York

The Role of Intellectual Virtues in Decision-Making

Magdalena Bosch

Contents

Abstract

Virtue ethics has succeeded in rehabilitating virtue in the business ethics field, but it frequently focuses only on practical virtues. Most complete studies of virtues in decision-making, as, for example, Solomon 1990, tend to neglect the intellectual ones. Indeed, decision-making is a practice and virtue ethics offers a new concept of reason for use in practical matters (Roca 2007: 609). It is also thought to be the clearest reference for business as practice (Moore G, Bus Ethics Q 15:237–255, 2005: 247; Beabout GR, Bus Ethics Q 22(2):405–432, 2012: 406). This practical concept of management facilitates the reception of Gadamer's explanation of phronesis and the understanding of practical reason by disciples of MacIntyre. However, every practical decision requires theoretical information and not just its applicability. Consequently, the virtues directly related to knowledge and reason are actually relevant. In this study, we aim to recover all the intellectual resources offered by intellectual virtues in order to show their vital role in decision-making.

M. Bosch (✉)
Faculty of Humanities, International University of Catalonia, Barcelona, Spain
e-mail: mbosch@uic.es

Introduction

The virtues associated with decision-making are usually only the practical ones. However, it is evident that some information is managed in every choice, so it could be interesting to analyze intellectual virtues and their role in decision-making. This kind of study has not previously been carried out, and the aim of this paper is to illuminate this subject by examining the specific characteristics of each virtue.

The first section is devoted to a general definition of intellectual virtues. Theoretical actions are true ones despite not having external products as a result. The second section focuses on the difference between virtues and mere skills. Personal cultivation and teleology are also discussed, and the specific quality of intellectual virtues is linked to knowledge. In the third section, we cover the conditions of virtuous reason in deliberation. The virtue of reason is revealed by making decisions in very particular situations.

After these three sections, we identify the particular characteristics of each intellectual virtue from the point of view of decision-making. The fourth section considers three additional theoretical virtues – Science, Wisdom, and Understanding – and the specific contribution of each to decision-making. We follow the Aristotelian proposal of these virtues in book VI of the *Nicomachean Ethics*. By exploring the requirements of each virtue and applying them to decision-making, we find the requisites of intellectual virtues to be successful in choices. The last section adopts the same approach to the most practical virtues, Art and Prudence.

What Does "Intellectual Virtue" Mean?

The Aristotelian proposal on this topic is flexible and defensible at the same time (Hughes 2005: 196). It is flexible because it is not an ethic of principles, but of virtues. Unlike virtues, principles are characterized precisely by being invariable. Ethics must be founded on principles, but also need to be focused on action. In this way, the principles are integrated into the actions, which are practical, and linked to diverse real situations on which it is necessary to decide.

Virtue ethics allows the best action to be sought by taking into account complex and variable facts. Intellectual virtues are directly related to this skill of *taking into account variable facts* and have the specific value of being intellectual and applicable at the same time. They are theoretical and related to theoretical principles, but their condition as virtues implies their involvement in the dynamics of action. Since

they are linked to intelligence, intellectual virtues are called theoretical, but since they consist of particular actions, they are also true virtues.

The proper intellectual activity of these virtues means the presupposition of knowledge and reflection on ideas and principles, with the understanding that this knowledge must be of contents and goodness. "It is not only a kind of calculative process [. . . .] [A]n agent has to judge that a moral principle is relevant to the action [. . .] and has to be able to judge what specific action is called for in this situation by the principle that he or she holds" (Hooft 2001: 138).

Skills, Virtues, and Decision-Making

Virtues are different from skills, as MacIntyre notes: "To act virtuously is to act from inclination formed by the cultivation of the virtues" (1985: 149). This assertion includes two conditions: (1) virtues are the result of a voluntary cultivation of concrete tendencies, or the free repetition of some actions (Skills, on the contrary, may be natural abilities and inborn: no training is necessary.), and (2) virtues perform specific behavior focused on what is good and somehow directed to the final end. In fact, "one of the most important aspects of the Aristotelian approach is the emphasis on the purposiveness (or teleology) that defines every human enterprise, including business" (Solomon 1993: 103). Virtuous tendencies require a free desire to focus the action to a good end. For abilities, efficiency is enough. In the exercise of virtues, character and the internal elements that constitute personality play important roles. Every true act includes a thought process and the further consequence for the agent's ability (Kohen 1995: 534).

The question then arises, how do we define intellectual virtues? First of all, every virtue, both theoretical and practical, is an intermediate term between excess and defect (*NE* 1138 b 15). For example, it is not easy to find the balance between growing and saving: On the one hand, rejecting austerity means that depressed countries cannot recover; but on the other hand, an excess of austerity stops growth or makes it impossible. The balance is not easy, but it is crucial.

Particularly regarding intellectual virtues, we can identify each one's role by its distinctive characteristics. Science and Understanding refer to universal themes or principles, whereas Prudence, Art, and Wisdom are related to concrete questions. In fact, solving a problem requires study and reflection – both of which are theoretical activities – although problems can only be solved in a concrete way. We will analyze each intellectual virtue below.

Virtuous Reason and Deliberation

The nucleus of decision-making is deliberation. In Aristotelian terms, "if the choice is to be a good one, both the reasoning must be true and the desire right; and the desire must pursue the same things that the reasoning asserts" (*NE* 1139 a 25).

There is no good deliberation without coherence between knowledge and wish. One way to explain this interaction between reason and desire is the following:

> The general map of human behavior, based on Aristotle's theory of practical knowledge, can very simply be outlined in the following manner. There may be four cases:
> 1. True reasoning + correct desire: phronesis, good practical knowledge
> 2. True reasoning + incorrect desire: akrasia, weakness of will
> 3. Erroneous reasoning + correct desire: kakia, wickedness
> 4. Erroneous reasoning + incorrect desire: inability to act (Natali 2001: 15)

These four options summarize, in their essence, all behavior possible and demonstrate the special link between knowledge and wish. In more general but accurate words, we can also say that "my choices reveal my character, the condition of my appetite, whereas the judgement of conscience reveals my cognitive ability to see that a given act is forbidden, commanded or permitted" (McInerny 1997: 300).

From this idea of deliberation emerges four conditions of virtuous reason:

1. The first criterion in the analysis and evaluation of intellectual virtues must be the truth: the correspondence between our knowledge and reality and the reliability of the information we have. This is the first condition for good decision-making: reason must be right. Reason is what directs action and manages deliberation. Because of this, Aristotle sometimes uses the expression "straight reason." Reason alone (as only the capacity for analysis or judgment) is not enough for the practice of virtues. It is also necessary that reason follows the truth that is linked to the good.
2. The true object of deliberation is the future and the possible. The past, what has already happened, or that which cannot be changed, all those things are not worthy objects of deliberation since nothing can be achieved by pondering what we could do if reality were different than how it is.
3. Judging justly means not allowing interference from other interests alien to the judgment itself. Reason (in order to support virtue) must be free, selfless, and oriented towards good and the truth. "The moral conclusion is both thought and desire; but equally, it is desire and thought" (Hughes 2005: 204). Only if reason looks for the truth can it be able to judge realistically and correctly. Then we are able "to do the right thing for the right reason" (Hartman 1998: 548).
4. The last condition is that our decision is based on the right desire. Otherwise, we could be blinded by our own desire (Solomon 1993: XVIII). A consequence of proceeding from the right desire is moderating self-interest by thinking of possible harm to others and considering that to be important, that is to say, to be able to moderate self-interest when there is a danger for others (see Hoffman and Moore (1990: 82)). Indeed, if firms were a mere collection of self-interested individuals (...), they could not survive (Melé 2003: 84). The appetitive part is crucial in decision-making, and thus desire inspires determinate thoughts and has a true impact on judgment.

> This orientation to the good makes the balance between the emotional and the intellectual possible: Emotional response and intellectual judgment are in constant interplay; indeed "interplay" may insinuate a greater separateness of these two aspects of decision making, whereas Aristotle stresses much more their unity. Sorting out how one feels and seeing what one should try to achieve in this instance and what here and now is to be done, are inseparable aspects of one and the same motivated judgment. (Hughes 2005: 208)

To sum up, intellectual virtues require correct action to be carried out and are based on the right reason(s), as well as the right internal disposition. In fact, "Moral virtue requires not just good deeds, but good motives, particularly intentions, which are in part a kind of dominant motive. Good will, then, is crucial for virtue, and it has a way of manifesting itself not just in deeds but also in perceptible elements of intonation and style" (Audi 2012: 275).

Science, Wisdom, and Understanding in Decision-Making

First of all, we have to distinguish between two primordial intellectual activities: the scientific and the discursive. The first is the capacity to assimilate the contents of knowledge, which could be essential principles as well as general information. The second consists of the capacity for argument, reasoning, and deliberation. These intellectual activities determine the intellectual virtues that humans are able to develop, which are always related to the truth. "Pursuit and avoidance in the sphere of appetition correspond exactly to affirmation and negation in the sphere of intellect" (*NE* VI, 2, 1139 a 20).

Since decision-making always depends on information, it must be based on concrete virtues that are specific to the management of knowledge, of which Aristotle says there are five: Art, Science, Prudence, Wisdom, and Understanding (*NE* VI, 3, 1139 b 15). Science, Wisdom, and Understanding are more directly referred to than the theoretical part, the necessary knowledge to make a decision. On the other hand, Art and Prudence apply knowledge to a specific practical point which the decision is about, thereby linking information with choice. We are now interested in seeing how each virtue is related to decision-making.

What is the role of **Science** in decision-making? This is a virtue that consists of knowing universal content well. "Scientific knowledge consists of forming judgments about things that are universal and necessary" (*NE* VI, 6, 1140b 30), because "the object of scientific knowledge is of necessity" and, in addition "all scientific knowledge is supposed to be teachable, and its object to be capable of being learnt" since "scientific knowledge is a demonstrative state" (*NE* VI, 3, 1139 b 20 -1140 a). Therefore, the proper acts of Science must:

(a) Refer to the necessary (sometimes Aristotle also says universal).
(b) Be teachable and able to be learnt.
(c) Be demonstrative.

"Universal or necessary" content means that we need reliable information. A particular subjective opinion could easily be wrong, so a practical consequence is that decision-making requires study. This is the virtuous point: to know what I need to know, to look for the right information, and to choose trustworthy sources. On the second component, we see that we can share information. We can teach what we study and learn what others teach to us. So virtuous scientific knowledge includes teaching and learning for sharing our own knowledge. To be demonstrative, the last component means rigor and exactitude. True scientific knowledge includes argumentation, demonstrations, and reasons; and this is only possible by "understanding causes" (Walker 2013: 765). There is no acceptance of any new data without valid justification.

Another way of saying this is known as a "decision frame." Bastons has summarized it thus: "The structuring problem is also related to the 'the framing effect' formulated by Tversky and Kahneman [...who] use the expression 'decision frame' to refer to the conception of acts, outcomes, and contingencies associated with a particular choice" (Bastons 2008). In other words, we need to know well the intellectual framework within which our choice is situated. Only in this way are we able to identify all the points connected to our choice, even when that relationship is not readily apparent. Knowing the principles and laws related to our decision well is crucial to making the right one.

How is **Wisdom** involved in the practice of choosing? "We apply the term *wisdom* in the arts to the most finished experts in the arts [...since] wisdom must be intuition and scientific knowledge: knowledge complete with head as it were of the most precious truths" (*NE* VI, 7, 1141 a 9–20). Aristotle also adds that this precious knowledge must be about the good of the man, not in a practical or advantageous sense, but as the true best good for man as a human being (*NE* VI, 7, 1141 a 20–1141 b).

Thus, we see that to be truly wise has three requirements:

(a) To be an expert
(b) To know the true best good for humans
(c) To use intuitive reason well

On the first requirement, the definition of Wisdom seems similar to specialization: it consists of having very thorough knowledge of some art or practice. So being an expert is advantageous in identifying all the possible implications of our choice. This particular excellence requires a good deal of experience since some outcomes or effects of our actions are learned only by seeing real consequences, especially when they were not foreseen. Only experience can teach us about illogical results.

The second requirement consists of understanding the human condition and all factors that stem from it. Again, in decision-making it is not enough to have an enormous amount of data; what is needed is the ability to foresee some of the possible outcomes caused by human factors: emotional, spiritual, and somatic. In this realm, we find motivation, competitiveness, or tiredness. These very real

factors are sometimes not completely predictable because they lie outside technical or logical dynamics.

The last means that a wise person not only has information but understands it and is therefore able to interpret it correctly. Be able to understand important issues means we can distinguish what is necessary from what is variable. As a result, we are also able to apply some universal criteria to different concrete realities.

A proper characteristic of Wisdom as virtue is to understand why the good is good, which makes it easier to perform our actions for the sake of doing the best:

> John McDowell (1979: 334) argues that a fully virtuous person who has wisdom sees what to do without being tempted to do otherwise. Unlike the merely continent person, who does what she ought to after struggling with a desire to do otherwise, a virtuous person sees what to do in a way that "silences" less virtuous – or just plain vicious – alternatives. (Swartwood 2013: 516)

On the other hand, this aspect of Wisdom that consists of understanding is also another virtue itself: **Understanding** (intuitive reason, intelligence). "The state of mind that apprehends first principles is intelligence" (*NE* VI, 6, 1141 a 5). For this there are two requisites:

(a) To refer to first principles
(b) To understand well

In decision-making, the role of "first principles" would be the essential issues, the most basic ones, from which all outcomes emerge. Accordingly, we see it is necessary to analyze the object of our decision well in order to identify these essential components.

The second condition is to understand well and "to grasp in a non-demonstrative way" (Walker 2013: 765). It should be noted that the difference with Science is that with Understanding, the key point is intelligence rather than data. This concrete capacity of comprehension is a kind of intellectual view, characterized by depth and correctness. It is not just about having information but the ability to penetrate it. It is intellectual clarity and obviously differs from prudence "for practical wisdom issues commands, since its end is what ought to be done or not to be done; but understanding only judges" (*NE* VI, 10).

Understanding is also unlike Science because with Science we see all related information, thanks to the broad knowledge we possess. The broader the information is, the easier it is to find its common points. Understanding is different: its crucial point is quality. We can see all the possible implications of the problem because we understand it deeply. Only in this way is it possible to discover new implications and original solutions and to be creative.

We can see that the three most theoretical virtues play an undeniable role in decision-making. All of these intellectual skills strongly determine the entire process of deliberation and choice. In other words, the most theoretical virtues

really decide our choices and reveal themselves to be much more linked to decision-making than previously acknowledged.

Art and Prudence in Decision-Making

The more practical of the intellectual virtues are Art and Prudence. Although still related to knowledge, they are both more directly oriented to decision-making. They are not the necessary background, but rather the actual tools for making the selection. "Art and Prudence are only concerned with the variable" (*NE* VI, 6, 1141 a). The very nature of these two virtues is to be applied in a specific space and time.

In fact, the virtue of **Art or Technique** is the capacity to perform a practical activity well, thanks to a good theoretical idea. This is the reason why we consider it an intellectual virtue, because the cause of the activity is an idea and a good one. "Art is a productive state that is truly reasoned. Every art is concerned with bringing something into being, the cause of which is in the producer and not in the product. Art is a productive state that is truly reasoned while its contrary non-art is a productive state that is falsely reasoned" (*NE* VI, 4, 1140 a 20).

We can summarize this definition in three requirements:

(a) To bring something into being
(b) Through true reasoning
(c) The cause being in the producer

In fact, this virtue seems to be the ability to do something well because we envision how it must be. In other words, because we know the way to make it, the idea comes true: We know "how."

Art is the virtue that allows us to know the *best way to do something*. Therefore, in decision-making, art is the ability of knowing the correct process well. Every strategy could be a good example of art: the way in which to perform an idea and the design of the performance. Every time we have a goal and we plan all the steps we need to follow in order to achieve it, we are practicing art. The clearer the idea is, the easier it is to find the way to get to it.

Prudence (or Practical Wisdom) is especially related to politics, but not exclusively. We call prudent "those who are able to deliberate rightly about what is good and advantageous for himself; not in particular respects [. . .] but [in] what is conducive to the good life generally" (*NE* VI, 5, 1140 a 25). Prudence is not Art, because it does not show us the way in which to design the process of action. Neither is it Science, for it does not possess necessary and universal knowledge, principles, and so on. Nor is it Understanding, because Prudence commands and Understanding does not. The very capacity of Prudence is judging what the best alternative is in "particular circumstances" (Melé 2009: 115). In other words, it is the ability to choose well or make good decisions. As we already know, this is the last step in a process in which there are different intellectual activities involved. After deliberation, where all the other intellectual virtues have a specific role,

comes choice. The Greek origin of the word, as well as the Latin word "prudential," is used to refer to the man who is considered wise for making good choices. Choice is a kind of judgment and Prudence is really the ability to judge well.

In fact, practical wisdom is Wisdom itself in its applied form. Knowing that, we see its characteristics to be the following three:

1. What is specific to Prudence is precisely applying all available information to a concrete case. Actually, we usually say a decision is moral when it is well informed (Hoffman and Moore 1990: 81). Therefore, those who suggest decision models normally stress the importance that the model indicated which information is relevant (Sternberg 1994: 25).
2. Aristotle affirms that practical wisdom is also related to the human condition and allows us to know what sorts of thing conduce to the good life in general. This point adds new value to this virtue that is the link to our reality. All theoretical reasoning has the risk of disassociating the analyzed problem from the other aspects of ourselves, as human subjects. This could be the cause of decisions that were good in theory, but are a failure in practical reality, or that ignore the human condition of others. In other words, practical wisdom has to do with a holistic point of view in decision-making, regarding our human condition in ourselves and in those people who could be affected by our choice. Wisdom adds realism to our rational discourse. Prudence is the practical application of Wisdom.
3. As a consequence of the first two requisites, Prudence enables us to anticipate the outcomes of an action. This is one of its most practical aspects because it directly links reasoning to the possible results of action. In decision-making, we need to know the objective well and then clearly define the actions that truly drive us towards that goal. Honestly put, is what makes Prudence the ability to judge what the best choice is in order to achieve a specific objective? What is sometimes overlooked is that Prudence is at once theoretical and practical. The judgment is theoretical, but the reality about which it is made is practical, and choosing is a practical action, the act of will. Logically, the coherence between both aspects is necessary. Theoretical knowledge of strategies or codes is not enough, and the experience of several companies has proved it. In some cases, bad decisions were made despite a good knowledge of ethical codes on the part of the employees (Gellerman 1989: 25).

Conclusion: The Value of Intellectual Virtues

We can see that intellectual virtues are crucial in decision-making since they predispose agents to the most complete perspective of circumstances and actions. All of them are related to knowledge, but each one has a specific role in decision-making that differs from the others.

Prejudice could remain regarding intellectual virtues and their being too theoretical to be relevant in decision-making, but they determine our decisions whether

we recognize their relevance or not. The way in which a problem is seen will always decide the entire process of deliberation and decision-making. Every deliberation is an exercise of all intellectual virtues, for they are required to pay attention to the theoretical framework of the question.

As was asserted in the beginning, virtues are not only skills. The issues of virtue ethics are the following: personal cultivation, correction of objectives, and the best way to solve problems.

References

Aristotle (2004) Nicomachean ethics (trans: Thomson JAK, Tredennick H, Barnes J). Penguin, London

Audi R (2012) Virtue ethics as a resource in business. Bus Ethics Q 22:273–291

Bastons M (2008) The role of virtues in the framing of decisions. J Bus Ethics 78(3):389–400

Gellerman SW (1989) Why 'good' managers make bad ethical choices. In: Andrews KR (ed) Ethics in practice: managing the moral corporation. Harvard Business School Press, Boston, p 25

Hartman EM (1998) The role of character. Bus Ethics Q, New York 8(3):547–559

Hoffman WM, Moore JM (1990) Business ethics: readings and cases in corporate morality. McGraw-Hill, New York

Hughes GJ (2005) The function of Aristotle's virtues. Bijdragen Int J Philos Theol 66:196–212

Koehn D (1995) A role for virtue ethics in the analysis of business practice. Bus Ethics Q 5:533–539

MacIntyre A (1985) After virtue, 2nd edn. Duckworth, London

McInerny R (1997) Prudence and conscience. In: Ethica Thomistica, the moral philosophy of Thomas Aquinas, Rev edn. Catholic University of America Press, Washington, DC

Mc Dowell (1979) "Virtue and reason", The Monist, 62:331–350

Melé D (2003) The challenge of humanistic management. J Bus Ethics 44:77–88

Melé D (2009) Business ethics in action: Seeking Human Excellence in Organizations, Pergrave Macmillan, London

Natali C (2001) The wisdom of Aristotle (trans: Parks G). State Unversity of New York Press, New York

Roca, Esther (2007) Introducing Practical Wisdom in Business Schools, in: Journal of Business Ethics 82:607–620

Solomon RC (1990) Business Ethics and Virtue, from Robert Frederick, A Companion to Business Ethics, Blackwell Publishing

Solomon R (1993) An Aristotelian approach to business. Oxford University Press, New York

Solomon RC (1999) A better way to think about business. Oxford University Press, New York

Sternberg E (1994) Just business. Business ethics in action. Little Brown and Co., London

Swartwood JD (2013) Wisdom as an expert skill. Ethical Theory Moral Pract 16:511–528

van Hooft S (2001) Judgement, decision and integrity. Philos Explor 2:135–149

Walker MD (2013) Rehabilitating theoretical wisdom. J Moral Philos 10:763–787

Virtue Development and Role of Character in Decision Making

Nisigandha Bhuyan

Contents

Abstract

The most significant contribution of virtue ethics is the role of discriminative intelligence (practical wisdom) in decision making. Decision making in virtue ethics is actually influenced by the acumen and discriminative intelligence of the agent concerned rather than rules and codes of morality. Habitual inculcation of virtue facilitated by education and incentives is only the starting point. The completeness of the character of the agent is possible only when the discriminative knowledge takes shape in the agent. This article distinguishes moral virtue from natural dispositions, and elaborates the process of development of moral virtue, how moral virtue relates to practical wisdom, how characters of the agent gets formed, and finally how character of the agent impacts the decision process specifically in the context of business.

Keywords

Virtue • Character • Practical wisdom • Decision making

N. Bhuyan (✉)
Indian Institute of Management, Calcutta, West Bengal, India
e-mail: nisigandha@iimcal.ac.in

Introduction

The serious anomalies and conflicts of principles of modern normative ethical theories paved the path for recent research in virtue ethics. Virtue ethics gained significance and wider acceptance, during the later half of twentieth century, mainly due to its holistic approach of considering the ethical constitution of the person or the agent rather than the ethicality of particular act(s), which may be ethically right under one principle and wrong under another. The agent is eventually the culmination of all the features and factors of life and living which can have the attributes of good or bad, right or wrong by standards of ethics. Aristotle's virtue ethics focuses on the possibility of bringing consistency in human character at first by habitually inculcating traits of virtuous behavior. Then discriminative intelligence (manifested in the process of reasoning) and reason develop in the agent, whose action then is spontaneously virtuous, and thus has no conflict between thinking and desire. Overcoming temptations by practicing good habits is the initial stage of development of good character. Eventually, when character perfects itself, virtuous acts become the natural outcome with no room for any sort of temptation.

In a sense, it is noncontentious that ethics and morality aim at the good and the well being albeit limited by human rational understanding (and inexact measure) of what is considered good. The Aristotelian notion of "virtue" plays an important role in comprehending and realizing the "good" and more importantly a possible conception of "the good life." Ethics is after all a human scientific endeavor to find out "what is good," though limited to human perspectives and often limited to the good and the well being of human beings. This perspective of "what is considered as good" is an outcome of a reasoned deliberation of a being which is both "social" and "rational" in addition to being "instinctive." Aristotle (1996) emphasized both the social and the rational characteristics of human beings in his conception of virtue, practical wisdom, and character. Lebar (2009) best comprehends the reasoned and rational deliberation of the social being: "acting on reasons that take others' reasonableness into account." And this according to Lebar is a necessary condition of living well – the goal of ethics.

Virtue, Practical Wisdom, and Character

To explain Aristotle's understanding of a good human being (a being which is both rational and social) capable of living well, one has to explain each indispensable element that constitutes the goodness of the agent/person: virtue, practical wisdom, character. Aristotle said "it is impossible to be good in the full sense of the word without practical wisdom or to be a man of practical wisdom without moral excellence or virtue" (Nicomachean Ethics, 1144b, 27–30). At first, virtue is to be learned and acquired through habitual practice until the agent develops practical wisdom to reason, and once developed, virtue and practical wisdom complement each other to develop the character of the agent. The above explains the interdependence of knowledge and practice in constituting a good character.

Neither simple habitual practice of virtue nor practical wisdom alone can make the human agent into a person of character. One who is acting virtuously, say out of courage, without the knowledge of why and what is virtue, is not virtuous. The agent may simply be acting out of his/her natural disposition. Similarly, one does not become virtuous by simple knowledge of what a virtuous action is, and one has to act virtuously (and of course consistently) to become virtuous.

In the Aristotelian scheme of things, virtues are related to the domains of our existence (Kamtekar 2004) and they support each other. Such support will be possible only when the agent is exposed to the life conditions and develops the necessary knowledge, deliberation, choice, and finally decision and action. A person/agent gets exposed to the various domains of human social existence and relationships and thereby learns the specific mean (virtue) of the domain. For example, a person exposed to the domain of danger gets to know the mean of courage and a person exposed to the domain of wealth knows the mean of generosity. A person/agent exposed to conditions of intense situations knows the mean of temperance. Virtues also need one another. Take for example, a person/agent who is courageous is also compassionate and practical wisdom is the necessary means through which one develops both courage and compassion. It is someone's compassion for human life that motivates him/her to save a little kid from drowning, and his/her motivation to save, which leads to the act of saving the kid from dangerous and precarious situations; and to have the motivation to save requires the virtue of courage to save. So unlike Kant (who separated rational purity of philosophical ethics from empirical facts of our existence), for Aristotle "virtue is concerned with emotions, choices, values, desires, perceptions, attitudes, interests, expectations and sensibilities" (Bhuyan 2007). In this situation, there is "emotion" involved for a fellow human being and more so for a being who itself is incapacitated to take its own care; there is "value" of life and more so for life of a fellow being; there is "desire" to respect that value; the person/agent has perceptual sensitivity ("perception") of the situation and she believes that she can and should be able to make a difference (which is to save, if we go by the same example); respect is her attitude to human life: she has more "interest" in saving the kid than not; she is expected ("expectations") to save the kid when it is within her capacity; she has formed a complete sensitivity and sensibility ("sensibilities") toward this whole incident. What is even more important is the knowledge of the good life that ensures the necessary consistency of the agent while deliberating. The consistency here is not a mechanical consistency of the type that the situationist demands to (dis)prove character traits; rather the consistency is in the deliberation to achieve the good life.

It is important to remember here that both courage and compassion (and all virtues for that matter) are a mean between excess and deficiency. What exactly is courage and how one behaves courageously is so much dependent on the situation/event as much as it is dependent on the practical wisdom. Hence, courage can never be predefined or articulated unlike any principle. As Kamtekar puts it "for virtue to enable one to live well, the intellectual component of virtue must be both relatively unrestricted and situation sensitive" (Kamtekar 2004). Putting restrictions like

following rule/principle/maxim would not only limit the process of deliberation but also would fail to attain to the novelty and uniqueness of the situation. This clearly emphasizes the role of practical wisdom and the unique and novel features of the situation/event where practical wisdom plays the crucial role not a predefined one. Hence, it is only with practical wisdom a virtue is identified as virtue less; the act of being virtuous may simply be a natural tendency or capacity to be courageous, but the virtue of courage is to be learned and habitually practiced, until the virtue becomes an innate outcome of a fully formed character deliberated through reason. Aristotle says "natural virtue, but not virtue proper, can exist without the faculty of rational discernment . . ." (NE, 1144 b10-12). In learning and habitually practicing the virtue, "you learn to avoid the excess and deficiency" of recklessness and cowardice (Hartman 2012). Primary phases of learning virtue may be much characterized by rules and incentives and more importantly converting these learnings into habits, so as to consistently act virtuously by overcoming temptations. However, the next phase of learning virtue is characterized by reasoning and practical wisdom (Hartman 2012). Without practical wisdom recognition of virtue is not possible. Practical wisdom is not identical with virtue but is a necessary and sufficient condition for virtue. Virtue is cultivated not only by education, habit, and practice but also by choice, and choice can emerge only out of practical wisdom – the reasoned deliberation. This is the significant feature of moral virtue: that the agent chooses voluntarily; it is not simply enforced by any extraneous conditions. When virtue is guided by pure practical wisdom, character gets formed. Kamtekar describes the relation between virtue, practical wisdom, and character more appropriately as follows: "knowledge can stabilize our characters and make our judgements and actions consistent because we want to live well, virtue enables us to live well, and knowledge enables us to identify and do things that are conducive to virtue and living well" (Kamtekar 2004). Hence, Aristotle said "it is not possible to be good without practical wisdom and practically wise without moral virtues" (NE VI. 13.1144b30-1). Practical wisdom is the discriminative knowledge to recognize the mean. It is through this discriminative knowledge that a clear notion of the essence, goal, values, and virtues conducive to good life emerge. Hence, the agent must not only know what is virtuous, and/or the dispositions to act virtuously, but also act virtuously. Action flows from discriminative knowledge as well as deliberate choice to be virtuous. Overall the act is regulated by the agents' conceptualization of good life (Sorabji 1980). Hence, developing, acquiring, and accepting a clear notion of good life also necessitate acquiring virtue, practical wisdom, and help develop particular character traits.

However, the understanding of good life is made possible by practical wisdom that leads to respect for virtue and gets manifested in virtuous action. Acting virtuously is not about internalization of rules or principles of ethical behavior; rather it is the ". . .ability to discern, acutely and responsively, the salient features of one's particular situation" (Nussbaum 1990). It is what McDowell (1979) calls the "perceptual sensitivity to the morally relevant features of one's situations." As a matter of fact, when virtue is a mean between excess and deficiency, there are no exact criteria to predetermine what exactly the mean of courage is, for example.

Hartman says "there is no exact algorithm for determining what is truly courageous" in a particular situation (Hartman 2000). As a good comedian cannot reduce humor to a series of propositions about what makes people laugh and what does not, similarly who acts out of the virtue of courage cannot reduce courage to a series of propositions (ibid). What is courage will be determined every time with the perceptual sensitivity of the person acting out of the virtue of courage in particular contexts.

Hence the goal of good life and its manifestation in human intellect, wisdom, motive, feeling, emotion, action, and behavior is rooted in recognizing and respecting virtues. Or else our feelings, desires, motives, and action may be inconsistent and/or irrational and thereby leading to what Harman (2000) calls weak character. Virtues are the foundational aspects of morality and good life on which character of agents (who respect, recognize, and practice virtue) develop. Good character is the matter of the sort of things one enjoys doing or to whom doing good things comes naturally. This is neither deterministic not mechanical, as the locus of responsibility for choosing to develop character in accordance with one's understanding of good life lies completely with the agent. The emphasis is surely on the autonomy of the agent who has the option to choose. It is only during the formative years that more emphasis is given to education and habit. Habits also bring consistency of deliberation with action that helps avoid temptation. However, the subsequent phases of character development are characterized by discriminative knowledge. Though Aristotle's moral *ideal* of character means there exists no temptations and conflicts of any sort. But Solomon is more practical in accepting that "character is never fully formed and settled." He emphasizes that though "character is vulnerable to environment but it is also a bulwark *against* environment" (Solomon 2003). This is highly interesting as it is the environment which provides the opportunity to the agent to choose one course of action/decision over the other. This choice is shaped not by the short-term influence of incentives but by discriminative knowledge to achieve the long-term goal of good life. Initially, choice might get influenced by short-term goals and incentives until the discriminative knowledge directs the agent. This responds to Driver (2001) that as long as there is ignorance or epistemic defect character cannot be fully formed. Hence it is important for the agent to habitually overcome the temptation even when it is there. However, once choice is an outcome of pure discriminative knowledge, character becomes the bulwark against temptations. This may be a lifelong process of back and forth reasoning much like Rawls' reflective equilibrium, and this makes life rich, autonomous, and enjoyable.

However, in ordinary existence and while in the process of character formation, agents practice to withstand temptations. A man/woman of character is courageous does not mean that the person/agent has not encountered the situation of fear or risk. The person/agent is able to exercise the practical wisdom and calculate the appropriate action by being able to put aside unnecessary fears and also able to correctly comprehend the risks involved. Habits help here at least in overcoming fears. However, we must understand that to emphasize role of habit in virtue ethics does not mean virtue ethics is simply being mechanical. Virtuous actions are

performed with full knowledge of the situation and it is neither mechanical nor performed under ignorance. To act generously, a virtuous person must know the exigency of need of others and the value of extending help. The agent deliberates on and chooses from each such occasion, as each such occasion might generate features that had never occurred and were not known before. It may be interesting to discuss Nussbaum's "inherent nature and characteristics of practical matters: changeability, particularity and interpretation" (1990). Nussbaum notes three aspects that define practical matters: (1) they are mutable and change overtime; (2) they are inherently indeterminate and ambiguous and are subject to interpretation; and (3) they contain particular and nonrepeatable elements. Following her, Roca identifies "three intrinsic characteristics of practical wisdom" and justifies "the consideration of practical wisdom as an appropriate capability to management. First, it is appropriate to analyze the complex, particular, and changeable issues. Second, practical wisdom detects the moral content and implications of a specific situation; and finally, it is crucial for the moral personal configuration" (Roca 2007). Practical wisdom is the ability to identify the salient features of complex and particular situations. Through the exercise of practical wisdom one must be able to discern the significant aspects of a particular situation and to apply ones knowledge, experience, and values to make a "good" decision. The target is acting good and best in context (Price 2013). "Prudence includes and perfects technique" (Murphy 1993).

Character and the Decision-Making Context

Ethics is not an exact science, admits Aristotle. However, it still can guide the good, the right, and the appropriate. Though philosophers struggle to ascertain the objective grounds of these subjective human values of good and right, however, an imperfect consensus is better than no consensus at all. The human being is a complex constitution of many salient features that makes the being a human. Human challenges are inexhaustible and incessant like their innumerable desires and potency. A being of virtuous character is expected to sail through the life of inexorable challenges and desires by reasoning appropriately (man/woman is rational), and cultivating appropriate emotions (man/woman is social) to distinguish appropriate from not so appropriate and inappropriate. All these surge from the intelligence, autonomy, and choice of the being. Aristotle in his De Anima argues that Choice is the activity of the soul and therefore vicious acts are not deliberately chosen because "they do not fulfill the human mind's capacity to render what is implicit in an act explicit" (quoted in Koehn 1995) Hence, there is a necessity for conformity between thinking, desire, and action. Hartman defines character "as one's typical pattern of thought, desire and action with respect to one's own and others well being and other major concerns and commitments" (Hartman 2012). Another significant definition of character is given by Kamtekar

"...the conception of character in virtue ethics is holistic and inclusive of how we reason: it is a person's character as a whole (rather than isolated character traits), that explains her actions, and this character is more-or-less consistent, more-or-less integrated, set of motivations, including the persons desires, beliefs about the world, and ultimate goals and values" (Kamtekar 2004).

Hence, the consistency of good judgement becomes a natural outcome for such a person. There exists no inherent conflict; all that matters is "moral sensibility" to perceive the morally salient aspects as well as "moral imagination" to sort out the conflicts. Obviously, morality has to be broad based and principles are too narrow and restrictive to allow either of these (sensibility and imagination). Being ethical may include: (1) separating the salient from the trivial, (2) the broad-based moral imagination about good life, and (3) acting in the situation one finds oneself in.

The Decision Context of Conflicting Obligations

There is a limit to ethical principles. Hartman (2000) narrates the case of a manager who has to decide between two job candidates of which one is better qualified and the other represents the underrepresented ethnic minority. The manager has competing duty here. She has a duty to the organization to select the best-qualified candidates, follow the law, to follow corporate policy, to serve the stockholders, to look out for the stakeholders. How do we decide which considerations are salient and which principles override which? Hartman concludes or rather asserts that there is no algorithm to solve this issue of priority of principles. However, a person/agent with strong character traits does this well by first perceiving the morally salient features of the situation. The person is helped by the appropriate moral reason and moral imagination. Your perception here is facilitated by your character and failing to perceive the morally relevant features, as they are, is most probably due to the limitations in your character. Hence, attention to virtues and vices of human character is important for any professional including business managers. (Whetstone, 2001).

Kidder (2003) explicates well how moral decision is not always a decision between right and wrong; rather it is more often right versus right where each side may be firmly rooted in one of our basic core values; for example, truth versus loyalty; individual versus community needs; short-term versus long-term considerations; justice versus mercy. There may be numerous conflicts under each category; for example, under justice versus mercy, we can have conflict between: law versus love; equity versus compassion; fairness versus affection. Both justice and mercy are right principles of human domains of existence and both are virtues by their own standards. But under situational context there may be times when justice seems to be the paramount moral standard and sometimes mercy is the epitome of human value. A person of firm character alone will have the practical wisdom to give due consideration to both justice and mercy.

Character and the Decision-Making Context in Business

Hartman (2001) seeks an answer to the question; is the kind of character appropriate for business differs from what is appropriate in general? In "business ethics," it is not the ethics or ethical reasoning which is different but the business context that is. The context of business certainly differs from any other context; either a context of ordinary living or a context of a different profession, say, that of a scientist. A scientist has to devise the means of a scientific innovation so that the disastrous consequences of the innovation can be reasonably and substantially avoided and still human living is protected yet advanced. Similarly, the business professional has to take paths both in the macro- and microcontext so that the institution of commerce and the organization per se are contributing to the human well being. There might also be emphasis on certain virtues more relevant to the profession. For example, courage for the soldiers is a paramount virtue where compassion may have to take a back seat. Similarly, honesty for business people and compassion for social workers are paramount virtues (Hartman 2000).

Hartman attempts to answer the question on "appropriate character in business" by asserting that the participants of a good organization and a good business need to be rational and reasonable. Hartman's intention of bringing to the forefront the feature of reasonableness is to emphasize the compelling requirement of "fairness" in business, an institution where perceived unfairness is widespread. This is not to argue that fairness is not required in the conceptualization of the ordinary character, but to emphasize its glaring requirement for professionals of business where they probably need to assure their reasonableness to one another and be assured of others' reasonableness while making a decision.

Conclusion

Character, if firmly developed with inculcation of virtues at the societal level first and then supported by reflective intelligence of the individuals' reason later, plays a very important role in ethical decision making. This brings conformity of desire and thinking, hence reducing the chances of conflict and temptation. The process of evolution of character is a continuous process: we learn from the experiences we undergo. Through the experiences, we perfect our moral sensibility and moral reasoning. In Murphy's words again: "Prudence includes and perfects technique" (Murphy 1993). However, when there is guarantee to curb misconduct, there is also no guarantee that nothing wrong will happen. Certain uncertainties are perennial to our existence. Certain context requires us to take more risk than others. Certain decisions require more difficult trade up than others. But, human reason is still significant in a world governed by chances as much as choices. Just like a smooth sea never makes a good sailor, a conflictless life bereft of chances and choices does not make a person/agent of good character. To conclude with the words of Zyl (2007) a virtuous person can emerge from a tragic dilemma having acted well.

References

Aristotle (1996) The Nicomachean ethics. Wordsworth Editions Limited, Hertfordshire

Bhuyan N (2007) The role of character in ethical decision-making. J Value Inquiry 41(1):45–57

Driver J (2001) Uneasy virtue. Cambridge:Cambridge University Press

Harman G (2000) The nonexistence of character traits. Proc Aristot Soc 100(2):223–264

Hartman EM (1998) The role of character in business ethics. Bus Ethics Q 8(3):547–559

Hartman EM (2000) An Aristotelian approach to moral imagination. Prof Ethics 8(3–4):57–77

Hartman EM (2001) Character and leadership. Bus Prof Ethics J 20(2):3–21

Hartman EM (2012) Aristotle on character formation. Springer, Berlin/Heidelberg. http://www.springerreference.com/index/chapterdbid/333489

Kamtekar R (2004) Situationism and virtue ethics on the content of our character. Ethics 114:458–491

Kidder RM (2003) How good people make tough choices: resolving dilemmas of ethical living. HarperCollins, New York

Koehn D (1995) A role for virtue ethics in the analysis of business practice. Bus Ethics Q 5(3):533–539

Lebar M (2009) Virtue ethics and deontic constraints. Ethics 119:642–671

Murphy J (1993) The Moral Economy of Labor. Aristotelian Themes in Economic Theory. New Haven: Yale University Press.

MCDowell J (1979) Virtue and reason. Monist 62(3):331–350

Nussbaum C (1990) Love's knowledge: essays in philosophy and literature. Oxford University Press, New York

Price A (2013) Aristotle on virtue: a response to Hurka. In: Peters J (ed) Aristotelian ethics in contemporary perspective. Routledge, New York

Roca E (2007) Introducing practical wisdom in business schools. J Bus Ethics 82(3):607–620

Solomon RC (2003) Victims of circumstances? A defense of virtue ethics in business. Bus Ethics Q 13(1):43–62

Sorabji R (1980) Aristotle and the role of intellect in virtue. In: Rorty AO (ed) Essays on Aristotle's ethics. University of California Press, Berkely

Whetstone JT (2001) How virtue fits within business ethics. J Bus Ethics 33(2):101–114

Zyl LV (2007) Can virtuous people emerge from tragic dilemmas having acted well? J Appl Philos 24(1):50–61

Measuring Systems of Virtues Development

Grant C. Aguirre-Y-Luker, Michael R. Hyman, and Kevin J. Shanahan

Contents

Abstract

We focus on virtue ethics measures for business academicians and practitioners. Despite virtue ethics' long history, virtue ethics scale development is a somewhat

G.C. Aguirre-Y-Luker (✉)
University of Central Oklahoma, Edmond, OK, USA
e-mail: gaguirre@nmsu.edu

M.R. Hyman
Department of Marketing, College of Business, New Mexico State University, Las Cruces, NM, USA
e-mail: mhyman@nmsu.edu

K.J. Shanahan
Department of Marketing, Quantitative Analysis and Business Law, Mississippi State University, Mississippi State, MS, USA
e-mail: kshanahan@business.msstate.edu

new field. Here, we introduce conceptualizations of virtue ethics and the attributes that define it, including three challenges to developing virtue ethics scales: subjectivity (virtues are person specific), cultural relativism (a globally recognized set of virtues may not exist), and psychological ego (people's programming dictates responses to stimuli). Next, we discuss the psychology literature on which many virtue ethics scales are based and attempts to measure personal and group virtue ethics. Finally, we delineate challenges to virtue ethics scale development and best practices for avoiding social desirability and acquiescence bias.

Introduction

Virtues are positive qualities deemed morally good (i.e., qualities characterized by moral excellence and righteousness); vices are the opposite. Parents tacitly know their children's eventual life success depends on internalizing these positive qualities and acting accordingly. Despite peoples' inherent sense about virtues, this sense – analogous to Justice Potter's sense about pornography – is insufficient for scholarly study, which requires more formal definition.

Wang (2011) identified 22 different definitions variously speaking of virtues as characteristics, traits, dispositions, qualities, psychological processes, behavioral patterns, and norms of conduct. Although scholars even disagree on the domain of a definition, virtues relate to internal mental states and behaviors, both assessable with survey-based methods (i.e., assessment of attitudes and interpretations of behaviors).

In his *Nicomachean Ethics* and *Eudemian Ethics*, Aristotle posits the first fully developed philosophical foundations for virtue ethics (Broadie 1991). For Aristotle, virtues developed or were cultivated over time through habituation, which led to stable characteristics or traits. By practicing his golden mean, Aristotle believed people could achieve a flourishing life. Modern experimental psychology corroborates Aristotle's stable character traits (Arjoon 2008), which is critical because a major philosophical criticism of virtue ethics is the assumption that people can (1) decide what constitutes a good life (Sandage and Hill 2001) and (2) then determine which virtues promote that life. It is unclear such virtues can be taught or developed (Rachels 2011); as Hartman (2006) suggests, we cannot mold someone's character.

Survey-based research methods are well developed in the social sciences. Although mathematical analysis of survey results often is straightforward, creating valid and reliable scales remains challenging. To ensure the construct validity of a multidimensional scale, researchers must first define the domain of the underlying theoretical construct. To this end, virtue ethics' philosophical foundations should be delineated before attempting to create a virtue ethics scale.

Philosophy attempts to answer three great questions relevant to all societies throughout history:

1. *Knowledge*: What can we know and how can we know it?
2. *Conduct*: What constitutes the good life and how should we engage others and the world around us?
3. *Governance*: How should we organize ourselves and what constitutes a "just" government?

Although virtue ethics principally attempts to answer the *conduct question*, all three questions are relevant for scale developers. To address the *conduct question*, we must continue to debate and then resolve the traits or characteristics leading to a good and flourishing life.

Creating virtue typologies and related scale items introduces the *knowledge question*: How do we ensure valid and reliable measures of the virtues? From his review of the ethics literature, Wang (2011) identified 108 professional leadership virtues. Other researchers compiled lengthy lists of business-related virtues (e.g., Chun 2005; Shanahan and Hyman 2003). Thus, identifying an exhaustive list of business virtues to reduce via exploratory or confirmatory factor analysis of survey data is problematic.

The *governance question* is important because legal constraints and considerations cannot be ignored when creating an ethical system. For example, Thiel et al. (2012) identify situational and environmental constraints requiring additional complex cognitive processes that must precede ethical decision-making. For cyberspace, Pagallo (2015) contends ethical development complements legal and political influences in fostering online governance. That is, online ethical systems cannot be created apart from legal constraints. As Post (2009) notes, cyberspace's ethical evolution was akin to the "wild US West," with legal and political constraints spurring its currently more temperate ethical norms (Fig. 1).

Our exposition proceeds as follows. First, the philosophical development and challenges to virtue ethics – including the subjective nature of virtue ethics, cultural relativism, and psychological egoism – are discussed. Next, we discuss the psychology literature on which many virtue ethics scales are based and attempts to measure personal and group virtue ethics. Finally, we delineate challenges to virtue ethics scale development and best practices for avoiding social desirability and acquiescence bias.

Virtue Ethics Theories

Valid ethical theories have three attributes:

1. They are based on logical analysis rather than emotion or intuition.

Ability	Diligence	Obedience
Acceptance	Discipline	Openness
Agreeableness	Dissemination of Economic Information	Passion
Ambition	Eloquence	Patience
Amiability	Empathy	Perseverance/Persistence
Articulateness	Enthusiasm	Practical Judgment
Attentiveness	Entrepreneurship	Practical Wisdom
Autonomy	Equity	Pride
Benevolence	Faith/Faithfulness	Professional Will
Caring	Fidelity	Prudence
Caution	Friendliness	Reasonableness
Charisma	Generosity	Reliability
Charitableness	Gracefulness	Resourcefulness
Cheerfulness	Graciousness	Respect
Civility	Gratitude	Responsibility/Duty/Accountability
Cleanliness	Greatness of Mind	Reverence
Commitment to Justice	Helpfulness	Saintliness
Compassion	Heroism	Self-Control
Competence	Honesty	Self-Effacement
Competitiveness	Honor/Pride	Self-Sacrifice
Concern for Others	Hopefulness	Service to the Common Good
Confidentiality	Hospitality	Shame
Conflict Avoidance	Humility	Sociability
Consciousness	Humor	Spirit/Spirituality
Consideration	Independence	Style
Consistency	Integrity	Tactfulness
Contentment	Justice/Fairness	Temperance
Cool-Headedness	Kindness	Tolerance
Cooperativeness	Legality	Toughness
Courage	Liberality	Trustworthiness/Trust
Creativity	Liveliness	Truthfulness
Decency	Love	Value Sensitivity
Decisiveness	Loyalty	Warmth
Dedication	Magnanimity	Wisdom
Dependability	Magnificence	Wittiness
Determination	Modesty	Zeal

Fig. 1 One hundred and eight professional virtues (From Wang 2011)

2. They prohibit exceptionalism, under which a person, society, or institution is in some way extraordinary and hence above the rules.
3. They provide a framework for developing universal principles, rules, and concepts.

Virtue ethics theories may have all three attributes.

In Plato's *Republic*, Socrates addresses the notion of virtue ethics; however, a more fully developed virtue system is found in Aristotle's two ethics works, *Nicomachean Ethics* and *Eudemian Ethics*. To identify the virtues, Aristotle begins by questioning the purpose of human life, i.e., what constitutes a life worth living? His answer generally has been translated as "happiness" (Aristotle 2012). Having determined this purpose, he addressed how it should be achieved. Aristotle

Virtue	Deficiency	Mean	Excess
Wisdom	Unoriginality Closed to experience Closed minded Apathy	Creativity Curiosity Open mindedness Love of learning	Impracticality Unfocused interest Lack of judgment Obsessive
Courage	Cowardice Laziness Inauthenticity	Bravery Persistence Integrity	Recklessness Zealot Righteousness
Humanity	Harsh/cruel Unfeeling Stinginess Socially awkward	Kindness Compassion Generosity Social intelligence	Obsequious Indulgent Profligacy Manipulative
Justice	Treachery Unjust Lack of confidence	Citizenship Fairness Leadership	Blind obedience Undiscerning Dictatorship
Temperance	Unmerciful Boastfulness Rash Sloth	Forgiveness Humility Prudence Self-regulation	Pushover Self-deprecation Overly cautious Inflexible
Transcendence	Ungrateful Hopeless Spiritlessness	Gratitude Hope Spirituality	Suppliant behavior Foolishness Fundamentalism

Fig. 2 Cardinal business virtues – mean versus outside the mean (Note: from Crossan et al. (2013))

concluded that a happy life is a flourishing life lived in balance or harmony, i.e., following the golden mean (see Fig. 2). For example, an extreme defect of character is cowardice. The opposite of cowardice is recklessness. Thus, the middle ground is bravery (Crossan et al. 2013).

People should develop good habits or virtuous traits, as character develops through habituation. Benjamin Franklin identified 13 virtues and the first system for assessing them. These virtues and definitions (with the original spellings) appear in Fig. 3. To assess his virtue development progress, he wrote these virtues on a piece of ivory and created a grid. If a recent personal failure is related to an ignored virtue, he will mark a spot on the grid adjacent to that virtue. An excessive number of spots associated with a virtue indicated more work to be done on its cultivation (Franklin 2011). Hence, Franklin created the first diagnostic tool for virtue training.

Challenges

Although understanding ethical challenges is requisite to creating useful virtue ethics typologies and scales, these challenges – subjectivism, cultural relativism, and psychological egoism – can inform virtue ethics system and/or scale creation insofar as they represent the antithesis of virtues themselves. (Although a comprehensive review of ethical challenges is beyond the scope of this chapter, interested readers may consult Rachels (2011).) Challenges in the development of scales offer opportunity for new scale development. For example,

Virtue	Definition
Temperance	Eat not to dullness; drink not to elevation.
Silence	Speak not but what may benefit others or yourself; avoid trifling conversations.
Order	Let all your things have their places; let each part of your business have its time.
Resolution	Resolve to perform what you ought; perform without fall what you resolve.
Frugality	Make no expense but to do good to others or yourself; waste nothing.
Industry	Lose no time; be always employ'd in something useful; cut off all unnecessary actions.
Sincerity	Use no hurtful deceit; think innocently and justly, and if you speak, speak accordingly.
Justice	Wrong none by doing injuries, or omitting the benefits that are your duty.
Moderation	Avoid extremes; forbear resenting injuries so much as you think they deserve.
Cleanliness	Tolerate no uncleanliness in body, cloaths, or habitation
Tranquility	Be not disturbed at trifles, or at accidents common or unavoidable.
Chastity	Rarely use venery but for health or offspring, never to dullness, weakness, or the injury of your own or another's peace or reputation.
Humility	Imitate Jesus and Socrates

Fig. 3 Franklin's 13 virtues

opportunities for new subscales or culture-specific scales exist where cultural relativism or subjective ethical constructs exist. Building upon specific cultural-based ethical scales allows for ethical comparison and ethical contrasting of different cultures.

Challenge #1: Subjectivism

Subjectivism is the belief ethics rests entirely within each person, i.e., no commonalities are possible because ethical judgments are idiosyncratic. Cohen (1994) describes virtues as embodied traits of one's character. Supporting the subjectivity of virtue ethics, Doherty (1995) contends that virtues are not simply principles. Virtue ethics represents character derived from personal life experiences (McCullough and Snyder 2000). Thus, virtues are person specific and entirely within each person's purview.

Challenge #2: Cultural Relativism

Although Eastern and Western ethical notions share a virtue basis – specifically, Western Aristotle-based virtue ethics strongly resembles Eastern Confucian virtues, as both entail a set of ethics principles (Koehn 2013) – cultural relativism assumes people's beliefs, and activities should be interpreted relative to their culture. Hence, previously identified business virtues – such as autonomy, charisma,

competitiveness, entrepreneurship, and independence (Shanahan and Hyman 2003)
– are not accepted globally. Furthermore, Aristotle's golden mean differs among
cultural subgroups. Consider Hofstede's individualism-collectivism continuum; if it
represents a virtue continuum (Hofstede 2001), then the golden mean would grav-
itate toward individualism for Westerners and collectivism for Easterners (i.e., no
universal golden mean exists on that continuum). Hence, creating a universal virtue
ethics scale is problematic.

The challenge to identifying universal virtues lies in different cultures developing
different virtue systems representing moral exemplars (Sandage and Hill 2001).
After all, virtue systems based on Aristotle will differ from systems based on
Theravada Buddhism or Aquinas (MacIntyre 1984). Hence, scale developers must
either reconcile intergroup differences or create customized scales.

Challenge #3: Psychological Egoism

Psychological egoism relates closely to subjectivism. The difference: their treatment
of free will. Although both are person-level theories, psychological egoism but not
subjectivism a priori precludes "free will." By nature, nurture, or a combination of
both, psychological egoism assumes people's "programming" dictates their
responses to stimuli, i.e., everything is predetermined in that personal control over
one's actions is illusory. If this challenge is true, then people are not morally
accountable for their actions.

Testing this challenge provides an interesting intersection between the hard
versus social sciences. Lindstrom (2010) claims brain-scanning technologies reveal
that people cannot control their reactions to marketing stimuli. Yet his claim is
overstated because (1) current brain-scanning technology shows brain activity rather
than thoughts; (2) categorical claims are suspect because responses to circumstances
vary, especially by people conflicted over a decision; and (3) self-interest does not
dictate people's actions, as they often act altruistically. Counter-arguing that altruism
is motivated by selfishness conflates motive and emotion, which are dependent
categories.

Psychology Literature

The psychology literature contains many scales designed to assess mental weak-
nesses and illnesses. The opposite of some mental weaknesses and illnesses could be
considered virtues. Hence, researchers could mine this literature for "reverse scored"
virtue ethics scale items. In addition, they could consider *positive psychology*, which
examines "the strengths and virtues that enable individuals and communities to
thrive" (www.ppc.sas.upenn.edu). As a new field, *positive psychology*'s literature
is insufficient to serve as the sole source for extant psychological scales; hence, the
initial suggestion to consider traditional scales meant to assess a virtue opposite.

Traditional Psychology Literature

As many psychological scales assess a virtue opposite, a scale assessing the opposite of that opposite would assess a virtue. Hence, scale developers could consider various virtues and their opposites. Because opposites may be associated with reliable and valid scale items, much development time would be saved by borrowing these scales and using a "reverse scoring" scheme or "reversing the original items." Any item set meant to assess a single virtue must be unidimensional, so scale developers should seek unidimensional opposite scales.

"People with a 'narcissistic personality' have a set of attitudes...including self-love, self-admiration, and self-aggrandizement" (Raskin and Terry 1988, p. 890). To the extent people have these attitudes, they may have other attitudes antithetical to virtues, such as humility, compassion, and generosity (Duruz 1981; Fine 1986). Psychologists have developed several tests for narcissistic personality disorder. The Narcissistic Personality Inventory (NPI) – a 40-item scale soliciting responses to statements such as "I am more capable than other people," "I like to be the center of attention," and "I can make anybody believe anything I want them to" (Raskin and Terry 1988) – has high construct validity. As the NPI relates inversely to the virtues, it provides a good measure of factors antithetical to becoming a virtuous person.

To link virtue structure to psychological concepts such as personality and moral development, Cawley and Johnson (2000) developed a virtues scale. A factor analysis of data from their 140-item self-report measure revealed four factors: empathy, order, resourcefulness, and serenity. Correlations between these factors and the Revised NEO Personality inventory scales, along with the low correlation between these factors and Rest's Defining Issues Test, suggest that virtue is a function of personality rather than moral reasoning (Cawley and Johnson 2000; Fig. 4).

Positive Psychology Literature

Philosophers may be unaware of this literature due to its publication venue (i.e., psychology journals and books) and its frequent reference to "virtuousness" rather than "virtues" (e.g., Bright et al. 2013; Cameron 2011; Caza et al. 2004). In psychology, virtuousness "refers to the pursuit of the highest aspirations in the human condition....[and] is characterized by human impact, moral goodness, and unconditional societal betterment" (Bright et al. 2006, p. 249). Positive psychology, which is "the scientific study of positive human functioning and flourishing on multiple levels that include the biological, personal, relational, institutional, cultural, and global dimensions of life" (Wikipedia 2014), focuses on the virtuousness of externally observable behaviors situated in a golden mean between two extremes. Peterson and Seligman (2004) – the latter a founder of positive psychology (Wikipedia 2014) – collapsed 24 character strengths they identified into six ubiquitous virtuousness categories: wisdom-knowledge, courage, love-humanity, justice, temperance, and spirituality-transcendence.

Factor	Virtues		
Empathy	Empathy	Concern	Understanding
	Considerate	Friendly	Sympathetic
	Affable	Sensitive	Charity
	Compassion	Liberal	Gracious
	Courtesy		
Order	Order	Discipline	Serious
	Decent	Deliberate	Scrupulous
	Earnest	Self-control	Self-denial
	Abstinence	Obedient	Conservative
	Cautious	Careful	Tidy
	Austere	Clean	
Resourceful	Resourceful	Purposeful	Perseverance
	Persistent	Confidence	Sagacity
	Self-esteem	Fortitude	Intelligence
	Zealous	Independent	
Serenity	Serene	Meek	Forbearance
	Forgiveness	Peaceful	Patient
	Merciful		

Note: Responses on seven-point Likert-type scale anchored by '1=Least like you really are' to '7=Most like you really are. Respondents urged to answer as they really are rather than the way they ideally should be.

Responses based on sets of three statements. For example,
- I am wisely cautious in practical affairs.
- I am able to make correct decisions based on my good judgment, and common sense.
- The people who know me best would describe me as prudent, discreet, and sensible.

Fig. 4 Virtues scale (From Cawley and Johnson 2000)

Positive psychology "is founded on the belief that people want to lead meaningful and fulfilling lives, to cultivate what is best within themselves, and to enhance their experiences of love, work, and play" (http://www.ppc.sas.upenn.edu).

> The virtue approach to ethics emphasizes people's character. It stresses how the good habits or virtues inherent in a person's character give them the propensity to act in ways that promote human flourishing. (Dawson and Bartholomew 2003) (Fig. 5)

Peterson and Seligman relied on sociohistorical, cultural, and philosophical traditions to define core virtues. As a result, there may be conceptual contrasts in how virtues are identified and epistemological contrasts in knowledge needed to understand virtues. The Aristotelian conception of virtue unity (i.e., a virtue cannot be attributed to an agent without attributing it to other agents) differs markedly from tested interrelationships among virtues. Aristotelian virtue ethicists might reject assessing an organization's virtuousness by content analyzing its stated aspirational ethical values. As "talk is cheap," they might prefer to examine corporate behavior, climate, and culture rather than ethical codes and mission statements.

Peterson and Seligman's Values in Action Inventory of Strengths (VIA-IS; available online in roughly 20 different languages at https://www.viacharacter.org/surveys.aspx)

Wisdom and Knowledge – Cognitive strengths that entail acquisition and use of knowledge	
Creativity [originality, ingenuity]	Thinking of novel and productive ways to conceptualize and do things; includes but not limited to artistic achievement
Curiosity [novelty-seeking, openness to experience]	Taking interest in ongoing experience for its own sake; finding subjects and topics fascinating; exploring and discovering
Judgment [critical thinking]	Thinking things through and examining them from all sides; not jumping to conclusions; being able to change one's mind in light of evidence; weighing all evidence fairly
Love of Learning	Mastering new skills, topics, and bodies of knowledge, whether on one's own or formally; related to curiosity but goes beyond it to describe tendency to add systematically to what one knows
Perspective [wisdom]	Ability to provide wise counsel to others; having ways of looking at the world that make sense to oneself and other people
Courage – Emotional strengths that involve the exercise of will to accomplish goals in the face of opposition, external or internal	
Bravery [valor]	Not shrinking from threat, challenge, difficulty, or pain; speaking up for what is right even if opposed; acting on convictions even if unpopular; includes but not limited to physical bravery
Perseverance [persistence, industriousness]	Finishing what one starts; persisting in course of action despite obstacles; taking pleasure in completing tasks
Honesty [authenticity, integrity]	Speaking truthfully but more broadly presenting oneself genuinely and acting sincerely; being without pretense; taking responsibility for one's feelings and actions
Zest [vitality, vigor, enthusiasm, energy]	Approaching life with excitement and energy; not doing things half-way or halfheartedly; living life as an adventure
Humanity - Interpersonal strengths that involve tending and befriending others	
Love	Valuing close relations with others, especially those in which sharing and caring are reciprocated; being close to people
Kindness [generosity, nurturance, niceness, agape, compassion]	Doing favors and good deeds for others; helping and caring for them
Social Intelligence [emotional and personal intelligence]	Awareness of own and other people's motives and feelings; knowing how to fit into different social situations; knowing what makes other people tick
Justice - Civic strengths that underlie healthy community life	
Teamwork [social responsibility, loyalty]	Working well as member of group or team; loyalty to the group; doing one's share
Fairness	Treating all people similarly according to notions of fairness and justice; not letting personal feelings bias decisions about others; giving everyone a fair chance
Leadership	Encouraging one's group to get things done yet maintain good intragroup relations; organizing and achieving group activities
Temperance – Strengths that protect against excess	
Forgiveness	Forgiving wrongdoers; accepting others' shortcomings; giving people a second chance; not being vengeful
Humility	Letting one's accomplishments speak for themselves; not regarding oneself as special
Prudence	Being careful about one's choices; not taking undue risks; not saying or doing things that might later be regretted
Self-Regulation [self-control]	Regulating one's feelings and actions; being disciplined; controlling one's appetites and emotions
Transcendence - Strengths that forge connections to the larger universe and provide meaning	
Appreciating Beauty and Excellence [awe, wonder, elevation]	Noticing and appreciating beauty, excellence, and/or skilled performance in various domains of life
Gratitude	Awareness of and thankfulness for good things that occur; taking time to express thanks
Hope [optimism, future-mindedness, future orientation]	Expecting the best and working to achieve it; believing a good future can be achieved
Humor [playfulness]	Liking to laugh and tease; bringing smiles to other people; seeing the light side; making (not necessarily telling) jokes
Spirituality [faith, purpose]	Having coherent beliefs about the higher purpose and meaning of the universe; knowing where one fits within the larger scheme

Fig. 5 Values in Action Inventory of Character Strengths (From http://www.viacharacter.org/www/Portals/0/VIA%20Classification%202014.pdf)

is a psychological assessment tool designed to profile people's character strengths. Composed of 240 statements with five-point Likert-type scales ranging from 1 = very much unlike me to 5 = very much like me, it assesses 24 character strengths. Some representative statements are "I find the world a very interesting place" (to assess curiosity) and "I always let bygone be bygones" (to assess forgiveness). With ten items per strength, scores on each range from 10 to 50 points, with higher scores reflecting stronger identification with that strength. Strengths associated with the highest five scores are considered "signature strengths." Respondents typically complete the VIA-IS in 30–40 min.

Most of the 24 strengths can be assessed reliably and validly with self-report questionnaires, peer reports, observation, and clinical interviews. However, three strengths – bravery, humility, and modesty – have yet to be assessed reliably. Peterson and Seligman (2004) admit some strengths are more difficult to assess and provide limited data on the VIA-IS's reliability and validity. Further challenging Peterson and Seligman's six-factor solution is a report by Macdonald et al. (2007) indicating one- and four-factor solutions to the VIA-IS are equally justifiable.

Seligman (1998) spearheaded the movement toward virtue as a tool in positive psychology. His call for a virtue-based taxonomy to promote personal responsibility (Seligman 1999) encourages the creation of positive communities. Virtue ethics could be a central construct in positive psychology (Sandage and Hill 2001).

Virtue/Virtuousness Scales

Previously identified virtues pertaining to business include ability, acceptance, ambition, amiability, articulateness, attentiveness, autonomy, caring, caution, charisma, confidentiality, conflict avoidance, compassion, competitiveness, consideration, consistency, contentment, coolheadedness, cooperativeness, courage, creativity, dependability, determination, duty, empathy, entrepreneurialism, equity, fairness, faith, fidelity, friendliness, generosity, good temper, graciousness, gratitude, heroism, honesty, honor, humility, humor, independence, integrity, justice, kindness, legality, liberality, loyalty, magnificence, passion, pride, prudence, reliability, respect, responsibility, saintliness, (capable of) shame, sensitivity, shame, spirit, style, temperance, tolerance, toughness, (willingness to) trust, trustworthiness, truthfulness, wisdom, wittiness, and zeal (Brewer 1997; Brinsfield 1998; Card 1996; Dean 1992; Dobson 1997; Gier 2001; Limbs and Fort 2000; McCracken et al. 1998; Murphy 1999; Seeger and Ulmer 2001; Shanahan and Hyman 2003; Solomon 1992, 1999; Tessman 2000). Previously suggested groupings of these virtues include military virtues (courage, integrity, loyalty, and respect) (Brinsfield 1998), leadership virtues (courage, temperance, justice, prudence, humanity, and truthfulness) (Hackett and Wang 2012), general business virtues (courage, self-control, liberality, magnificence, magnanimity, sociability, and justice) (Bragues 2006), business team virtues (transparency, behavioral integrity, trust) (Palanski et al. 2011), Confucian virtues (benevolence, harmony, humility, learning, loyalty, righteousness) (Cheung and Chan 2005), accounting virtues (caution, fairness, fidelity, legality, and respect)

(Dean 1992), international marketing virtues (empathy, fairness, integrity, respect, and trust) (Hartman and Beck-Dudley 1995; Murphy 1999), and marketing virtues (incorruptibility, piety, Protestant work ethic, reliability, and respect) (Shanahan and Hyman 2003). Positive business practices or organizational virtues include caring, compassion, conscientiousness, empathy, forgiveness, gratitude, inspiration, integrity, making work meaningful, optimism, respect, trust, warmth, and zeal (Cameron et al. 2004, 2011; Payne et al. 2011). These groupings parallel Aristotle's cardinal virtues (i.e., practical wisdom/prudence, justice, courage/fortitude, and temperance/self-control) (Dyck and Kleysen 2001; Morales-Sanchez and Cabello-Medina 2013).

Although Murphy (1999) claims his five core marketing virtues are universal, no catalog of virtues will be exhaustive, and some listed virtues represent families of virtues rather than a single virtue (e.g., justice would also represent equity and impartiality). Nonetheless, the impossibly large sample required to purify an exhaustive list of virtues culled from the ethics and business literatures would preclude accepted scale development procedures (i.e., to refine a candidate pool of business virtues generated by people like the ultimate respondents) (Churchill 1979; DeVellis 1991; Hyman 1996). Thus, only the face-validity of a comprehensive list of virtues may be determined.

Previously Developed Scales

Although researchers have studied individual virtues (e.g., gratitude – McCullough et al. (2002); incorruptibility – Valentine and Johnson (2005); integrity – Audi and Murphy (2006); moral courage – Sekerka et al. (2009); responsibility – Cameron (2011)), the following scales attempts to cover the domain of virtue ethics (i.e., are multidimensional).

Virtue Ethics Scale (Shanahan and Hyman 2003)

Drawing on Murphy (1999) for a framework and Solomon (1999) for a preliminary set of business virtues, Shanahan and Hyman (2003) develop a six-subscale virtue ethics measure comprised of empathy, Protestant work ethic, piety, reliability, respect, and incorruptibility. Shanahan and Hyman recommend this scale to identify incongruent dimensions across different cultures, to assist in ethically congruent hiring, and to identify reasons for employee turnover. Although Chun (2005) contends this factor structure is problematic due to negatively skewed responses, she is incorrect because Shanahan and Hyman (2003) subjected their raw data to the log transform method suggested by Tabachnick and Fidell (1996) prior to factor analysis (Fig. 6).

Managerial Virtue Factors (Racelis 2013)

Given the challenges of cultural relativism and building upon Shanahan and Hyman (2003), Racelis (2013) developed a virtue ethics scale for Philippine managers based on data collected from postgraduate business and finance students. He contends the

Empathy	
Compassion	Relieving others' suffering; sympathetic
Caring	Worrying about other's well-being when one is in a position of control
Graciousness	Establishing a congenial environment
Attentiveness	Listening; understanding
Amiability	Putting others at ease; fostering agreeable social contexts
Generosity	Sharing, enhancing the well-being of others; surpassing expectations
Humility	Giving proper credit where it is due; not thinking too highly of oneself
(Willingness to) Trust	Being able to depend on others
Contentment	Being happy, having peace of mind; lacking excessive competitiveness
Protestant Work Ethic	
Creativity	Conceiving something better or different; being innovative
Passion	Engaging the world with enthusiasm; being infectious and inspiring
Competitiveness	Winning; doing comparatively well
Entrepreneurship	Going where no one has gone before; having new ideas and products
Charisma	Inspiring others
Ambition	Getting ahead; being tenacious
Autonomy	Having a personal identity; having personal integrity
Courage	Doing the right thing despite the cost
Independence	Getting things done despite bureaucracy
Determination	Seeing it through
Piety	
Saintliness	Approaching the ideal; behaving extraordinarily
Spirit	Appreciating the larger picture; cosmically edified
(Capable of) Shame	Regaining acceptance after having done wrong
Reliability	
Responsibility	Doing what one can to make things right; getting things done
Trustworthiness	Fulfilling one's responsibilities; responsible
Ability	Getting things done and done well; being dependable and competent
Articulateness	Making one's case, expressing oneself; being understood clearly
Prudence	Minimizing personal and company losses
Respect	
Coolheadedness	Retaining control and reasonableness in heated situations
Tolerance	Getting along; reciprocity
Cooperativeness	Getting things done; sharing responsibility
Humor	Bringing relief, making world a lighter place
Incorruptibility	
Honor	Holding one's head high; being admired by others
Honesty	Telling the truth; not lying
Integrity	Being one's true good self; being a model of trustworthiness

Fig. 6 Virtue ethics scale (From Shanahan and Hyman 2003; derived from Solomon 1999)

four virtue dimensions emerging from his factor analysis – care and concern, competence, ambition, and superiority – are analogous to virtues mentioned in the extant literature. Because Racelis (2013) assumes virtues are personal character-based rather than organization-based (à la Chun 2005), he relied on the virtue ethics inventory identified by Shanahan and Hyman (2003). He reports similarities and differences between Western and Philippine virtues, corroborating the premise that no universal set of virtues exists (Fig. 7).

Factor	Items
Care and concern	Sympathetic, sincere, respectful, pleasant, reassuring, reliable, socially-responsible, generous, supportive, concern, secure, friendly, spirited, open, honesty, exciting
Competence	Innovative, leading, mature, competent, intelligent, reliable, confident
Ambition	Ambitious, aggressive, controlling
Superiority	Superior, proud, straightforward

Note: Each item evaluated on a five-point Likert-type scale, where responses ranged from 1=strongly disagree to 5=strongly agree.

Fig. 7 Managerial virtue factors (From Racelis 2013)

Virtue Ethical Character Scale for Organizations (Chun 2005)

To show links between organizational virtue and performance, Chun (2005) examined business virtues at the organizational rather than personal level. Using a mixed method approach involving content analysis of Fortune Global 500 ethical values and a survey of 2500 customers and employees, Chun (2005) identified six dimensions of organizational virtues: integrity, warmth, courage, conscientiousness, empathy, and zeal. She confirms virtue ethics, like deontological or utilitarian ethics, may suffer from non-generalizability due to cultural relativism. Although she notes some Asian virtues (e.g., humility, quietness) are not valued globally, such virtues typically represent personal rather than organizational virtues, and multiple researchers have identified humility as a virtue (Shanahan and Hyman 2003; Racelis 2013); hence, some Western and Eastern virtues may be universal (Fig. 8).

Organizational Virtuousness (Cameron et al. 2004)

Similar to Chun (2005), Cameron et al. (2004) found significant relationships in the performance and virtuousness of 18 organizations. Five factors emerged from Cameron et al.'s aggregated employee data: forgiveness, trust, integrity, optimism, and compassion. Their study of virtuousness within an organization and virtuousness enabled by organizations revealed a meaningful link between virtuousness and firm performance. Specifically, organizational virtuousness creates positive self-reinforcement and buffers that help protect organizations from the negative effects of downsizing (Fig. 9).

Leadership Virtues Questionnaire (Riggio et al. 2010)

As important stakeholders whose actions toward other stakeholders (e.g., customers, vendors) are highly influenced by corporate culture, employees' perceptions of their leaders' ethical positions are critical. Because they have the most contact, employees are uniquely qualified to evaluate their upper managers (Fig. 10).

The Leadership Virtues Questionnaire (LVQ), which Riggio et al. (2010) created to assess employee's attitudes about their leaders, focuses on four cardinal virtues: prudence, fortitude, temperance, and justice. Prudence is knowledge and especially practical wisdom. Fortitude is courage and largely defined using Aristotle's definition. Temperance is control of emotion. Justice is conceived as fairness. This scale consists of 19 items: five to measure prudence, five to measure fortitude, three to measure temperance, and six to measure justice. One advantage of this scale is the parsimoniously described virtues.

Dimension	Items
Integrity	Honest, Sincere, Socially-Responsible, Trustworthy
Empathy	Concerned, Reassuring, Supportive, Sympathetic
Courage	Ambitious, Achievement-oriented, Leading, Competent
Warm	Friendly, Open, Pleasant, Straightforward
Zeal	Exciting, Innovative, Imaginative, Spirited
Conscientiousness	Reliable, Hardworking, Proud, Secure

Note: In the questionnaire, respondents first imagine the organization 'has come to life as a human being' and then assess the organization's character using a five-point Likert scale from strongly disagree (1) to strongly agree (5).

Fig. 8 Virtue ethical character scale for organizations (From Chun 2005)

Organizational Virtue	Items
Optimism	• A sense of profound purpose is associated with what we do here • In this organization we are dedicated to doing good in addition to doing well • We are optimistic that we will succeed, even when faced with major challenges
Trust	• Employees trust one another in this organization • People are treated with courtesy, consideration, and respect in this organization • People trust the leadership of this organization
Compassion	• Acts of compassion are common here • This organization is characterized by many acts of concern and caring for other people • Many stories of compassion and concern circulate among organization members
Integrity	• Honesty and trustworthiness are hallmarks of this organization • This organization demonstrates the highest levels of integrity • This organization would be described as virtuous and honorable
Forgiveness	• We try to learn from our mistakes here, consequently missteps are quickly forgiven • This is a forgiving, compassionate organization in which to work • We have very high standards of performance, yet we forgive mistakes when they are acknowledged and corrected

Fig. 9 Organizational virtuousness (From Cameron et al. 2004)

Virtuous Leadership Scale (Sarros and Barker 2003)

Using 17 virtues, this scale incorporates seven attributes from two sources: the five identified by Barker and Coy (2003) (i.e., humility, courage, humor, passion, and wisdom) and two attributes (i.e., integrity and compassion) derived from the Character Assessment Rating Scale (Barlow et al. 2003). Scale development data was drawn from Australian managers, again fulfilling a need to develop culture-specific virtue ethics scales (Fig. 11).

Corporate Ethics Virtues Scale (Kapstein 2008)

Most managers are concerned about their organization's ethical climate. In publically traded companies, such concern is legally mandated by legislation (e.g.,

Leadership Virtue	Items
Prudence	• Does as he/she ought to do in a given situation. • Does not carefully consider all the information available before making an important decision that impacts others.(R) • Boldly jumps into a situation without considering the consequences of his/her actions.(R) • Does not seek out information from a variety of sources so the best decision can be made.(R) • Considers a problem from all angles and reaches the best decision for all parties involved.
Fortitude	• Would rather risk his/her job than do something that was unjust. • May have difficulty standing up for his/her beliefs among friends who do not share the same views.(R) • Fails to make the morally best decision in a given situation.(R) • May hesitate to enforce ethical standards when dealing with a close friend.(R) • Ignores his/her "inner voice" when deciding how to proceed.(R)
Temperance	• Seems to be overly concerned with his/her personal power.(R) • Is not overly concerned with his/her own accomplishments. • Wishes to know everything that is going on in the organization to the extent that he/she micromanages.(R)
Justice	• Gives credit to others when credit is due. • Demonstrates respect for all people. • May take credit for the accomplishments of others.(R) • Respects the rights and integrity of others. • Would make promotion decisions based on a candidate's merit. • Does not treat others as he/she would like to be treated.(R)

Note: (R) = reversed item.
Response scale: 1=Not at all; 2=Once in a while; 3=Sometimes; 4=Fairly often;
5=Frequently if not always

Fig. 10 Leadership Virtues Questionnaire (From Riggio et al. 2010)

Sarbanes-Oxley). An adequate measure of organizational commitment to ethics is important for management to gauge and respond to the demands of corporate social responsibility. To this end, a corporate model has been proposed by Kapstein (2008).

The Corporate Ethical Virtues Model (CEV) measures the virtues of clarity, congruency, feasibility, supportability, transparency, discussability, and sanctionability. Clarity is employees' ability to understand expected behavior. Congruency focuses on management's ability to provide leadership matching expectations with consistent signals. Feasibility is employees' ability to meet ethical obligations. Supportability is the degree an organization's culture supports "meeting expectations." Transparency is employees' knowledge of expectations, and discussability is their ability to participate in decision-making. Sanctionability is the belief unethical behavior will not be tolerated (Fig. 12).

Tonic and Phasic Virtuousness Scales (Bright et al. 2006)

Assuming virtuousness exceeds a minimal "do no harm" standard, Bright et al. (2006) examined buffering and the amplifying effects of virtuousness in organizations. They defined virtue both personally and collectively at the

Virtue	Definition
Integrity	Consistently adhering to a moral or ethical code or standard. A person with integrity consistently chooses to do the right thing when faced with alternate choices.
Humor	The ability to invoke laughter or see the funny side of a painful predicament
Passion	Having a source of energy or enthusiasm from one's soul that enables that person to produce extraordinary results.
Courage	Setting a direction for the long term and taking people along without being hampered by fear.
Compassion	Concern for the suffering or welfare of others and provides aid or shows mercy for others.
Wisdom	Possessing the experience and knowledge together with the power of applying them critically or practically.
Humility	The quality of being humble or a modest sense of one's own significance.

Note: Single-item measures rated on a nine-point scale from 1=exceptionally low to 9=exceptionally high in terms of the representativeness of each attribute

Fig. 11 Virtuous leadership scale (From Sarros and Barker 2003)

organization level, where virtue can be "in and through" organizations. Similar to Cameron et al. (2004), buffering reduced downsizing effects and the amplifying effects increased virtuous action likelihood.

Bright et al. (2006) analyzed their data at both the individual and aggregate level. Factor analysis identified a two-factor solution; phasic and tonic virtues. Tonic virtuousness is the normative assumption about "what should be done," such as humility, justice, and integrity. In contrast, phasic virtuousness only occurs when certain situations arise, such as a shock. Bright et al. (2006) found that the relationship between virtuousness and emotion extends to both positive and negative emotions (Fig. 13).

Auditors' Virtue Scale (Libby and Thorne 2007)

Libby and Thorne (2007) contend extant virtue ethics scales do not fully pertain to the roles and ideals of the auditing community because auditing is akin to its own culture within a business environment. They queried Canadian chartered accountants about 55 virtues organized according to Pincoff's (1986) typology. Factor analysis identified three factors: nonmandatory moral (benevolent, evenhanded), mandatory moral (integrity, principled), and meliorating auditors' virtues (cheerful, polite). Within these factors, Libby and Thorne (2007) identify six instrumental auditor's virtues: alert, careful, diligent, cooperative, courageous, and resourceful – all virtues associated with auditors (Fig. 14).

Character Qualities for Excellent Grocery Store Manager (Whetstone 2003)

Managers reported their fluency in virtue ethics and its terminology to Whetstone (2003). Virtue language is important when trying to understand managerial excellence, and virtues defining excellent managers are contextual. Although Whetstone (2003) did not develop a virtue theory, he identified a process for defining managerial excellence along with 20 related virtues. He grouped these virtues into six

Clarity
• The organization makes it sufficiently clear to me how I should conduct myself appropriately toward others within the organization
• The organization makes it sufficiently clear to me how I should obtain proper authorizations
• The organization makes it sufficiently clear to me how I should use company equipment responsibly
• The organization makes it sufficiently clear to me how I should use my working hours responsibly
• The organization makes it sufficiently clear to me how I should handle money and other financial assets responsibly
• The organization makes it sufficiently clear to me how I should deal with conflicts of interests and sideline activities responsibly
• The organization makes it sufficiently clear to me how I should deal with confidential information responsibly
• The organization makes it sufficiently clear to me how I should deal with external persons and organizations responsibly
• The organization makes it sufficiently clear to me how I should deal with environmental issues in a responsible way
• In my immediate working environment, it is sufficiently clear how we are expected to conduct ourselves in a responsible way
Congruency of Supervisors
• My supervisor sets a good example in terms of ethical behavior
• My supervisor communicates the importance of ethics and integrity clearly and convincingly
• My supervisor would never authorize unethical or illegal conduct to meet business goals
• My supervisor does as he says
• My supervisor fulfills his responsibilities
• My supervisor is honest and reliable
Congruency of Management
• The conduct of the Board and (senior) management reflects a shared set of norms and values
• The Board and (senior) management sets a good example in terms of ethical behavior
• The Board and (senior) management communicates the importance of ethics and integrity clearly and convincingly
• The Board and (senior) management would never authorize unethical or illegal conduct to meet business goals
Feasibility
• In my immediate working environment, I am sometimes asked to do things that conflict with my conscience (R)
• In order to be successful in my organization, I sometimes have to sacrifice my personal norms and values (R)
• I have insufficient time at my disposal to carry out my tasks responsibly (R)
• I have insufficient information at my disposal to carry out my tasks responsibly (R)
• I have inadequate resources at my disposal to carry out my tasks responsibly (R)
• In my job, I am sometimes put under pressure to break the rules (R)
Supportability
• In my immediate working environment, everyone is totally committed to the (stipulated) norms and values of the organization
• In my immediate working environment, an atmosphere of mutual trust prevails
• In my immediate working environment, everyone has the best interests of the organization at heart
• In my immediate working environment, a mutual relationship of trust prevails between employees and management
• In my immediate working environment, everyone takes the existing norms and standards seriously
• In my immediate working environment, everyone treats one another with respect

Fig. 12 (continued)

Transparency
• If a colleague does something which is not permitted, my manager will find out about it
• If a colleague does something which is not permitted, I or another colleague will find out about it
• If my manager does something which is not permitted, someone in the organization will find out about it
• If I criticize other people's behavior, I will receive feedback on any action taken as a result of my criticism
• In my immediate working environment, there is adequate awareness of potential violations and incidents in the organization
• In my immediate working environment, adequate checks are carried out to detect violations and unethical conduct
• Management is aware of the type of incidents and unethical conduct that occur in my immediate working environment
Discussability
• In my immediate working environment, reports of unethical conduct are handled with caution
• In my immediate working environment, I have the opportunity to express my opinion
• In my immediate working environment, there is adequate scope to discuss unethical conduct
• In my immediate working environment, reports of unethical conduct are taken seriously
• In my immediate working environment, there is adequate scope to discuss personal moral dilemmas
• In my immediate working environment, there is adequate scope to report unethical conduct
• In my immediate working environment, there is ample opportunity for discussing moral dilemmas
• If someone is called to account for his/her conduct, it is done in a respectful manner
• In my immediate working environment, there is adequate scope to correct unethical conduct
• If reported unethical conduct in my immediate working environment does not receive adequate attention, there is sufficient opportunity to raise the matter elsewhere in the organization
Sanctionability
• In my immediate working environment, people are accountable for their actions
• In my immediate working environment, ethical conduct is valued highly
• In my immediate working environment, only people with integrity are considered for promotion
• If necessary, my manager will be disciplined if s/he behaves unethically
• The people that are successful in my immediate working environment stick to the norms and standards of the organization
• In my immediate working environment, ethical conduct is rewarded
• In my immediate working environment, employees will be disciplined if they behave unethically
• If I reported unethical conduct to management, I believe those involved would be disciplined fairly regardless of their position
• In my immediate working environment, employees who conduct themselves with integrity stand a greater chance to receive a positive performance appraisal than employees who conduct themselves without integrity

Note: (R) = reversed item.
Response scale: Six-point Likert-type scale from 1=Strongly Disagree to 6=Strongly Agree

Fig. 12 Corporate ethical virtue constructs (From Kapstein 2008)

categories roughly representing honesty, dedication and trustworthiness, responsibility, loyalty and faithfulness, persistence and innovation, and toughness (Fig. 15).

Psychometric Issues

Vignette methods (Shanahan and Hyman 2003) help to avoid social desirability and acquiescence bias in ethics scale development. Franke (2000) reports that single vignette studies are unreliable, as a response to a single vignette on a single occasion

Tonic Virtuousness	• Acts of compassion are common here (Kindness)
	• A positive, enthusiastic environment is typical of this organization (Hope)
	• People here demonstrate humility, or openness to improvement (Humility)
	• Honesty and trustworthiness are hallmarks of this organization (Integrity)
	• This organization possesses a virtuous culture (Purpose)
Phasic Virtuousness	• Despite downsizing or job eliminations in the past, current employees have no lingering grudges or ill feelings toward this organization (Forgive)
	• Any trust that was damaged as a result of downsizing has been restored (Forgive)
	• Personal relationships that were wounded have been re-established after the downsizing (Forgive)
	• Cynicism lingers as a result of the downsizing (Forgive) (R)

Note: All items employed a six-point scale, where 6 represented strong agreement and 1 represented strong disagreement.
(R) = reverse coded

Fig. 13 Tonic and phasic virtuousness scales (From Bright et al. 2006)

reveals little about how people would respond to that or a similar vignette on another occasion; hence, he suggests survey participants respond to multiple vignettes.

Shanahan and Hyman (2003) solicited responses to three vignettes about employee traits the respondent might seek were they the employer. Clearly, no one would prefer a dishonest employee; hence, items were couched as statements about traits rather than virtues. Questions about traits rather than virtues should facilitate reliability and validity. Inquiring about preferred employee traits reduces social desirability and acquiescence bias. To ensure respondents understood the vignettes and questions about them, using verbal protocols (i.e., oral reports concurrent with task performance) during pretesting is recommended (Bickart and Felcher 1996).

Factor analyses operate on correlation matrices. Observed correlations decrease as data depart from normality (Hair et al. 1998). In survey-based ethics research, responses tend to be skewed to meaningful yet varying degrees (Hyman 1996). Given the nature of the items, a tendency toward extreme responses is unsurprising (Hyman 1996). Because highly skewed data should be transformed prior to factor analysis (Cureton and D'Agostino 1987; Hyman 1996), the log transform method suggested by Tabachnick and Fidell (1996) should be used for positively skewed data. Hence, negatively skewed data first should be reverse coded (i.e., $1 = 6$, $2 = 5$, $3 = 4$, $4 = 3$, $5 = 2$, $6 = 1$).

Conclusion and Implications for Future Development

This chapter presents an overview of virtue ethics measures in a business context. Although virtue ethics, unlike deontological or teleological ethics, provides a unique alternative in that it is holistic, theoretical limitations still exist. One of the oldest criticisms of virtue ethics is the lack of a universal framework or set of virtues. Each scale reviewed here relies on different conceptions of the virtues. To this end, more

For each characteristic, please circle the number that corresponds to the degree to which you believe it is important for auditors to possess that characteristic.

Non-instrumental Auditors' Virtue Scale

Characteristic	Not at all Important				Very Important
Non-mandatory moral					
• Altruistic	1	2	3	4	5
• Benevolent	1	2	3	4	5
• Concerned with the public interest	1	2	3	4	5
• Enlightened	1	2	3	4	5
• Even-handed	1	2	3	4	5
• Farsighted	1	2	3	4	5
Mandatory moral					
• Has integrity	1	2	3	4	5
• Healthy skepticism	1	2	3	4	5
• Independent	1	2	3	4	5
• Principled	1	2	3	4	5
• Objective	1	2	3	4	5
• Truthful	1	2	3	4	5
Meliorating					
• Cheerful	1	2	3	4	5
• Polite	1	2	3	4	5
• Sensitive	1	2	3	4	5
• Tactful	1	2	3	4	5
• Thoughtful	1	2	3	4	5
• Warm	1	2	3	4	5

Instrumental Auditors' Virtue Scale

Characteristic	Not at all Important				Very Important
• Alert	1	2	3	4	5
• Careful	1	2	3	4	5
• Diligent	1	2	3	4	5
• Cooperative	1	2	3	4	5
• Courageous	1	2	3	4	5
• Resourceful	1	2	3	4	5

Fig. 14 Auditors' virtue scale (From Libby and Thorne 2007)

work is needed to clarify the virtues and to form a consensus about how to measure them.

Koehn (2013) offers a useful guide to additional work in virtue ethics. He suggests several yet unanswered questions:

1. How do people acquire virtues?
2. If virtues are part of a person's character or personality, from where are they acquired and can they be learned?
3. Which virtues are distinctly Western or distinctly Eastern, and which virtues are shared by both cultures? If cultural relativism plays a role in virtue ethics scale development, is there a need for culturally based scale development?

Grouping Rank by Importance	Items
1	• Honest
2	• Trustworthy • Dedicated
3	• Takes Responsibility • Fair • Demonstrates Integrity
4	• Loyal • Faithful to God • Self-controlled • Polite, Respects Others • Flexible, Adaptable • Shows Perspective, Judgment • Hard Worker • Loves Family
5	• Persistent • Genuine • Compassionate, Caring • Innovative • Good Citizen
6	• Tough

Note: Item clusters ranked based on unspecified Likert-type scaling for individual items.

Fig. 15 Character qualities for excellent grocery store manager (From Whetstone 2003)

4. Virtue ethics in business can be studied at the organizational and/or personal level. Does suitability of organizational-versus personal-level analysis depend on context?

References

Aristotle (2012) Nicomachean ethics (trans: Bartlett R, Collins S). University of Chicago Press, Chicago

Arjoon S (2008) Reconciling situational social psychology with virtue ethics. Int J Manag Rev 10:221–243. doi:10.1111/j.1468-2370.2007.00216.x

Audi R, Murphy P (2006) The many faces of integrity. Bus Ethics Q 16:3–21

Barker C, Coy R (2003) The 7 heavenly virtues of leadership. McGraw-Hill, Sydney

Barlow CB, Jordan M, Hendrix WH (2003) Character assessment: an examination of leadership levels. J Bus Psychol 17:563–584

Bickart B, Felcher E (1996) Expanding and enhancing the use of verbal protocols in survey research. In: Schwarz N, Sudman S (eds) Answering questions: methodology for determining cognitive and communicative processes in survey research. Jossey-Bass publishing, San Francisco

Bragues G (2006) Seek the good life, not money: the Aristotelian approach to business ethics. J Bus Ethics 67:341–357

Brewer K (1997) Management as a practice: a response to Alasdair MacIntyre. J Bus Ethics 16:825–833

Bright D, Cameron K, Caza A (2006) The amplifying and buffering effects of virtuousness in downsized organizations. J Bus Ethics 64:249–269

Bright D, Winn B, Kanov J (2013) Reconsidering virtue: difference of perspective in virtue ethics and the positive social sciences. J Bus Ethics. doi:10.1007/s10551-013-1832-x

Brinsfield J (1998) Army values and ethics: a search for consistency and relevance. Parameters 28:69–84

Broadie S (1991) Ethics with Aristotle. Oxford University Press, Oxford, UK

Cameron K (2011) Responsible leadership as virtuous leadership. J Bus Ethics 98:25–35

Cameron K, Bright D, Caza A (2004) Exploring the relationships between OV and performance. Am Behav Sci 47:766–790

Cameron K, Mora C, Leutscher T, Calarco M (2011) Effects of positive practices on organizational effectiveness. J Appl Behav Sci 47:266–308

Card C (1996) The unnatural lottery: character and moral luck. Temple University Press, Philadelphia

Cawley M, Johnson J (2000) A virtues approach to personality. Personal Individ Differ 28:997–1013

Caza A, Barker BA, Cameron KS (2004) Ethics and ethos: the buffering and amplifying effects of ethical behavior and virtuousness. J Bus Ethics 52:169–178

Cheung C, Chan A (2005) Philosophical foundations of eminent Hong Kong Chinese CEOs' leadership. J Bus Ethics 60:47–62

Chun R (2005) Ethical character and virtue of organizations: an empirical assessment and strategic implications. J Bus Ethics 57:269–284

Churchill G (1979) A paradigm for developing better measures of marketing constructs. J Mark Res 16:64–73

Cohen ED (1994) What would a virtuous counselor do? Ethical problems in counseling clients with HIV. In: Cohen ED, Davis M (eds) AIDS: crisis in professional ethics. Temple University Press, Philadelphia, pp. 149–176

Crossan M, Mazutis D, Seijts G (2013) In search of virtue: the role of virtues, values and character strengths in ethical decision making. J Bus Ethics 113:567–581

Cureton E, D'Agostino R (1987) Factor analysis: an applied approach. Lawrence Erlbaum Associates Publishers, Hillsdale

Dawson D, Bartholomew C (2003) Virtues, managers and business people: finding a place for MacIntyre in a business context. J Bus Ethics 48:127–138

Dean P (1992) Making codes of ethics real. J Bus Ethics 11:285–291

DeVellis R (1991) Scale development: theory and application. Sage, Newbury Park

Doherty WJ (1995) Soul searching: why psychotherapy must promote moral responsibility. Basic Books/HarperCollins, New York

Dobson J (1997) Ethics in finance II. Financ Anal J 53:15–26

Duruz N (1981) The psychoanalytic concept of narcissism. Psychoanal Contemp Thought 4:3–68

Dyck B, Kleysen R (2001) Aristotle's virtues and management thought: an empirical exploration of an integrative pedagogy. Bus Ethics Q 11:561–574

Fine R (1986) Narcissism, the self and society. Columbia University Press, New York

Franke G (2000) The generalizability of ethical perception. In: Perreault Jr W, Workman J (eds) Winter Educators' conference, American Marketing Association. Chicago

Franklin B (2011) The autobiography of Benjamin Franklin including Poor Richards Almanac and familiar letters. Cosimo Publishers, New York

Gier N (2001) The dancing Ru: a Confucian aesthetics of virtue. Phil East West 51:280–305

Hackett R, Wang G (2012) Virtues and leadership: an integrating conceptual framework founded in Aristotelian and Confucian perspectives on virtues. Manag Decis 50:868–899

Hair J, Anderson R, Tatham R, Black W (1998) Multivariate data analysis, 5th edn. Prentice Hall, Upper Saddle River

Hartman K (2006) Can we teach character? An Aristotelian answer. Manag Learn Educ 5(1):68–81

Hartman C, Beck-Dudley C (1995) Marketing ethics and the search for virtue. In: Evans K et al. (ed) Proceedings: 1995 research conference on ethics and social responsibility in marketing. Hofstra University School of Business Press, Hempstead, pp 1–14

Hofstede G (2001) Culture's consequences: comparing values, behaviors, institutions, and organizations across nations, 2nd edn. Sage, Thousand Oaks

Hyman M (1996) A critique and revision of the multidimensional ethics scale. J Empir Gen Mark Sci 1:1–35

Kapstein M (2008) Developing and testing a measure for the ethical culture of organizations: the corporate ethical virtues model. J Organ Behav 29:923–947. doi:10.1002/job.520

Koehn D (2013) East meets West: toward a universal ethic of virtue for global business. J Bus Ethics 116:703–715

Libby T, Thorne L (2007) The development of a measure of auditors' virtue. J Bus Ethics 71:89–99

Limbs E, Fort T (2000) Nigerian business practices and their interface with virtue ethics. J Bus Ethics 26:169–179

Lindstrom M (2010) Buy*ology truth and lies about why we buy. Broadway Books, New York

Macdonald C, Bore M, Munro D (2007) Values in action scale and the big 5: an empirical indication of structure. J Res Pers 42(4):787–799

MacIntyre A (1984) After virtue: a study in moral theology, 2nd edn. University of Notre Dame, Notre Dame

McCracken J, Martin W, Shaw B (1998) Virtue ethics and the parable of the Sadhu. J Bus Ethics 17:25–39

McCullough M, Emmons R, Tsang J (2002) The grateful disposition: a conceptual and empirical topography. J Pers Soc Psychol 82:112–127

McCullough ME, Snyder CR (2000) Classical sources of human strength: revisiting an old home and building a new one. J Soc Clin Psychol 19:1–10

Morales-Sanchez R, Cabello-Medina C (2013) The role of four universal moral competencies in ethical decision-making. J Bus Ethics 116:717–734

Murphy P (1999) Character and virtue ethics in international marketing: an agenda for managers, researchers and educators. J Bus Ethics 18:107–124

Pagallo U (2015) Good onlife governance: on law, spontaneous orders and design. In: Floridi L (ed) The Onlife Manifesto. University of Torino, Springer International Publishing, pp 161–177

Palanski M, Kahai S, Yammarino F (2011) Team virtues and performance: an examination of transparency, behavioral integrity and trust. J Bus Ethics 99:201–216

Payne G, Brigham K, Broberg J, Moss T, Short J (2011) Organizational virtue orientation and family firms. Bus Ethics Q 21:257–285

Peterson C, Seligman M (2004) Character strengths and virtues: a handbook and classification. American Psychological Association/Oxford University Press, Washington, DC

Pincoffs E (1986) Quandaries and virtues. University Press of Kansas, Lawrence

Post D (2009) In search of Jefferson's moose; notes on the state of cyberspace. Oxford University Press, New York

Racelis A (2013) Developing a virtue ethics scale: exploratory survey of Philippine managers. Asian J Bus Acct 6:15–37

Rachels J (2011) The elements of moral philosophy, 7th edn. McGraw-Hill, New York

Raskin R, Terry H (1988) A principle-components analysis of the narcissistic personality inventory and further evidence of its construct validity. J Pers Soc Psychol 54:890–902

Riggio R, Zhu W, Reina C, Maroosis J (2010) Virtue-based measurement of ethical leadership: the leadership virtues questionnaire. Consult Psychol J Pract Res 62:235–250

Sandage S, Hill P (2001) The virtues of positive psychology: the rapprochement and challenges of an affirmative postmodern perspective. J Theory Soc Behav 31(3):241–260

Sarros J, Barker C (2003) Virtuous leadership scale. Australian management character survey, Australian Institute of Management/Monash University study

Seeger M, Ulmer R (2001) Virtuous responses to organizational crisis: Aaron Feuerstein and Milt Cole. J Bus Ethics 31:369–376

Sekerka L, Bagozzi R, Charnigo R (2009) Facing ethical challenges in the workplace: conceptualizing and measuring professional moral courage. J Bus Ethics 89:565–579

Seligman M (1998) Building human strength: psychology's forgotten mission. APA Monitor 29:2

Seligman M (1999) The president's address. Am Psychol 54:559–562

Shanahan K, Hyman M (2003) The development of a virtue ethics scale. J Bus Ethics 42:197–208

Solomon R (1992) Ethics and excellence: cooperation and integrity in business. Oxford University Press, New York

Solomon R (1999) A better way to think about business. Oxford University Press, New York

Tabachnick B, Fidell L (1996) Using multivariate statistics, 3rd edn. Harper Collins, New York

Tessman L (2000) Moral luck in the politics of personal transformation. Soc Theory Pract 26:375–395

Thiel C, Harkrider L, Mumford M (2012) Leader ethical decision-making in organizations: strategies for sensemaking. J Bus Ethics 107:49–64

Valentine S, Johnson A (2005) Codes of ethics, orientation programs, and the perceived importance of employee incorruptibility. J Bus Ethics 61:45–53

Wang Q (2011) A conceptual and empirical investigation of leader virtues and virtuous leadership. Open Access Dissertations and Theses. Paper 6116, McMaster University

Whetstone J (2003) The language of managerial excellence: virtues as understood and applied. J Bus Ethics 44:343–357

Wikipedia (2014) Positive psychology. http://en.wikipedia.org/wiki/Positive_psychology

Part XV

Virtues as a Character Trait Versus Situationism

Loving Mom and Tough Career Girl: Character in Everyday Life

Wiebke Bleidorn

Contents

Abstract

For a long time, character traits had been banished from the field of scientific psychology. More than one generation of scholars questioned the very existence of character traits. What people do, think, and feel seemed to be a function of situational cues and pressures. This critique was largely due to studies that pointed to a lack of consistency in virtuous behavior. The present chapter was dedicated to present a fresh perspective on the consistency issue in character psychology by endorsing both the consistent and dynamic nature of character traits. Specifically, it is proposed (1) that there is more than one important type of behavioral consistency relevant to character traits, (2) that character traits can be best described as density distributions of dynamic virtue states, and (3) that people flexibly adapt their virtue states to salient situational cues. The theoretical and empirical background for these hypotheses will be elaborated and discussed

W. Bleidorn (✉)
Department of Psychology, University of California, Davis, Davis, CA, USA
e-mail: wiebkebleidorn@gmail.com

751

in view of the findings of a recent research project on everyday virtues in working parents.

Keywords

Character • Virtues • Personality • Experience-sampling • Parents • Social roles

Introduction

Is it possible to be both compassionate in one way and ruthless in another? Can a "good character" inoculate against moral failures? Or is it rather situational pressures that lead to both people's most noble acts and their worst moral failures?

These questions lie at the heart of an ongoing debate about the nature and very existence of human character. Philosophers (e.g., Doris 2002; Solomon 1992), economists (e.g., Van Staveren 2007), organizational scholars (e.g., Alzola 2012), and psychologists (e.g., Darley and Batson 1973) have struggled with the questions of whether and to what degree a person's moral conduct might reflect his character or rather the situation he or she is acting in. A still highly controversial point at issue concerns the implications of behavioral (in)consistency. Why are we upright and prudent in some situations but cheaters and frauds in others? The consistency issue and the so called person-situation debate (Kenrick and Funder 1988) have challenged the very existence of character traits, and although the debate has been declared over, its consequences are still noticeable (Epstein and O'Brien 1985; Fleeson 2004).

The present chapter is dedicated to present a new perspective on the consistency issue in character psychology by endorsing both the consistent and dynamic nature of character traits and virtuous behavior. Based on recent theoretical and empirical work in the field of personality psychology, it is proposed (1) that there is more than one important type of behavioral consistency (Fleeson and Noftle 2008a), (2) that character traits can be described as density distributions of dynamic and changing virtue states, and (3) that people flexibly adjust their virtue states to their current role context.

After a brief historical review of the rise and fall of character in scientific psychology, I will outline the theoretical and empirical background for the aforementioned hypotheses in more detail, discuss recent findings from my own research, and allude to open issues that need to be addressed by future studies.

Character in Scientific Psychology: A Brief Historical Review

Research on character, virtues, and moral behavior was flourishing during the early years of scientific psychology. Scholars from all kinds of schools and backgrounds were interested in the nature, meaning, and consequences of character and moral behavior (e.g., Allport 1921; Kretschmer 1925; Schwesinger 1926).

However, after this early heyday, the crisis was looming. While most scholars agreed that traits offer a parsimonious way to describe an individual's general conduct, the question emerged how influential traits might actually be in view of the apparent power of situational pressures and cues. This notion found empirical support by the still famous Hartshorne and May studies (1928), which examined honest and deceptive conduct in schoolchildren. Hartshorne and May reported that even across relatively similar situations, honest and dishonest behaviors were shown inconsistently. For example, some children were honest with their peers, but cheated in classroom situations or lied to their parents. Based on their results, Hartshorne and May concluded that character traits are not robust or consistent but rather specific functions of life situations.

Years later, the ultimate downfall of character traits in scientific psychology was heralded by the publication of the now classic monograph, "Personality and Assessment" (1968) by Walter Mischel. Mischel picked up former critiques and spelled out what others had implied beforehand. He argued that traditional conceptions of traits are useless because they are based on the theoretical predication of behavioral consistency, which, however, cannot be demonstrated empirically. In his review, he listed a multitude of studies that had failed to support the fundamental proposition that an individual's trait-relevant behavior is highly consistent across diverse situations.

Although, the consistency issue had been already discussed earlier, Mischel's book came as a bombshell, and the following *person-situation debate* plagued personality psychology over decades. Proponents of the "person camp" argued that, because behavior is determined largely by a person's traits, individuals will act similarly much of the time, except for some reasonable adaptation to changing circumstances. The situationist's argument, on the other hand, was that because the immediate situation is the primary determinant of behavior, individuals will act very differently on different occasions (Ross and Nisbett 1991).

Modern Perspectives on the Consistency Issue

After a long "stalemate" (Fleeson and Noftle 2008b, p. 1671), the person-situation debate came to an end (e.g., Donnellan et al. 2009), and today, most scholars agree that both the person and the situation play an important part in influencing an individual's behavior. Instead of pitting person and situational factors against one another, scholars have begun to examine how both can inform each other about the ways in which traits might affect an individual's behavior in a particular situation (Bleidorn 2009; Funder 2008).

That is, the original question of whether there is behavioral consistency at all has been transformed into the questions of how and under which conditions trait-relevant behavior might show a certain degree of consistency (Fleeson and Noftle 2008a). An important step toward this resolution was the realization that there is not only one type of behavioral consistency but multiple types of consistency and that traits may be highly consistent in some ways but not in others (Fleeson and Noftle
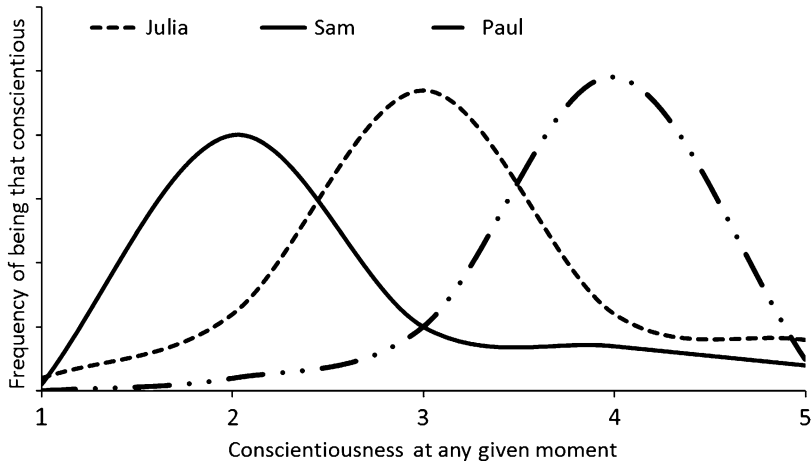
Fig. 1 Traits as density distributions of states. The three distributions show the conscientiousness levels of three hypothetical individuals across a week of behavior. During this week, all three individuals show all levels of conscientiousness more or less often. That is, they sometimes act very conscientiously and sometimes not at all conscientiously, suggesting that behavior is inconsistent. At the same time, each individual's distribution is anchored around an average tendency of state conscientiousness that is most frequently shown by an individual (cf., Bleidorn 2015; Fleeson 2004)

2008a, b). For example, traits can be inconsistent across different situations (e.g., birthday party and funeral) but highly consistent across similar situations (e.g., birthday party and wedding reception); they can be inconsistent when measured across short time intervals, but consistent when aggregated across time; they can be inconsistent across different social roles contexts (parent and job role) but consistent across similar roles contexts (parent role at home and parent role at school).

The Density Distribution Approach to Personality

Based on the notion that there is more than one type of consistency, Fleeson (2001) proposed a personality model that was aimed to integrate both the consistent and inconsistent parts of personality traits. In this so called density distribution approach to personality, Fleeson proposed that traits should not be conceived as single ways of acting, but rather as entire frequency distributions of their corresponding *states* (see Fig. 1). States were defined as reflecting an individual's personality in a given moment rather in general and can be measured in the same way as traits, using the same content (e.g., adjectives) and the same dimensions. However, a state describes how much a person manifests a trait *in a given moment* rather than in general (Bleidorn 2009). Over time and across situations, each individual's various momentary states will form a distribution, indicating the frequency with which the individual is at each level of the state.

Fleeson (2001) proposed that although single behaviors are less predictable, the average level of these distributions should be highly predictable and show consistency over time and across situations. Furthermore, not only the average levels, also the size of the distributions (i.e., the variability itself) should proof as a predictable individual differences characteristic. In summary, the density distribution approach conceives personality traits as density distributions as wholes rather than only one aspect of the distributions. Hence, this approach can account for both the low cross-situational consistency of single behaviors and the relatively high consistency of averaged behavior (Fleeson 2001, 2007).

So far, the density distribution approach has been proved as a useful model to describe broad personality traits such as the Big Five (i.e., neuroticism, extraversion, openness, agreeableness, and conscientiousness; for a review, see John et al. 2008). For example, McNiel and Fleeson (2006) have found that when generally introverted individuals acted extraverted, their state extraversion had consequences and was linked to momentary positive affect. That is, even introverted individuals were in a better mood when acting extraverted. Furthermore, people change their personality states in response to situational cues (Bleidorn 2009; Fleeson 2007), possibly to accomplish personal goals (Heller et al. 2007). Thereby, they report that these personality states feel authentic and are not just hollow acts or faking (Fleeson and Wilt 2010).

A Density Distribution Approach to Character

Can we apply the density distribution approach to character traits? Is it useful to conceive broad virtue domains like wisdom, courage, or humanity as density distributions of changing virtue states? In other words, do people regularly switch from acting wisely to naïve or from telling lies to being honest just as they seem to switch from being extraverted to introverted? If so, are individuals still characterized by unique, predictable, and consistent distributions of virtue states?

These issues were the core questions of the project "Loving mum and tough career girl – How do role settings affect our personality and character traits?" (Bleidorn 2015). A central purpose of this project was to examine whether character traits can be meaningfully described as density distributions of momentary virtue states. The main hypothesis was that because the same person manifests different degrees of virtuous behavior at different occasions, a person's virtuous behavior over time forms a distribution that is marked by a relatively stable mean and more or less variability around this mean.

This project focused in particular on the variability and consistency of virtuous behavior relevant to six broad virtue domains proposed in the *Values in Action* (VIA) classification of character strengths (Peterson and Seligman 2004), namely, *wisdom*, *courage*, *humanity*, *justice*, *temperance*, and *transcendence*. Specifically, the presumption was that individuals regularly express nearly all levels of the character traits reflecting the six VIA virtues in their daily behavior, implying a large degree of variability in their virtuous behavior. At the same time, the average

level of and the variability in virtuous behaviors shown by an individual should be highly stable and predictable. These aggregated parameters were proposed to qualify as relatively stable "trait-like" individual difference characteristics.

On the condition that the density distribution approach offers a suitable model to capture both the inconsistent and consistent parts of character traits, the project further aimed to identify potential sources of within-person variability in virtuous behavior. Specifically, it was proposed that individuals change their virtue states as a function of their momentary social role context. A case in point might be the manager who is expected to act in an assertive, tough-minded way on the job yet is expected to act very differently in her role as a mother (Heller et al. 2007).

An Experience-Sampling Study of Working Parents' Daily Lives

A meaningful test of the hypothesis that character traits can be described as density distributions of virtue states requires observing people as they live their lives and collecting a large number of behavioral reports across time and situations. To this end, modern data collection technology and experience-sampling designs can be used (Scollon et al. 2003). In a typical experience-sampling study, participants carry some kind of data collection device (e.g., a smartphone) for a couple of days or weeks and record their momentary behavior multiple times per day (e.g., Bleidorn 2009; Fleeson 2001). Over this period, each participant provides a multitude of momentary behavioral reports, which allow looking at single behavioral states, average levels of these states, and also the variability in state expression. The accumulation of an individual's states over time forms a distribution displaying the frequency with which the individual manifested the state at each level along the dimension's scale.

In the project described herein, an experience-sampling study was conducted on a sample of working parents, who described their momentary behavior six times per day over a period of 10 days. In total, the sample provided more than 4,300 momentary behavioral reports. Each behavioral report included questions about the participants' momentary expression of virtue states which can be organized under the six broad virtues proposed in the VIA classification (Peterson and Seligman 2004). These questions were of the same format as standard survey questions with the exception that rather than describing themselves in general, participants were asked to describe their behavior, thoughts, and feelings during the previous hour (cf., Bleidorn 2009; Fleeson 2001). Specifically, to capture the six core virtues proposed in the VIA classification, we drew on Peterson and Seligman's (2004) *Manual of Sanities*, in which the authors listed numerous adjectives to describe each of the six VIA virtue domains. We initially selected the bipolar adjective pairs for each virtue domain according to two independent selection criteria: First, the adjectives should be suited to describe a person's momentary behavior. Hence, only adjectives that could be meaningfully integrated in the following heuristic criterion sentence were included: "I behaved particularly…during the last hour". Second, with respect to the positive nature of virtues, the

adjectives should also work as possible answers to the question "What ought I to be?" For example, to measure participants' state level of *wisdom*, they were asked to indicate which adjective of the following item-pairs was better suited to describe their behavior, thoughts, and feelings during the previous 60 min: (1) imaginative versus uninspired, (2) interested versus uninterested, (3) inquisitive versus indifferent, and (4) smart versus unwise. In addition to the momentary reports of virtue states, participants also reported on their momentary role context (parent vs. job) during the previous 60 min (see Bleidorn and Denissen 2015 for a detailed description of the study design).

How Much Within-Person Variability Is Present in Character-Relevant Behavior?

The first hypothesis derived from the proposed density distribution model of character was that there is a sizeable amount of within-person variability in character-relevant behavior (i.e., virtue states). Using state-of-the-art multilevel modeling techniques (Hox 2002), it was found that between 55 % and 76 % of the total variability in virtue states occurred in within-persons, whereas 26 %–45 % occurred in between-persons. That is, individuals differed at least about the same, but generally even more from moment to moment in their virtue states than they differed from each other. In fact, in line with a density distribution approach to character, the average individual showed nearly all levels of *wisdom, courage, humanity, justice, temperance*, and *transcendence* in the course of only a few days.

The sizeable amount of within-person variability in virtue states raises the question why individuals regularly shift in their virtue states. Does the large degree of within-person variability reflect a flexible discrimination of situational cues or is it merely the result of unsystematic fluctuations and random error? From a situational perspective, it can be proposed that a large part of the observed variability in virtuous behavior is likely to reflect variability in situational cues. The presumption of the present project was that working parents flexibly adapt their virtue states to their current social role context. For example, working parents were expected to express more often higher levels of *justice* (e.g., acting team-oriented, fairly, and competently) while being in the job role as compared to being in the parent role. In fact, the experience-sampling data supported this prediction and showed that working parents' variability in virtue states was not random, but a function of the social role context they were acting in. This finding provides first empirical evidence for Peterson and Seligman's (2004) notion of "situational themes" for the manifestation of virtues and suggests that different virtue states might be more or less beneficial in different contexts.

At the same time, the results suggested that individuals differ in their sensitivity to situational cues. For example, not all participants expressed higher levels of *justice* while being at work – some did not change at all, and others even decreased their momentary expression of *justice* while being in the job role. These individual differences in sensitivity to situational cues have been theoretically described as

Person x Situation interactions (Magnusson and Endler 1977), conditional if-then signatures (Mischel and Shoda 1998), or situation-based contingencies (Fleeson 2007). The findings of the present study strongly support these *interactionist* positions by showing that how a person acts in a given situation is not only a function of the individual's character trait or of the current situation but rather depends on how the person uniquely responds to the salient cues in a given situation (for a detailed description and discussion of the results, see Bleidorn and Denissen 2015).

Are Between-Person Differences in Character-Relevant Behavior Consistent?

Although single virtue states were found to be highly variable, it was proposed that parameters that meaningfully describe the location and size of the entire distribution of virtue states would proof as relatively stable individual difference characteristics. Specifically, the presumption was that (1) the average tendency (i.e., the mean level) and (2) the size (i.e., the standard deviation) of the virtue distributions will proof as relatively stable "trait-like" variables (Bleidorn and Denissen 2015).

To test these hypotheses, each participant's momentary experience-sampling reports were randomly split into two equal halves. For each half, the mean level and the standard deviation were calculated for each of the six virtue domains indicating the average tendency and the variability in a person's virtuous behavior during that period of time, respectively.

First, the mean levels of each person's two halves were compared with each other to test how stable the average levels of virtuous behavior were over these two time periods. The results suggested that the mean levels of all six virtue states were highly stable over the two randomly assembled time periods. That is, people differed from each other in their average levels of virtue states, and these differences were precisely matched in two independent halves of the data (cf. Fleeson 2001).

In a second step, the standard deviations of each person's two halves were compared with each other. Similar to the average level, also the size of the density distributions turned out to be highly stable across the two halves of the data. In other words, individuals differed from each other in how much they varied in their virtue states, and these differences in variability were highly stable across the two independent halves of experience-sampling reports (for details, see Bleidorn and Denissen 2015).

Conclusion

The present chapter was dedicated to present a new perspective on character traits by endorsing both the consistent and dynamic nature of character traits. To this end, it was examined how character traits manifest in people's everyday behavior.

Three major results stand out. First, character traits can be adequately described as density distributions of virtue states. That is, individuals show a wide range of virtue states in their everyday behavior, suggesting a large degree of within-person variability in virtuous behavior. This variability was not entirely random, but could be partly explained by the person's momentary role context. Second, there are substantial between-person differences in how people typically react to the same situational cues. Third, individuals' average levels of virtue states as well as their variability in virtuous behavior were highly consistent and predictable individual difference characteristics.

Three conclusions can be derived from these results: First, the concept of character *traits* is useful. However, scholars need to adopt an understanding of traits that captures the large variability in people's momentary virtuous behavior and acknowledge that character traits are best used for predicting trends rather than singular behaviors. Second, because character traits cannot explain why a person acts differently on different occasions, scholars need to incorporate the dynamic aspects of virtuous behavior into models of character traits. Finally, other parameters of behavioral distributions may be important to our understanding of a person's character. For example, individuals differ in how variable their virtuous behavior is over time and in their sensitivity to situational cues. Future research is needed to study the origins, development, and potential consequences of these individual differences in momentary expressions of character traits.

References

Allport GW (1921) Personality and character. Psychol Bull 18:441–455

Alzola M (2012) The possibility of virtue. Bus Ethics Q 22:377–404

Bleidorn W (2009) Linking personality states, current social roles and major life goals. Eur J Personal 23(6):509–530

Bleidorn W (2015) Moving character beyond the person-situation debate: The stable and dynamic nature of virtues in everyday life. Character: New Directions from Philosophy, Psychology and Theology, p129

Bleidorn W, Denissen JJA (2015) Virtues in action – the new look of character traits. Br J Psychol. 106:700–723. doi: 10.1111/bjop.12117

Darley JM, Batson CD (1973) "From Jerusalem to Jericho": a study of situational and dispositional variables in helping behavior. J Pers Soc Psychol 27(1):100–108

Donnellan MB, Lucas RE, Fleeson W (2009) Introduction to personality and assessment at age 40: reflections on the legacy of the person–situation debate and the future of person–situation integration. J Res Pers 43(2):117–119

Doris JM (2002) Lack of character: personality and moral behavior. Cambridge University Press, New York

Epstein S, O'Brien EJ (1985) The person–situation debate in historical and current perspective. Psychol Bull 98(3):513–537

Fleeson W (2001) Toward a structure-and process-integrated view of personality: traits as density distributions of states. J Pers Soc Psychol 80(6):1011–1027

Fleeson W (2004) Moving personality beyond the person-situation debate the challenge and the opportunity of within-person variability. Curr Dir Psychol Sci 13(2):83–87

Fleeson W (2007) Situation-based contingencies underlying trait-content manifestation in behavior. J Pers 75(4):825–862

Fleeson W, Noftle EE (2008a) Where does personality have its influence? A supermatrix of consistency concepts. J Pers 76(6):1355–1386

Fleeson W, Noftle E (2008b) The end of the person–situation debate: an emerging synthesis in the answer to the consistency question. Soc Personal Psychol Compass 2(4):1667–1684

Fleeson W, Wilt J (2010) The relevance of big five trait content in behavior to subjective authenticity: do high levels of within-person behavioral variability undermine or enable authenticity achievement? J Pers 78(4):1353–1382

Funder DC (2008) Persons, situations and person-situation interactions. In: John OP, Robins R, Pervin L (eds) Handbook of personality, 3rd edn. Guilford, New York, pp 568–580

Hartshorne H, May A (1928) Studies in the nature of character: studies in deceit. Macmillan, New York

Heller D, Komar J, Lee WB (2007) The dynamics of personality states, goals, and well-being. Pers Soc Psychol Bull 33(6):898–910

Hox JJ (2002) Multilevel analysis: techniques and applications. Quantitative methodology series. Erlbaum, Mahwah

John OP, Naumann LP, Soto CJ (2008) Paradigm shift to the integrative big-five trait taxonomy: history, measurement and conceptual issues. In O. P. John, R. W. Robins, & L. A. Pervin (Eds.), Handbook of personality: Theory and research (pp. 114–158). New York, NY: Guilford Press.

Kenrick DT, Funder DC (1988) Profiting from controversy: lessons from the person-situation debate. Am Psychol 43(1):23–34

Kretschmer E (1925) Physique and character. Harcourt, Brace, Oxford

Magnusson D, Endler NS (1977) Interactional psychology: Present status and future prospects. In: Magnusson D, Endler NS (eds) Personality at the crossroads. Hillsdale, NJ, Erlbaum, 3–31

McNiel JM, Fleeson W (2006) The causal effects of extraversion on positive affect and neuroticism on negative affect: manipulating state extraversion and state neuroticism in an experimental approach. J Res Pers 40(5):529–550

Mischel W (1968) Personality and assessment. Wiley, New York

Mischel W, Shoda Y (1998) Reconciling processing dynamics and personality dispositions. Annu Rev Psychol 49(1):229–258

Peterson C, Seligman MEP (2004) Character strengths and virtues: a handbook and classification. Oxford University Press, New York

Ross L, Nisbett RE (1991) The person and the situation: perspectives of social psychology. Temple University Press, Philadelphia

Schwesinger GC (1926) Slang as an indication of character. J Appl Psychol 10(2):245–253

Scollon CN, Kim-Prieto C, Diener E (2003) Experience sampling: promises and pitfalls, strengths and weaknesses. J Happiness Stud 4(1):5–34

Solomon RC (1992) Corporate roles, personal virtues: an Aristotelean approach to business ethics. Bus Ethics Q 2:317–339

Van Staveren I (2007) Beyond utilitarianism and deontology: ethics in economics. Rev Polit Econ 19:21–35

Virtues and Vices in Workplace Settings: The Role of Moral Character in Predicting Counterproductive and Citizenship Behaviors

Lily Morse and Taya R. Cohen

Contents

Abstract

Which moral character traits are influential in predicting moral and immoral workplace behaviors? We focus our investigation on two workplace behaviors relevant to morality, organizational citizenship behaviors (OCB) and counterproductive work behaviors (CWB), and review research on key personality traits associated with these behaviors. We discuss broad traits described by the Big Five personality framework and the HEXACO model of personality, as well as narrower traits that predict moral and immoral behaviors, including guilt proneness, self-control, and moral identity. The research we describe challenges situationist perspectives in business ethics and psychology that claim that character traits do not significantly and consistently predict behavior across situations. In contrast to situationist perspectives, we argue that moral character exists and predicts consequential work outcomes.

L. Morse (✉)
Carnegie Mellon University, Pittsburgh, PA, USA
e-mail: lmorse@andrew.cmu.edu

T.R. Cohen
Tepper School of Business, Carnegie Mellon University, Pittsburgh, PA, USA
e-mail: tcohen@cmu.edu

Introduction

Does moral character exist? If so, can moral character help us to predict moral and immoral behaviors? Such questions have long been and continue to be discussed by philosophers, psychologists, and business ethicists (e.g., Allport 1937; Alzola 2008, 2012; Cohen et al. 2012; Cohen et al. 2013a, b, 2014; Doris 2002; Fleeson et al. 2014; Freud 1961; Harman 2009; Hogan 1973; Lee and Ashton 2012; Miller 2013; Peterson and Seligman 2004). Historically, more attention has been paid to those arguing against the existence of moral character. These individuals, known as situationists, believe that environmental influences dominate human behavior (e.g., Davis-Blake and Pfeffer 1989; Doris 2002; Harman 2009; Mischel 1968; Ross and Nisbett 1991; Zimbardo 2004). According to this view, character traits do not significantly and consistently predict behavior across situations. In contrast, other researchers argue that moral character and other personality traits do indeed guide human behavior and point to empirical evidence from social/personality and industrial/organizational psychology that supports this claim (e.g., Alzola 2008, 2012; Berry et al. 2007; Cohen et al. 2012, 2013a, b, 2014; Fleeson et al. 2014; Funder and Ozer 1983; Lee and Ashton 2012; Marcus and Schuler 2004; Ozer and Benet-Martínez 2006; Roberts et al. 2007).

Recent work in our lab supports the moral character view (Cohen et al. 2012, 2013a, b, 2014). In two diary studies of approximately 1,500 working adults throughout the United States, we demonstrated that individual differences in moral character significantly predicted unethical and ethical work behaviors over a period of 3 months (Cohen et al. 2014). Contrary to the situationist view, basic attributes of the work setting, such as the enforcement of an ethics code, were unrelated to the frequency with which employees committed unethical and ethical work behaviors. The behaviors we investigated were counterproductive work behaviors (CWB) – lying, stealing, abusing colleagues, and other harmful acts – and organizational citizenship behaviors (OCB), mentoring, volunteering, expressing gratitude, and other helpful acts.

Specifically, each week for a period of 3 months, we asked employees in diverse jobs and organizations to report how often they committed these behaviors, and, after 1 month of being in the study, we asked coworkers of these employees to report their observations of the frequency with which the employees committed these behaviors (Cohen et al. 2014). Results indicated that employees classified as having low levels of moral character (based on their self-reported personality traits) committed substantially more counterproductive work behaviors as compared to those with average or high levels of moral character, both according to their self-reported behavior and their coworkers' observations of their behavior. Employees classified as having high levels of moral character committed more organizational

citizenship behaviors than those with low or average levels of moral character, and this was especially apparent in the coworkers' reports of the employees' citizenship behaviors. These outcomes suggest that moral character traits exist and that moral character is a useful concept to study because it predicts a variety of moral and immoral behaviors in people's everyday lives, including the workplace. In the sections that follow, we describe several of the key moral character traits that we identified as being particularly relevant to predicting immoral and moral work behaviors. Before describing these traits, we first define what we mean by moral character and moral behavior.

Moral Character and Moral Behavior: Some Definitions

We regard moral character as a class of individual differences related to morality and ethics that are stable and consistent across time and situations, but nonetheless capable of change according to one's life circumstances. Like other scholars of moral character (e.g., Hogan 1973; Lee and Ashton 2012; Peterson and Seligman 2004), we view it not as a single personality dimension but rather as combination of traits. Personality traits are defined by psychologists as "an individual's characteristic patterns of thought, emotion, and behavior, together with the psychological mechanisms – hidden or not – behind those patterns" (Funder and Fast 2010, p. 669). Moral character, then, refers to individual differences in patterns of thought, emotion, and behavior associated with morality and ethics (see Cohen et al. 2014 for more detailed discussion of this topic). In this chapter, we review key moral character traits identified by psychologists as relevant to understanding and predicting moral and immoral behavior. These traits have important implications for two key classes of behavior in the workplace – counterproductive work behaviors (CWB) and organizational citizenship behaviors (OCB).

Morality is relationally based – people determine whether actions are moral or immoral depending on how they affect relevant social relationships and group functioning (Haidt and Kesebir 2010; Janoff-Bulman and Carnes 2013; Rai and Fiske 2011). Behavior that hinders group functioning is considered harmful, whereas behavior that facilitates group functioning is considered helpful. By extension, employee behavior in the workplace may be considered unethical/ immoral or ethical/moral according to how much it intentionally harms or helps an organization and its members.

While several definitions of CWB exist in the literature (e.g., Gruys and Sackett 2003; Spector and Fox 2005; Marcus and Schuler 2004), most characterize CWB as voluntary deviant or ineffective behavior that potentially harms an organization's legitimate interests. It is important to keep in mind that people who engage in CWB do so intentionally. CWB consists of a broad range of behaviors, from behaviors directed at the organization itself, such as purposely doing work incorrectly, leaving work earlier than allowed, and sabotaging or stealing work equipment, to behaviors directed at people within the organization or associated with the organization, such

as threatening, abusing, or insulting coworkers, clients, or customers (Spector et al. 2006).

In contrast, OCB captures helpful behavior in the workplace. OCB is characterized as "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization" (Organ 1988, p. 4). OCB, like CWB, can be directed at the organization itself or to people within or associated with the organization. Examples of citizenship behaviors include: decorating, straightening up, or otherwise beautifying common work space; taking time to advise, coach, or mentor coworkers; lending a compassionate ear when someone has a work problem; and changing vacation schedules, work days, or shifts to accommodate coworkers' needs (Fox et al. 2012).

What determines whether employees will engage in these behaviors? As in many areas of psychological research, some have studied the role of situational or organizational factors (e.g., Fox et al. 2001; Chen and Spector 1992; Organ and Ryan 1995), while others have studied the role of personality factors (e.g., Salgado 2002; Dalal 2005; Cullen and Sackett 2003; Organ et al. 2006). Of course, a comprehensive study of any behavior is incomplete without examining the joint influence of both. However, in practice, personality has been considered to be a less powerful predictor of social behavior than situational influences (Doris 2002; Mischel 1968; Ross and Nisbett 1991). More recently, this view has been debunked by empirical evidence demonstrating that personality has strong and consistent effects on behavior – potentially just as strong if not stronger than situational influences (e.g., Berryet al. 2007; Cohen et al. 2014; Funder and Ozer 1983; Marcus and Schuler 2004; Ozer and Benet-Martínez 2006; Roberts et al. 2007). In this chapter, we review research on personality factors that influence CWB and OCB to provide readers with a brief overview of key findings from this literature.

Big Five Personality Dimensions

The most widely studied correlates of CWB and OCB are those derived from the five-factor model of personality, also known as the Big Five (McCrae and Costa 1987). According to the Big Five framework, all aspects of personality can be categorized into five broad dimensions: Conscientiousness, Agreeableness, Extraversion, Openness to Experience, and Emotional Stability (sometimes referred to as Neuroticism). In the Big Five framework, Conscientiousness refers to the extent to which an individual is responsible, hardworking, organized, goal directed, and dependable. Agreeableness refers to the extent to which an individual is altruistic, modest, trusting, cooperative, and good natured. Extraversion refers to the extent to which an individual is outgoing, assertive, energetic, sociable, and talkative. Openness to Experience refers to the extent to which an individual is imaginative, curious, independent, and willing to try new things. Emotional Stability (viewed from the negative pole) refers to the extent to which an individual is moody, anxious, irritable, and emotionally vulnerable.

Among these five dimensions, Conscientiousness is the strongest predictor of both CWB and OCB (Cullen and Sackett 2003; Ones et al. 2003; Salgado 2002; Sackett and DeVore 2001; Hough 1992; Berry et al. 2007). Individuals low in Conscientiousness are more likely than others to commit CWB because they tend to be irresponsible toward their duties, withhold effort from tasks, and are less rule abiding. Low Conscientiousness is primarily linked to CWB directed toward organizations, such as stealing supplies from the workplace (Mount, et al. 2006). In contrast, individuals high in Conscientiousness are not only less likely to engage in CWB but also more likely to engage in OCB (Organ et al. 2006; Borman et al. 2001). Individuals high in Conscientiousness are motivated to engage in OCB – particularly impersonal, organizationally directed forms of OCB (Organ et al. 2006) – because doing so provides them with opportunities to demonstrate their commitment to the organization and to accomplish their goals both in the short term (e.g., successfully perform work-related tasks) and in the long term (e.g., earn a promotion).

Research within the Big Five framework also finds that Agreeableness predicts CWB (Borman et al. 2001; Hough 1992; Salgado 2002; Cullen and Sackett 2003; Ones et al. 2003). Agreeableness is primarily linked to interpersonal forms of CWB, such as being nasty or rude to one's coworkers or clients (Mount et al. 2006; Berry et al. 2007). Individuals low in Agreeableness tend to lack the motivation to cooperate with others, often resulting in strained interpersonal relationships. On the other hand, individuals high in Agreeableness are concerned with helping others and meeting the needs of the larger group – motivations that foster engagement in OCB. Individuals high in Agreeableness may be motivated to perform OCB not just because of interpersonal concerns but out of a larger concern for the organization and how it affects others within it and outside of it (Bourdage et al. 2012).

Emotional Stability, in the Big Five framework, is also negatively related to CWB (Cullen and Sackett 2003), particularly so with CWB directed toward organizations (Hough 1992; Ones et al. 2003; Mount et al. 2006). However, the link between Emotional Stability and CWB is less strong than both Conscientiousness and Agreeableness. For instance, a study of the relationship between these variables and CWB demonstrated that Emotional Stability did not uniquely predict CWB after accounting for relationships with Conscientiousness and Agreeableness (Mount et al. 2006). Thus far, researchers have failed to find a meaningful or consistent relationship between Emotional Stability and OCB (Organ and Ryan 1995).

In regard to the two other personality dimensions in the Big Five, Extraversion and Openness to Experience, there is little consistent evidence linking these traits to CWB or OCB with Extraversion or Openness to Experience. Some studies indicate that some studies indicate that Extraversion but not Openness to Experience positively correlates with OCB (e.g., Kumar et al. 2009), while others reveal mixed findings for Extraversion (e.g., Neuman and Kickul 1998). A third camp suggests that the underlying facets of Extraversion predict OCB in different directions, leading researchers to misinterpret the predictive power of this trait (Moon et al. 2008). In regard to Extraversion and CWB, One investigation found that

individuals who are both high in Extraversion and low in Honesty-Humility, a personality trait relevant to morality, are more likely to commit CWB than those low in Extraversion and low in Honesty-Humility; however, Extraversion alone does not directly influence CWB (Oh et al. 2011).

Honesty-Humility and the HEXACO Personality Dimensions

More recent research suggests that, in fact, there are not five but six major dimensions of personality (Ashton and Lee 2007; Lee and Ashton 2012). According to this framework – known as the HEXACO model of personality structure – the six personality dimensions are Honesty-Humility, Emotionality, Extraversion, Agreeableness, Conscientiousness, and Openness to Experience. The newest dimension, Honesty-Humility, refers to the extent to which an individual is fair, sincere, modest, and greed avoidant. People high in Honesty-Humility tend to cooperate with others and are unconcerned with personal gain, while people low in Honesty-Humility tend to exploit others and behave selfishly. The other dimensions in the HEXACO correspond somewhat to the Big Five dimensions, albeit with some differences (see Ashton and Lee 2007 for a review of the HEXACO model).

The relationship between Honesty-Humility and delinquent behaviors, including CWB, is well established (Cohen et al. 2013a, b; Lee et al. 2005; Marcus et al. 2007; Marcus et al. 2013; O'Neill et al. 2011). Indeed, research investigating the relationship between HEXACO personality dimensions and CWB suggests that Honesty-Humility more strongly predicts CWB than traditional Big Five Factors such as Conscientiousness and Agreeableness (Lee et al. 2005; Marcus et al. 2007). Moreover, Emotional Stability and Agreeableness are only influential predictors of CWB when conceptualized as part of the Big Five personality model, not the HEXACO model. This is related to the fact that the HEXACO dimensions of Emotionality and Agreeableness are theoretically different from the Big Five dimensions of low Emotional Stability and Agreeableness, despite the similar labels (Ashton and Lee 2007). In the HEXACO model, Emotionality refers to the extent to which an individual is fearful, anxious, dependent, and sentimental. Agreeableness (vs. Anger) refers to the extent to which an individual is forgiving, gentle, flexible, and patient. The HEXACO dimension of Conscientiousness is similar to the Big Five's dimension with the same name.

Fewer studies have investigated the relationship between Honesty-Humility and OCB, as compared to between Honesty-Humility and CWB. One exception is a study by Bourdage and colleagues (2012), in which the researchers demonstrated that low levels of Honesty-Humility were associated with OCB motivated by impression management purposes (e.g., to be viewed positively by others at work) but not OCB motivated by altruistic values or concern for the organization. Another recent study exploring Honesty-Humility and OCB is by Cohen et al. (2013a), who found a positive relationship between high Honesty-Humility (assessed both with self-reports and coworker reports) and coworker's observations of OCB. Interestingly, they did not find a correlation between Honesty-Humility

and self-reported OCB (neither with self-reported Honesty-Humility nor coworker-reported Honesty-Humility). In contrast, self-reported and coworker-reported Honesty-Humility were both correlated with self-reported and coworker-reported CWB. These results suggest that the relationship between Honesty-Humility and CWB is stronger and more robust than the relationship between Honesty-Humility and OCB. Possibly this is due the fact that it is not necessarily immoral to abstain from committing OCB, but it is generally considered immoral to commit acts of CWB.

Guilt Proneness, Self-Control, and Moral Identity

The traits we have discussed thus far are the six broad dimensions of personality. However, other research has identified comparatively more narrow traits that predict CWB and OCB. Prominent examples include guilt proneness, self-control, and moral identity.

First, guilt proneness is a trait indicative of the extent to which an individual would feel bad about his or her behavior after committing a transgression or making a mistake, even if one knew about what happened (Cohen et.al. 2011, 2013b). People who score high on measures of guilt proneness refrain from engaging in unethical behavior because they are guided by internalized moral values. When they do misbehave, they tend to take repair-oriented actions and vow to do better in the future. Individuals high in guilt proneness are consistently less likely to commit CWB and more likely to commit OCB compared to other people (Cohen et al. 2013a, b). These relationships hold regardless of whether guilt proneness, CWB, and OCB are assessed with self-reports or coworker reports (Cohen et al. 2013a).

Second, self-control refers to the extent to which an individual refrains from personal desires and immediate gratification in order to attain future rewards (Tangney et al. 2004). As such, This trait is related to the broad personality dimension of Conscientiousness in that both capture an ability to regulate one's impulses and focus on achieving long-term goals. People who are high in self-control are disciplined and abstain from bad behavior, including criminal behavior. Some have even gone as far as saying that nearly all criminal behavior can be explained by a lack of self-control (Gottfredson and Hirschi 1990). While we think that argument overreaches because guilt proneness and other personality traits also predict criminal behavior (Tangney et al. 2011), we agree that self-control plays a large role in keeping people out of trouble. In the workplace, employees with greater self-control commit less CWB and more OCB than employees with less self-control (Cohen et al. 2014; Marcus and Schuler 2004).

Third, moral identity is characterized by how much a person's desire to be viewed as a moral person is ingrained in his or her self-concept (Aquino and Reed 2002). People may have a stronger or weaker moral identities depending on how central being moral is to their sense of who they are as individuals. Moral identity is conceptualized as having both private and public dimensions. The

private dimension, known as moral identity internalization, refers to how much an individual views his- or herself as a moral person. The public dimension of moral identity, known as moral identity symbolization, refers to how much an individual wishes to be viewed by others as a moral person. Moral identity internalization is thought to be a relatively central indicator of moral character (Cohen et al. 2014) and is linked to prosocial behaviors such as donating money to out-group members and self-reported OCB (Cohen et al. 2014; Reed and Aquino 2003). Individuals with internalized moral identities are also less likely to commit CWB (Cohen et al. 2014). Less support has been found for the relationship between moral identity symbolization and CWB or OCB (Cohen et al. 2014).

Conclusion

In closing, moral character plays an influential role in determining behavior in the workplace. Employees high in moral character commit more virtuous behavior and less vicious behavior than employees low in moral character. What moral character traits matter? Of the six broad personality dimensions, Honesty-Humility, Conscientiousness, and (to a lesser extent) Agreeableness are key factors that influence CWB and OCB. Narrower influential moral character traits include guilt proneness, self-control, and moral identity. Although the moral character traits we reviewed in this chapter do not constitute an exhaustive or comprehensive list, they do represent key dispositions that employers should be on the lookout for when making selection and promotion decisions in their organizations.

References

Allport GW (1937) Personality: a psychological interpretation. Henry Holt & Company, New York

Alzola M (2008) Character and environment: the status of virtues in organizations. J Bus Ethics 78:343–357

Alzola M (2012) The possibility of virtue. Bus Ethics Q 22(2):377–404

Aquino K, Reed A II (2002) The self-importance of moral identity. J Pers Soc Psychol 83(6):1423–1440

Ashton MC, Lee K (2007) Empirical, theoretical, and practical advantages of the HEXACO model of personality structure. Pers Soc Psychol Rev 11(2):150–166. doi:10.1177/1088868306294907

Berry CM, Ones DS, Sackett PR (2007) Interpersonal deviance, organizational deviance, and their common correlates: a review and meta-analysis. J Appl Psychol 92(2):410–424

Borman WC, Penner LA, Allen TD, Motowidlo SJ (2001) Personality predictors of citizenship performance. Int J Sel Assess 9:52–69

Bourdage JS, Lee K, Lee J-H, Shin K-H (2012) Motives for organizational citizenship behavior: personality correlates and coworker ratings of OCB. Hum Perform 25(3):179–200. doi:10.1080/08959285.2012.683904

Chen PY, Spector PE (1992) Relationships of work stressors with aggression, withdrawal, theft and substance use: an exploratory study. J Occup Organ Psychol 65:177–184

Cohen TR, Wolf ST, Panter AT, Insko CA (2011) Introducing the GASP scale: a new measure of guilt and shame proneness. J Pers Soc Psychol 100(5):947–966. doi:10.1037/a0022641

Cohen TR, Panter AT, Turan N (2012) Guilt proneness and moral character. Curr Dir Psychol Sci 21(5):355–359

Cohen TR, Panter AT, Turan N, Morse L, Kim Y (2013a) Agreement and similarity in self-other perceptions of moral character. J Res Pers 47:816–830. doi:10.1016/j.jrp.2013.08.009

Cohen TR, Panter AT, Turan N (2013b) Predicting counterproductive work behavior from guilt proneness. J Bus Ethics 114:45–53. doi:10.1007/s10551-012-1326-2

Cohen TR, Panter AT, Turan N, Morse L, Kim Y (2014) Moral character in the workplace. J Pers Soc Psychol 107(5):943–963

Cullen MJ, Sackett PR (2003) Personality and counterproductive behavior workplace behavior. In: Barrick M, Ryan AM (eds) Personality and work. Jossey Bass-Pfeiffer, New York

Dalal RS (2005) A meta-analysis of the relationship between organizational citizenship behavior and counterproductive work behavior. J Appl Psychol 90(6):1241–1255

Davis-Blake A, Pfeffer J (1989) Just a mirage: the search for dispositional effects in organizational research. Acad Manage Rev 14(3):385–400. doi:10.5465/AMR.1989.4279071

Doris JM (2002) Lack of character: personality and moral behavior. Cambridge University Press, Cambridge

Fleeson W, Furr RM, Jayawickreme E, Meindl P, Helzer EG (2014) Character: the prospects for a personality-based perspective on morality. Soc Personal Psychol Compass 8(4):178–191. doi:10.1111/spc3.12094

Fox S, Spector PE, Miles D (2001) Counterproductive work behavior (CWB) in response to job stressors and organizational justice: some mediator and moderator tests for autonomy and emotions. J Vocat Behav 59:291–309

Fox S, Spector PE, Goh A, Bruursema K, Kessler SR (2012) The deviant citizen: measuring potential positive relations between counterproductive work behaviour and organizational citizenship behaviour. J Occup Organ Psychol 85(1):199–220. doi:10.1111/j.2044-8325.2011.02032.x

Freud S (1961) The ego and the id [original work published 1923–1925] (trans: Strachey J). In: Strachey J (ed) The standard edition of the complete psychological works of Sigmund Freud, vol 19. Hogarth Press, London

Funder DC, Fast LA (2010) Personality in social psychology. In: Fiske ST, Gilbert DT, Lindzey G (eds) Handbook of social psychology, vol 5. Wiley, New York, pp 668–697

Funder DC, Ozer DJ (1983) Behavior as a function of the situation. J Pers Soc Psychol 44(1):107–112. doi:10.1037/0022-3514.44.1.107

Gottfredson MR, Hirschi T (1990) A general theory of crime. Stanford University Press, Stanford

Gruys ML, Sackett PR (2003) The dimensionality of counterproductive work behavior. Int J Sel Assess 11:30–42

Haidt J, Kesebir S (2010) Morality. In: Fiske ST, Gilbert DT, Lindzey G (eds) Handbook of social psychology, vol 5. Wiley, New York, pp 797–832

Harman G (2009) Skepticism about character traits. J Ethics 13(2–3):235–242. doi:10.1007/s10892-009-9050-6

Hogan R (1973) Moral conduct and moral character: a psychological perspective. Psychol Bull 79(4):217–232. doi:10.1037/h0033956

Hough LM (1992) The "big five" personality variables – construct confusion: description versus prediction. Hum Perform 5:139–155

Janoff-Bulman R, Carnes NC (2013) Surveying the moral landscape moral motives and group-based moralities. Pers Soc Psychol Rev. doi:10.1177/1088868313480274

Kumar K, Bakhshi A, Rani E (2009) Linking the "big five" personality domains to organizational citizenship behavior. Int J Psychol Stud 1(2):73–81

Lee K, Ashton MC (2012) The H factor of personality: why some people are manipulative, self-entitled, materialistic, and exploitive – and why It matters for everyone. Wilfrid Laurier University Press, Waterloo

Lee K, Ashton MC, de Vries RE (2005) Predicting workplace delinquency and integrity with the HEXACO and Five-Factor models of personality structure. Hum Perform 18:179–197

Marcus B, Schuler H (2004) Antecedents of counterproductive behavior at work: a general perspective. J Appl Psychol 89:647–660

Marcus B, Lee K, Ashton MC (2007) Personality dimensions explaining relationships between integrity tests and counterproductive behavior: big five, or one in addition? Pers Psychol 60(1):1–34

Marcus B, Ashton MC, Lee K (2013) A note on the incremental validity of integrity tests beyond standard personality inventories for the criterion of counterproductive behaviour. Can J Adm Sci 30:18–25

McCrae RR, Costa PT (1987) Validation of the 5-factor model of personality across instruments and observers. J Pers Soc Psychol 52:81–90

Miller CB (2013) Moral character: an empirical theory. Oxford University Press, Oxford

Mischel W (1968) Personality and assessment. Wiley, New York

Moon H, Hollenbeck JR, Marinova S, Humphrey SE (2008) Beneath the surface: uncovering the relationship between extraversion and organizational citizenship behavior through a facet approach. Int J Sel Assess 16(2):143–154

Mount M, Ilies R, Johnson E (2006) Relationship of personality traits and counterproductive work behaviors: the mediating effects of job satisfaction. Pers Psychol 59:591–622

Neuman GA, Kickul JR (1998) Organizational citizenship behaviors: achievement orientation and personality. J Bus Psychol 13(2):263–279

O'Neill TA, Lewis RJ, Carswell JJ (2011) Employee personality, justice perceptions, and the prediction of workplace deviance. Personal Individ Differ 51(5):595–600

Oh I-S, Lee K, Ashton MC, Reinout RE (2011) Are dishonest extraverts more harmful than dishonest introverts? The interaction effects of honesty-humility and extraversion in predicting workplace deviance. Appl Psychol Int Rev 60:496–516

Ones DS, Viswesvaran C, Schmidt FL (2003) Personality and absenteeism: a meta- analysis of integrity tests. Eur J Personal 17:39–66

Organ DW (1988) Organizational citizenship behavior: the good soldier syndrome. Lexington Books, Lexington

Organ DW, Ryan K (1995) A meta-analytic review of attitudinal and dispositional predictors of organizational citizenship behavior. Pers Psychol 48:775–802

Organ DW, Podsakoff PM, MacKenzie SB (2006) Organizational citizenship behavior: its nature, antecedents, and consequences. Sage, Thousand Oaks

Ozer DJ, Benet-Martínez V (2006) Personality and the prediction of consequential outcomes. Annu Rev Psychol 57(1):401–421. doi:10.1146/annurev.psych.57.102904.190127

Peterson C, Seligman MEP (2004) Character strengths and virtues: a handbook and classification. Oxford University Press, New York

Rai TS, Fiske AP (2011) Moral psychology is relationship regulation: moral motives for unity, hierarchy, equality, and proportionality. Psychol Rev 118(1):57–75. doi:10.1037/a0021867

Reed A, Aquino K (2003) Moral identity and the expanding circle of moral regard toward out-groups. J Pers Soc Psychol 84(6):1270–1286. doi:10.1037/0022-3514.84.6.1270

Roberts BW, Kuncel NR, Shiner R, Caspi A, Goldberg LR (2007) The power of personality: the comparative validity of personality traits, socioeconomic status, and cognitive ability for predicting important life outcomes. Perspect Psychol Sci 2:313–345. doi:10.1111/j.1745-6916.2007.00047.x

Ross L, Nisbett RE (1991) The person and the situation: perspectives of social psychology. Mcgraw-Hill Book Company, New York

Sackett PR, DeVore CJ (2001) Counterproductive behaviors at work. In: Anderson N, Ones D, Sinangil C, Viswesvaran C (eds) International handbook of work psychology. Sage, Thousand Oaks, pp 145–164

Salgado JF (2002) The Big Five personality dimensions and counterproductive behaviors. Int J Sel Assess 10:117–125

Spector PE, Fox S (2005) The stressor-emotion model of counterproductive work behavior. In: Fox S, Spector PE (eds) Counterproductive work behavior: investigations of actors and targets. American Psychological Association, Washington, DC, pp 151–174

Spector PE, Fox S, Penney L, Bruursema K, Goh A, Kessler S (2006) The dimensionality of counterproductivity: are all counterproductive behaviors created equal? J Vocat Behav 68(3):446–460. doi:10.1016/j.jvb.2005.10.005

Tangney JP, Baumeister RF, Boone AL (2004) High self-control predicts good adjustment, less pathology, better grades, and interpersonal success. J Pers 72(2):271–324. doi:10.1111/j.0022-3506.2004.00263.x

Tangney JP, Stuewig J, Mashek D, Hastings M (2011) Assessing jail inmates' proneness to shame and guilt: feeling bad about the behavior or the self? Crim Just Behav 38(7):710–734. doi:10.1177/0093854811405762

Zimbardo P (2004) A situationist perspective on the psychology of evil: understanding how good people are transformed into perpetrators. In: Miller A (ed) The social psychology of good and evil: understanding our capacity for kindness and cruelty. Guilford, New York

Virtues and Their Explanatory and Predictive Power in the Workplace

Miguel Alzola

Contents

Abstract

Virtue attribution has four distinctive purposes, namely, to describe how a person differs from others; to explain his or her beliefs, desires, emotions, motivations, and behavior; to predict what he or she would do – and how he or she would do it – in the circumstances in question; and to evaluate him or her as a person. The explanatory and predictive powers of virtue have been recently under attack. In this chapter, I shall consider the notions of explanatory and predictive power, critically examine the empirically based claim that the virtues are explanatorily and predictively weak, and conclude that virtue can indeed be meaningfully and successfully used in explanations and predictions of behavior.

Keywords

Virtue attribution • Explanatory power • Predictive power • Situationism • Supervenience

M. Alzola (✉)
Department of Legal and Ethical Studies, Fordham University, New York, NY, USA
e-mail: alzola@fordham.edu

Introduction

The virtues are generally defined as excellences of character that are good for a person to have because they realize the human function (Aristotle 1999, *NE*, 1106a13-14). Character involves higher-order desires and values, beliefs, framing capacities, emotions, and enduring patterns of behavior that are relevant in the domain of morality (Alzola 2012). The virtues benefit their possessor by enabling him or her to flourish as a good human being, that is, to live a characteristically *eudaimon* human life.

Consider, for example, the virtue of honesty. Calling someone honest is a way to attribute to that person a quality of character that can be expressed in terms of his or her thinking, feelings, desires, and actions. In other words, a virtue has four elements, namely, an intellectual (e.g., *EN* 1114a32-b3), an emotional (e.g., *EN* 1105b25-26), a motivational (e.g., *EN* 1104b13-16), and a behavioral (*EN* 1103b30) component.

An honest person is someone who has appropriate framing capacities and deliberative skills to get things right and grasp the salient features of the situation, because the action and therefore its essence exists in the soul of the agent. An honest person holds correct beliefs and deliberates well about whether, when, why, and how, for example, it is appropriate to tell the truth.

Second, there is the emotional component of virtue. Having a virtue is having one's character developed in such a way that one not only grasps the right thing to do but also enjoys doing it; the virtuous person is repelled by the thought of wrong action. An honest person is inclined to feel pleased and delighted and to admire those who do tell the truth in the appropriate circumstances. And the honest person is distressed and feels angered about certain acts of chicanery; he or she despises those who lie when the circumstances call for telling the truth. The honest person is inclined to dislike and feel bad about his or her own acts of dishonesty and to like and feel good about acts that express his or her honesty.

Third, an honest person is inclined to act honestly, that is, to act *from* the virtue of honesty – for example, to tell the truth and to avoid lying – out of the right motivations and in service of the right ends, typically, a direct concern for honesty, which resembles the state of character from which an honest person acts (as opposed to, say, fear from external threats, expectations of further rewards, and other non-virtuous ends).

Finally, an honest person typically succeeds in responding appropriately to the situation on the basis of the constituent understanding, feelings, and motivations. The honest person usually avoids the dishonest deeds and does the honest ones from the right end, in the right way, at the right time, etc.

Identifying these dimensions of virtue concepts helps us understand the purposes of virtue ascriptions. Virtues are thick ethical concepts, where facts and values are entangled in a way that they can be used in explanations and evaluations of persons and their actions (Putnam 2002). As a thick ethical concept, a virtue-judgment is responsive to how the world is while also providing reasons for action to the agent (Williams 1985). We say that a man endangered his life to rescue a child because he

is courageous, or opportunistic (because he was merely trying to impress his girlfriend), or greedy (because he was expecting a reward in return), or suicidal. And these are all ways of describing and explaining what he did as well as ways to assess his character.

Virtue attribution serves four distinctive purposes, namely, descriptive, explanatory, predictive, and evaluative functions.

Virtue ascription provides a short way to summarize how one person differs from another person; ultimately, it is a way to describe the state of a person's soul. The descriptive function of virtue-ascription consists in classifying and categorizing a person's psychological makeup. For example, attributing the virtue of honesty (or the vice of dishonesty) to a person typically summarizes a history of mental states and actions in the past as well as it highlights individual differences.

Virtue ascription has also an explanatory role, in the sense that the possession (or absence) of a certain quality of character explains (at least partially) the possessor's beliefs, desires, emotions, motivations, and behavior. That is, we explain why someone performed or failed to perform an action appealing to his or her possession of a virtue. One of the reasons why the employee feels some apprehension about telling the truth to his or her boss – one of the reasons that explain why he or she avoids disclosing the truth – is the virtue of honesty or the lack thereof. Virtues are supposed to be explanatory in that it will, at least sometimes, be correct to explain actions in terms of character traits and not just in terms of external circumstances.

The third purpose of virtue ascription – at least when virtues are defined as traits – is prediction. If a person possesses a certain virtue presumably we can accurately forecast what he or she will do in different circumstances. Personality psychologists argue that character traits are useful to the extent that they have predictive value. A trait is what defines what a person will do when faced with a given situation (Cattell 1943).

Finally, virtue attributions are forms of normative assessment. A virtue is an acquired excellence, as it is a matter of choice and achievement. Hence, a virtue is something that we admire in a person. Assuming that honesty is a virtue (Whether or not honesty is a virtue depends on its connection to moral goodness. Thus, virtue ethicists may disagree on their lists of virtues. In the *eudaimonistic* tradition, it is part of human nature that honesty is a virtue and so we can make an argument that humankind cannot be characteristically rational and sociable if people are dishonest.), to call someone honest is a way to praise him or her. And to call someone dishonest is a way to criticize him or her. The value of a virtue is directly attached to its possessor and secondarily to his or her deeds. Consequently, virtue attributions perform an evaluative function.

The explanatory role of virtue ascription has been often conflated with its predictive power in philosophy of science as a result of the influential hypothetic-deductive model. For Hempelians, to explain is to invoke a law-like generalization retrospectively and to predict is simply to invoke a similar generalization but prospectively (Hempel and Oppenheim 1948). But we have good reasons to separate the distinctive aims of explanation and prediction in the social sciences. In other words, we have good reasons to distinguish the aim of understanding some

phenomena (on the conceptual level) from the aim of connecting sets of variables to make predictions (on the measurable level). I shall start with an examination of the explanatory value of virtue to then consider its predictive power.

Virtue, Supervenience, and Explanations

Identifying a certain action as manifesting a virtue is a way to explain why this particular action (and not others) was performed. MacIntyre famously argued that "without allusion to the place that justice and injustice, courage and cowardice play in human life very little will be genuinely explicable." (1981, p. 199). An explanatory ascription of virtue carries a commitment to the presence of some causal mechanism: a virtue is supposed to be causally efficacious in the sense that it has caused (or prevented) an action.

The idea of the virtues as dispositions enters here. Ryle claims that to possess a dispositional property is "not to be in a particular state, or to undergo a particular change; it is to be bound or liable to be in a particular state, or undergo a particular change, when a particular condition is realized" (1949, p. 43). So a glass has a brittle disposition even if it is not broken into pieces at a given moment. And a person can have the disposition to tell the truth, even if he or she is not in a truth-telling situation. Saying that a wineglass has a disposition to smash when dropped means that such a disposition is related to the possibility of the glass' smashing under certain conditions. Likewise, Susan has a disposition to burst into tears when she listens to her favorite aria.

Unlike categorical properties, dispositions entail subjunctive conditionals. The fragility – a dispositional property – of the wineglass requires that the glass would smash if it were knocked. In short, an object has a certain disposition if and only if the object would produce the associated manifestation if it were under the conditions of manifestation (Mackie 1977; Armstrong et al. 1996). In this sense, a disposition is an entirely hypothetical property that makes indispensable references to counterfactual states of affairs (Prior 1982).

Although I have argued elsewhere against a dispositional analysis of virtue (Alzola 2012), in a narrow sense, we can say that the virtues are dispositional. The names we have for them are dispositional, at least. We might say that a weightlifter can bench press 500 pounds because he is strong, or that his ability to bench press 500 pounds indicates his strength, but we do not explain much by saying that. There is a further explanation to be found if we investigate the weightlifter's legs, arms, etc.

In this spirit, Davidson argued that mental states can cause actions even if we often describe a mental state in dispositional terms – for example, "a desire to do action A." Before Davidson, some philosophers argued that desires could not cause actions because the relationship between them was one of necessity rather than contingency. But if we think that such a desire supervenes on some state of the person that has a causal relationship to a subsequent action, then the case for causality is more plausible. (One property A supervenes upon another property B – the base property – if and only if no two things can differ with respect to

A-properties without also differing with respect to their B-properties. Davidson says that mental characteristics are supervenient on physical characteristics: "such supervenience might be taken to mean that there cannot be two events exactly alike in all physical respects but differing in some mental respects, or that an object cannot alter in some mental respects without altering in some physical respects." (1980, p. 214).).

Along similar lines, Sellars (1997) argues that psychological states and events are postulates of a theory that does explain behavior. The psychological states and events are causes of behavior.

Consider the following analogy. The word "sunset" seems to refer to the event of the sun falling below the horizon; that event is by definition a sunset. The word also seems to presuppose that the sun revolves around the earth. But we use the word without intending the apparent presupposition, because we know that there is a theory that explains the phenomenon and predicts the times and places of its future occurrences. We know that the sun does not revolve around the earth.

Yet, the analogy does not quite work. If the true causal relationship is between two events that are supervened on by courage and a courageous action, then the correct statement of the covering law does not mention courage (though it does mention some state that is contingently identical with courage in some cases).

Unlike the sunset case, we do not know what the covering law is. In particular, we know very little about the occurrent characteristics of the underlying states. So the covering law might well apply to any case in which the agent gets between a charging dog and a child. Or it might be like the relationship between tossing a match and starting a fire: whether the fire starts will depend on the circumstances, as one's willingness to confront the dog may depend on the circumstances. That is how it is with most causal relationships because the claim that A caused B often does not attribute either a necessary or a sufficient condition.

We can use both courage and tossing matches in explaining certain events, even if we know no details about how either of them works and even if we know of other intervening factors. It would be unwise to say that tossing a match does not really cause a fire because the presence of oxygen and combustible material is required. It would be equally unwise to deny that courage contributes to explain a person performing an action just because other external circumstances contribute to explain it too.

Through one's natural endowments, education, and experience, a person develops certain qualities of character that cause her (motivate her) to perform virtuous acts. The causal mechanism is reflected in the so-called practical syllogism. The first premise states some ethical belief (including self-interested reasons, as in Aristotle); the second premise states that this situation is an occasion for the application of such ethical belief.

What often happens with people of inferior character is that they fail to frame the situation appropriately (the second premise). The seller ought to state the salient facts of the situation, say, that this is a lie and the client will be deceived; instead, the seller frames the situation as one in which he needs to meet his monthly quota.

A virtuous person, say, a benevolent person, does not merely have benevolent desires, beliefs, and attitudes. A benevolent person sees that the salient description of a situation highlights the appropriateness of help (or understanding or whatever benevolent people do when they are benevolent and act from the virtue of benevolence). In that sense, a choice is caused by a settled, higher-order desire together with a proper framing of the current situation. As people will frame the situation differently, it follows that framing is a source of differences in individual behavior. Indeed, it is part of one's character.

Virtue and Prediction

The virtues are often defined as character traits (e.g., Solomon 1992; Annas 2011) or they are said to supervene on the traits studied by personality psychology (e.g., Hartman 1998; Moberg 1999). (There are personality traits that have no moral content – though Aristotle had a very wide conception of virtue, including a sense of humor. Two people of similar (let us say, for example, impeccable) character may have different personalities. One might be taciturn and the other loquacious. One might be artistic and the other not. But then we would say that the virtues do not supervene on those traits. It may in fact be that the traits on which the virtues supervene actually constitute virtues in the right circumstances – and vices in the wrong ones. So being slow to anger is psychologically indistinguishable from a virtue in case in which anger is not called for, but where anger is called for the person who does not become angry is phlegmatic, and that is a vice. So maybe a virtue is just a trait that comes to the fore in the appropriate circumstances. That makes good character difficult: most of us are hotheaded or cool across the board and do not adjust our emotions to make them appropriate to particular cases.) Character traits are often defined as the subset of personality traits that pertains to the moral dimension of our lives.

The trait approach relies on the assumption that trait measures are valid predictors of performance. Indeed, a trait is useful for the psychologist to the extent that it has predictive value. If it makes sense to attribute a virtue to an agent, then reference to that virtue should enable reasonably accurate predictions of his or her behavior. To be more precise, if someone possesses the virtue X, he or she will characteristically – and more likely than anyone who does not possess such a virtue – perform a virtuous action, that is, he or she will act in an X-like manner.

But the predictive power of virtue has been recently under fire. Arguably, the most discussed objection to virtue ethics in the last decade – the Situationist challenge – targets the predictive power of virtue. The objection is built upon a robust body of literature in experimental social psychology, which allegedly shows that humans are so inconsistent that it is not worthwhile to classify them in terms of their character traits (e.g., Harman 2003; Heath 2014).

Situationists claim that a person's behavior in one situation cannot be predicted from his or her virtues (measured by personality trait scores). Instead, the argument

goes, what largely predicts people's behavior is the immediate social situation. As Ross and Nisbett put it, "What has been demonstrated through a host of celebrated laboratory and field studies is that manipulations of the immediate social situation can overwhelm in importance the type of individual differences in personal traits or dispositions that people normally think of as being determinative of social behavior." (1991, p. xiv)

The putative upper limit for the predictability of a given behavior from virtue (correlations between personality and behavior) is, according to Situationists, .40. This is small enough to conclude that the predictive power of dispositions is unimportant.

The evidence situationist adduce for their fundamental empirical claim can be organized into two broad areas, as follows:

Prosocial ("Virtuous") Behavior
- Studies on mood effects apparently indicate that we are more likely to help a person in need when we are exposed to pleasant aromas, warm temperatures, and the presence of daylight. Moreover, seemingly irrelevant factors such as getting a cookie or finding a dime in the coin return slot of public phone booths have the most predictive power of people's pro-social behavior (Schwartz 2002).
- The literature on group effects suggests that when a person is alone, he or she is more likely to help someone in need than when other people are around. Merely imagining the presence of others apparently leads to lower helping behavior (Garcia et al. 2002).
- Bystander intervention studies such as the Good Samaritan experiment document that a person's degree of hurriedness has greater predictive power than any measure of character or personality (Tang et al. 2008). In the workplace, Wright et al. (1993) found that people displayed the lowest helping behavior when they were assigned difficult tasks and paid on the basis of goal attainment.

Antisocial ("Vicious") Behavior
- The infamous Milgram's (1974) studies on obedience to authority allegedly discredit the predictive power of standard personality measures. While there were no significant personality differences between obedient and disobedient subjects, small situational variations in the design of the experiment – such as whether subjects were allowed or not allowed to choose the shock levels to administer, whether they receive the orders to administer the shocks in person or by phone, or whether the subjects were in physical contact with the victims – apparently made the difference.
- Similarly, Zimbardo failed to find significant correlations between the measures of personality he administered on his subjects in the prison experiment – specifically, a Machiavellianism scale for manipulativeness, an F-scale for conventionality and authoritarianism, and the Comrey Personality Inventory – and the submissive and cruel behavior of the subjects playing the roles of prisoners and guards, respectively. Haney and Zimbardo report that "despite using several valid

personality tests, we found that we were unable to predict (or even postdict) who would behave in what ways and why." (1998, p. 720).

- The experiments on honesty and deception in schoolchildren apparently yielded similar results, thereby challenging the predictive power of the traits of honesty and dishonesty (Hartshorne and May 1928). The experimenters had expected to find that there were honest and dishonest subjects distributed on an honesty-dishonesty scale. Instead, they found that honesty in one situation, such as cheating in a school test, failed to predict behavior in a different situation, such as a stealing situation or a party game. Apparently, situational similarities rather than trait measures made the difference.

The predictive power of situational effects has been widely documented in organizational scholarship as well. For example, Davis-Blake and Pfeffer claim that "dispositions are likely to have only limited effects on individual reactions in organizations" (1989, p. 387). Rather, structural factors such as compensation systems, reinforcement patterns, job design, socialization, and position in social information networks "appear to be more directly linked to job attitudes than personality traits." (1989, p. 388)

Situationists conclude that the predictive power of traits is so small that "one cannot predict with accuracy how particular people will respond. . . using information about an individual's personal dispositions." (Ross and Nisbett 1991, p. 2)

However, the conclusion does not hold, as I shall argue in the remainder of this chapter. I shall examine three strategies to resist the situationist's critique on the predictive power of virtue.

Contesting the Situationist Data

First, one may challenge the situationist evidence and the Situationist's interpretation of it. There are at least five distinctive methodological flaws in the studies against the predictive power of virtue. The empirical evidence adduced by the Situationist involves:

1. Artificial consistency (because the experimental context is different in the lab and in natural contexts)
2. Inaccurate measures of situational effects (because the predictive power of situations was determined by subtraction: for example, if it was found that a personality variable correlated .40 with a behavioral measurement and, hence, it explained 16 % of the variance, the other 84 % was assigned by default to the situation; however, it would be equally reasonable to attribute the missing variance to other personality variables that were not measured by the experimenter)
3. Experimental conditions which prevent the behavioral expression of virtues (because the subjects did not know how to react to the extreme and novel situations they were exposed to)

4. Cross-sectional studies which cannot license conclusions about the predictive power of the virtues (because one-shot studies do not track the subject's behavior across different situations)
5. Inferences of individual behavior from group behavior, which can be misleading (because not all individuals in a group behave like the group average)

In sum, if the situationist attack is an empirical critique, its fate must ultimately be decided by empirical evidence. And the empirical evidence does not support the claim that virtue lacks predictive power. Even if situationists are correct in the putative upper limit of predictability (.40), such a correlation is bigger than it might seem. Rosenthal and Rubin's (1982) binomial effect size display offers a more accurate evaluation of a .40 correlation: it means that a prediction of behavior based on a personality trait score is likely to be accurate 70 % of the time, which makes a big difference in the long run – as the average level of the person's states are more predictable (Fleeson 2001) – even if it does not predict single actions at particular moments. And, more importantly, the effects of situational variables on behavior – in studies such as the Good Samaritan and the Milgram experiments – are as big as personality effects, that is, roughly .40!

I have thoroughly examined these misinterpretations and methodological flaws elsewhere (Alzola 2008). Together, these objections make a compelling empirically based case against the situationist thesis on the (lack of) predictive power of virtue.

Highlighting the Predictive Power of Dispositional Factors

Let us now consider a second alternative to defend the predictive power of virtue. There is a fair amount of evidence in personality psychology and management scholarship documenting dispositional effects on human behavior.

For instance, in a study of a group of lower-level company management staff, Haas (1966) found a correlation of 0.52 between a dispositional measure of hostility and tendencies to workplace obedience on firing decision. In the same vein, experimental economists have found correlations between personality classifications and behavior in public good and trust games (Swope et al. 2008). And personality psychologists conducting research on the Five Factor Model and the HEXACO models of personality report that honesty-humility, conscientiousness, and agreeableness are strong predictors of moral and immoral behavior.

Organizational scholars have found significant dispositional effects. Among others, they have reported that an affective disposition is a significant predictor of job satisfaction (Staw et al. 1986) and that emotional stability, extraversion, and conscientiousness predict job performance (Barrick and Mount 1991). They have also found that a person's self-concern and others' concern and levels of aspiration-differentiation predict negotiation behavior (Chen et al. 2003) and that openness to experience predicts training proficiency (Barrick and Mount 1991).

In this volume, Bleidorn argues for the predictive power of traits, which she defines as a person's density distributions of virtue states. She explains how a

person's virtuous behavior forms a distribution over time, which is marked by a relatively stable mean and more or less variability around this mean. Thus, she concludes, the average level of and the variability in virtuous behaviors is highly predictable. Moreover, she identified sources of within-person variability in virtuous behavior that are relevant to business ethics, namely, how a person's virtue states change as a function of the social roles he or she plays. Bleidorn illustrates this point with the case of the manager, who is expected to act in an assertive and tough-minded way in the office but is supposed to act in a caring and affectionate way at home; she reports that "working parents' variability in virtue states was not random, but a function of the social role context they were acting in. Thus, she suggests, the person's average levels of virtue states and their variability in virtuous behavior are highly predictable.

Along similar lines, also in this volume, Morse and Cohen emphasize that moral character is a useful concept to study because of its predictive power in the workplace. Against the situationist thesis, their studies on organizational citizenship behaviors (OCB) – mentoring, volunteering, expressing gratitude, and other helpful acts – and counterproductive work behaviors (CWB) – lying, stealing, abusing colleagues, and other harmful acts – indicate that employees of low levels of moral character committed substantially more counterproductive work behaviors than those with average or high levels of moral character, both according to their self-reported behavior and their coworkers' observations of their behavior. Furthermore, Morse and Cohen report that guilt proneness, self-control, and moral identity are strong predictors of moral and immoral behavior in the workplace. Thus, they conclude, "moral character not only exists, but plays an influential role in determining employees' good and bad work behaviors" and so "employers would benefit from taking notice of [these character traits] when making selection and promotion decisions."

Measuring Virtue and Virtuous Action

A third strategy to rescue the predictive power of virtue from the situationist critique would challenge the measures of (a) virtue and (b) virtuous behavior used by the experimenter.

As explained in this section, virtue ethicists argue that virtue enables accurate predictions of its possessor's behavior. The fully virtuous person will characteristically – and more likely than anyone who does not possess the virtues – perform a virtuous action. But psychologists hold a radically different account of what a virtue is and what a virtuous action is. Hence, they operationalize these accounts of virtue and virtuous action into empirically measurable variables that are completely foreign to the virtue ethicist's understanding of the predictive power of virtue (Alzola 2015).

What Virtue Is
We have said in section "Introduction" that a virtue has four dimensions, namely, an intellectual, an emotional, a motivational, and a behavioral dimension. But the

experimenter reduces virtue to its behavioral aspects. A virtue is defined as a single linear trait that bears a one-to-one correspondence with certain behavior in any situation where it is relevant. Thus, the intellectual, emotional, and motivational components of virtue are ultimately reduced to the behavioral component.

Situationists in psychology hold that we do not need to provide a conceptual analysis of virtue because trait attributions are made purely on the evidence of behavior. As the classification of traits is based on observable behavioral regularities, which are made for the purpose of predicting future behavior, even if behavior is caused by internal factors, we do not need to know those factors. In other words, we can classify people and make predictions without recourse to the underlying factors. Consequently, the psychologist holds that emphasis should be only at the level of behavior, whatever the underlying causes of behavior are.

Situationists in philosophy also advance a reductive theory of virtue. They would not think of embracing behaviorism in the realm of perception and thought but nonetheless are behaviorists about virtue. They do not think that virtues amount to anything normatively interesting; thus, they are committed to the claim that moral virtues derive their content and normative force from deontic concepts: philosophical situationists simply define virtue as a disposition to act in conformity with certain principles or rules of action.

The problem with this account is that it does not provide a comprehensive account of virtue; it fails to integrate its four dimensions. Reducing virtue to behavior may lead to either blindness to virtue – where it may actually be present – or seeing virtue where there is none, because factors behind relevant behavior are overlooked.

What a Virtuous Action Is

Virtue ethics offer a distinctive story about the sort of acts that are right. An action (performed in certain circumstances) is virtuous if and only if it is an action that a virtuous person (acting in character) would characteristically perform in the circumstances in question.

Soccer coach Pep Guardiola says that he often uses this principle when he has a (coaching) problem: he tries to put himself in the shoes of his former ("virtuous") mentor, Johan Cruyff (who passed away this year): "Sometimes I ask myself what would Johan do? That's what happened to me against Juventus, I already had the rope around my neck but we finished by winning." ("Pep Guardiola pays tribute to mentor Johan Cruyff." WorldSoccer Talk, March 25, 2016. Available at: https://worldsoccertalk.com/2016/03/25/pep-guardiola-pays-tribute-to-mentor-johan-cruyff/).

Aristotle says it better: "actions are called just or temperate when they are the sort that a just or temperate person would do. But the just and temperate person is not the one who [merely] does these actions, but the one who also does them in the way in which just or temperate people do them." (EN, 1105b5ff)

The above passage highlights an important distinction between right actions and virtuous actions. Whereas the value of the former is purely instrumental, as a means to the right product, the value of acting from virtue has intrinsic value. A virtuous action has a characteristic motive; it is not simply a means to some further good. Hence, an action is honest if and only if it is carried out by an honest person in the

way an honest person would do it (i.e., for the right end, about the right people, in the right way, at the right time, etc.)

The problem with the situationist account of virtuous action is that it fails to capture the priority of virtue concepts over deontic concepts. The problem is both methodological and normative. The methodological problem is the reduction of virtue to behavior in empirical studies, which downplays the role of character in the conceptualization of virtuous actions. While psychologists define and operationalize an action as virtuous by reference to the qualities of the action, virtue ethicists are more concerned with the qualities of the agent performing such an action.

The problem is also normative as the reduction of virtue to duty categories entails a commitment to the normative priority of *deontic* concepts in the conceptualization of virtue. Philosophical situationists take *deontic* concepts such as "ought," "right," and "duty" to be the fundamental concepts of ethics and define virtue in terms of deontic notions. But virtue ethicists take *aretaic* notions such as "admirable" and "excellent" to be the fundamental ones.

There is a link between the two problems. We should not reduce virtue to behavior, if we take virtue to have normative priority because a virtuous action is defined as what a person of good character would do under the circumstances. Hence, accurately measuring virtue and its predictive power entails a commitment to a different methodological approach to identifying and observing virtue. We need to study first the virtuous person rather than how his or her actions are in conformity with certain principles or rules of action.

The empirical studies discussed in this section of the Handbook define virtuous actions as those that conform to certain moral rules and, then, define a virtuous person as one who reliably and characteristically perform such actions. But if qualities of character are normatively more basic than rules and actions, it follows that we will understand what it means to act virtuously only through the study of the nature and inclinations of the virtuous person, not (only) through the observation of seemingly virtuous actions.

We have good reasons to distinguish *being* virtuous and *acting like* a virtuous person because even the most vicious person may act like the virtuous one. A person who possesses a virtue has a standing commitment to acting from it, in the sense that her cognitive, emotional, motivational, and behavioral states are all well aligned.

Conclusion

I have argued that virtue attribution has the purposes of (a) describing how a person differs from others; (b) explaining a person's beliefs, desires, emotions, motivations, and behavior; (c) predicting what a person would do – and how he or she would do it – under different circumstances; and (d) assessing the moral qualities of a person. The explanatory and predictive roles of virtue ascriptions carry a commitment to the

existence of causal mechanisms. Yet, the explanatory and predictive power of virtue has been recently put into question.

If my argument was sound, virtue can be meaningfully and successfully used in explanations and predictions of behavior in organizations.

Following Aristotle's practical syllogism (and his examination of *akrasia*), I have argued that a virtue always causes the corresponding virtuous beliefs, desires, emotions, motivations, and behavior. And, following Sellars, I have argued here and elsewhere (Alzola 2012) that it makes sense to think of mental entities as postulates of a psychological theory and that there are covering laws linking psychological entities with actions and words. This is so even if such mental entities are not couched in the language that we use to refer to psychological entities in a scientific theory. Psychologists have not been able to demonstrate causal mechanisms but some – including Bleidorn and Morse & Cohen in this volume – claim that virtue-possession can be demonstrated to be reliably correlated with behavior. Hence, a plausible functional story linking virtue attribution and virtuous action can be articulated.

As for the use of virtue to predict virtuous actions, I have examined the empirical evidence on experimental social psychology, behavioral economics, and management scholarship that allegedly discredit the predictive power of virtue. I have offered three arguments to resist the Situationist challenge. First, the empirical evidence does not license the conclusion that virtue lacks predictive power. Second, psychologists have reported significant dispositional effects, which suggest that character is a strong predictor of behavior in the workplace and elsewhere. Third, the psychologist's measures of virtue and behavior are radically different from the account of virtue and virtuous actions that virtue ethicists have in mind when they postulate the predictive power of virtue.

Let me conclude with four caveats. While the first and the second strategy to resist the situationist claim against the predictive power of virtue work well together, they might be mutually incompatible with the third strategy, which challenges the conceptualization of virtue (and virtuous action) not only in the studies *against* virtue but also in the studies *for* the predictive power of virtue. Second, the version of virtue ethics I have defended here is not without problems: if the situation is such that even the fully virtuous person may fail to behave in a perfectly virtuous manner, then virtue ethics would not be able to determine the right action by reference to what the virtuous person would do. This may happen either because of some kind of deficiency in the agent or some deficiency in the world. Third, and relatedly, there is a problem of circularity. Virtue is supposed to be habitually manifested in the agent's behavior. But we cannot assess the agent's behavior without full information about the agent's state of character because the action is not virtuous unless performed by a virtuous agent. But, on the other hand, we cannot assess the agent's character without considering his or her actions, reactions, and motivations. I consider some strategies to effectively rebut these objections elsewhere (Alzola 2015, 2017). Lastly, if we take both Sellars and Davidson seriously, it follows that there are serious limits on using virtues (alone) to predict behavior, at least in the case of individual actions

because of all the other forces that affect behavior. Furthermore, if I know that you are courageous, I may still not know what you are going to do in a certain situation because I may not agree with you about how to factor in the circumstances – how, when, to whom, etc. – that virtue ethicists say must be considered in making a courageous decision.

References

Alzola M (2008) Character and environment: the status of virtues in organizations. J Bus Ethics 78:343–357

Alzola M (2012) The possibility of virtue. Bus Ethics Q 22:377–404

Alzola M (2015) Virtuous persons and virtuous actions in business ethics and organizational research. Bus Ethics Q 25(03):287–318

Alzola M (2017) Character-based business ethics. In: Snow N (ed) The Oxford handbook of virtue. Oxford University Press, New York

Annas J (2011) Intelligent virtue. Oxford University Press, New York

Aristotle (1999) Nicomachean ethics (NE), 2nd edn. (trans: Irwin TH). Hackett Publishing Co., Indianapolis

Armstrong DM, Martin CB, Place UT (1996) Dispositions: a debate. Routledge, New York

Barrick MR, Mount MK (1991) The big five personality dimensions and job performance: a meta-analysis. Pers Psychol 44:1–26

Cattell RB (1943) The description of personality. I. Foundations of trait measurement. Psychol Rev 50(6):559

Chen Y, Mannix EA, Okumura T (2003) The importance of who you meet: effects of self-versus other-concerns among negotiators in the United States, the People's Republic of China, and Japan. J Exp Soc Psychol 39:1–15

Davidson D (1980) Essays on actions and events. Clarendon, Oxford

Davis-Blake A, Pfeffer J (1989) Just a mirage: the search for dispositional effects in organizational research. Acad Manag Rev 14(3):385–400

Fleeson W (2001) Toward a structure-and process-integrated view of personality: traits as density distributions of states. J Pers Soc Psychol 80(6):1011–1027

Garcia SM, Weaver K, Moskowitz GB, Darley JM (2002) Crowded minds: the implicit bystander effect. J Pers Soc Psychol 83(4):843

Haas K (1966) Obedience: submission to destructive orders as related to hostility. Psychol Rep 19(1):32–34

Haney C, Zimbardo P (1998) The past and future of US prison policy: twenty-five years after the Stanford Prison Experiment. Am Psychol 53(7):709–727

Harman G (2003) No character or personality. Bus Ethics Q 13(1):87–94

Hartman EM (1998) The role of character in business ethics. Bus Ethics Q 8:547–559

Hartshorne H, May MA (1928) Studies in the nature of character: vol. I. studies in deceit. Mac-Millan, New York

Heath J (2014) Morality, competition, and the firm: the market failures approach to business ethics. Oxford University Press, New York

Hempel CG, Oppenheim P (1948) Studies in the logic of explanation. Philos Sci 15(2):135–175

MacIntyre A (1981) After virtue. University of Notre Dame Press, Notre Dame

Mackie JL (1977) Dispositions, grounds, and causes. Synthese 34(4):361–369

Milgram S (1974) Obedience to authority. Harper and Row, New York

Moberg DJ (1999) The big five and organizational virtue. Bus Ethics Q 9:245–272

Prior E (1982) The dispositional/categorical distinction. Analysis 42:93–96

Putnam H (2002) The collapse of the fact/value dichotomy and other essays. Harvard University Press, Cambridge, MA

Rosenthal R, Rubin DB (1982) A simple general purpose display of magnitude and experimental effect. J Educ Psychol 74:166–169

Ross L, Nisbett RE (1991) The person and the situation: perspectives of social psychology. Temple University Press, Philadelphia

Ryle G (1949) The concept of mind. Hutchinson & Co., London

Schwartz N (2002) Feelings as information: moods influence judgments and processing strategies. In: Gilovich T, Griffin D, Kahneman D (eds) Heuristics and biases: the psychology of intuitive judgment. Cambridge University Press, Cambridge

Sellars W (1997) Empiricism and the philosophy of mind. Harvard University Press, Cambridge, MA

Solomon R (1992) Ethics and excellence. Oxford University Press, New York

Staw BM, Bell N, Clausen J (1986) The dispositional approach to job attitudes: a lifetime longitudinal test. Adm Sci Q 31:56–77

Swope KJ, Cadigan J, Schmitt PM, Shupp R (2008) Personality preferences in laboratory economics experiments. J Socio-Econ 37(3):998–1009

Tang TLP, Sutarso T, Davis GMTW, Dolinski D, Ibrahim AHS, Wagner SL (2008) To help or not to help? The Good Samaritan effect and the love of money on helping behavior. J Bus Ethics 82(4):865–887

Williams BAO (1985) Ethics and the limits of philosophy. Harvard University Press, Cambridge

Wright PM, George JM, Farnsworth SR, McMahan GC (1993) Productivity and extra-role behavior: the effects of goals and incentives on spontaneous helping. J Appl Psychol 78(3):374–381

Part XVI

Virtues and Flourishing (Eudaimonia), Wellbeing, and (Workplace)

Work and Happiness

Surendra Arjoon, Álvaro Turriago-Hoyos, and Bradley M. Braun

Contents

Abstract

This chapter examines the nature of work and its link with human flourishing or happiness. Several dimensions of work are identified, including the nature, objective, subject, and how work is carried out. Work involves the production of use-values and the creation and sustenance of ethical relations. Work is an indispensable means for personal development and human flourishing when it is carried out with technical competence and in a spirit of service. Empirical studies show a moderate positive link between pay level and happiness. However, rising income alone does not ensure a person's happiness.

S. Arjoon (✉)
Department of Management Studies/Arthur Lok Jack Graduate School of Business,
The University of the West Indies, St Augustine Campus, Trinidad
e-mail: Surendra.Arjoon@sta.uwi.edu

Á. Turriago-Hoyos
Department of Economics and International Finance, Universidad de La Sabana, International
School of Economics and Business Administration, Chía, Colombia
e-mail: alvaroth@unisabana.edu.co

B.M. Braun
Department of Economics, University of Central Florida, Orlando, FL, USA
e-mail: bbraun@bus.ucf.edu

Introduction

The relationship among virtue, work, and happiness is captured by Saint John Paul
II in his 1981 papal encyclical *Laborem Exercens* (On Human Work), in which he
stated that "work is a good thing for man – a good thing for his humanity – because
through work man not only transform nature, adapting it to his own needs, but he
also achieves fulfillment as a human being and indeed in a sense becomes more of a
human being." Without this consideration, it is impossible to understand what the
virtue of industriousness truly means. "The virtue of industriousness is a moral
habit, whereby man becomes good" (p. 364).

From this perspective, virtue, work, and happiness are intimately related. Work
has both a transformative and relational dimension in terms of the production of
useful goods and services, in which work improves material well-being, provides
family support, helps build up the community (i.e., the society of persons), and
contributes to social well-being. Work also has an intrinsic dimension that reflects
its dignity. Work contributes to the development of a one's personality and to a
person's flourishing, which are both supported by virtues. In particular, Aristotle
(1985, p. 284) proposed that "happiness is an activity expressing virtue." Any
human activity, including work, is therefore an opportunity to express virtue
aimed at happiness or human flourishing. Consequently, the development and
practice of virtues are indispensable in order to effectively address the extrinsic
(transformative and relational) and intrinsic dimensions. Although there are many
views of virtues (situation-specific, utilitarian or instrumental, or stable and long-
term dispositions), this chapter focuses on an Aristotelian-Thomistic virtue, which
incorporates both hedonic (materialistic well-being including pleasure-seeking
behavior) and eudaimonic (intrinsic or self-fulfilling behavior). From this perspec-
tive, happiness at work depends on the practice of virtues.

Defining Work

All human activities, including work, have happiness or human flourishing as their
ultimate goal. For example, Vogt (2005) observed that the rich treatises of Aristotle,
Thomas Aquinas, and others testify to the fact that systematic reflection about
ethics is ultimately about discerning the ways of living that promote human well-
being. A good part of a person's life is conditioned by the reality of work.
According to Maxon (1999), as staffing has declined and workloads have increased,

today's employees work more hours than was the norm of 25 years ago. This increase in workloads is the equivalent of an additional month of work every year.

One of the first references to work that had a major influence on Western attitudes is from the Judeo-Christian tradition recorded in the first book of the Bible. In Genesis 15: "The Lord God took the man and put him in the garden of Eden to till it and keep it." After the *original sin*, or the sin of pride, work became associated with "toil," "sweat," "weariness," "exhaustion," "struggle," etc. After Adam and Eve disobeyed God, work was interpreted to be a curse, penalty, or punishment from the Almighty. This interpretation has resulted in a negative attitude toward work and a positive attitude toward leisure. In the standard economic utility maximization model, the trade-off is between work and leisure. The opportunity cost of an hour of leisure is the wage given up by not working. The hedonistic principle behind the utility hypothesis is that work is to be endured or avoided; that is, work is for leisure.

It should be noted that even before the original sin, Adam and Eve had a vocation to work. Aquinas (1981) was of the opinion that despite the toil, work is a good thing for a person because it bears on their humanity or interior characteristics, which operate within the community. Some Western religions such as Puritanism, Calvinism, and Judaism view work as either punishment or reward, depending on how work correlates with material success. In contrast, many Eastern religions view work as good because it is an integral aspect of human activity and an expression of a person's harmony with the environment (Brincat and Wike 2000).

Lewis (1973) distinguished between two types of work: (1) work that is worth doing for its own sake, such as that of the helping professions (e.g., teachers, doctors, pastors, nurses, etc.), and (2) work carried out merely to make money, in which the actual work is irrelevant and is simply a means to an end. Stephan (2013) remarked that working solely for monetary gain is at best unnecessary for the world's betterment and at worst positively harms others. One can also distinguish between paid and unpaid work, tangible and intangible outcomes, occupations and professions, direct and indirect services, etc. There are, therefore, different dimensions and perspectives when defining work and what it entails.

Happiness and Work

Hinchliffe (2004) gives one of the most simple and succinct definitions of work as "an activity that produces use-values, services, or both." He further connects the idea of human flourishing and work. Work involves both rational activity and agency. Rational activity involves the construction of ends or purposes coupled with the establishment of the means by which the ends or purposes are to be attained. Agency involves the intentional and engaged activity on the part of some agent, which, for example, could be work in the spirit of service. In particular, the presumption is that work connects with human flourishing because it has both ethical and technical dimensions. In this sense, the definition of work described

above must take into account the transcendental relationship between work and human flourishing.

Csikszentmihalyi (2003) studied the link between work and satisfaction and found that people most enjoyed moments when their work provided equilibrium between their abilities and the challenges they faced in the context of overarching group goals. Individuals experience "flow" or occasions in which a person becomes immersed in a worthwhile activity, which brings about personal growth and development. Vogt (2005) complemented this view by incorporating a much more comprehensive vision of what serves people's well-being. Vogt promotes the apparent counterintuitive idea that the primary purpose of work is to promote the intrinsic goal of personal growth and the dignity of workers and not merely the extrinsic goal of producing valuable and useful commodities.

If indeed the primary purpose of work is to promote the intrinsic goal of personal growth and the dignity of workers, one can extract four dimensions that are necessary to link work and happiness. These four dimensions include the nature of the work itself, the objective of work, the subject of work, and how work is carried out. Without these dimensions, work may lead to stress and disillusionment.

In defining the nature of work, it must be recognized that work, in and of itself, is morally neutral. For example, the work of a homemaker is no less honorable than that of a corporate CEO. When one type of work is judged superior to another, it is usually in the context of economic worth as reflected by the market.

The objective of work refers to its intentionality. A person may work solely to earn money, but the underlying motivation is not always the same. For example, a person could work for a paycheck to support their family, to help those who are less fortunate, or to simply obtain a more comfortable life. People are also motivated to work in order to support their community and society, to provide personal development, and to promote a bond of union or solidarity with others or as a means and path to happiness. Work in this sense can be either through direct or indirect services.

The subject of work involves the rights and dignity of workers. Workers have a right to both and a just wage. To have dignity, workers must be valued as human being rather than as a producing unit and be provided with a safe and proper work environment, and labor must have priority over capital. In this context, a just wage is not based on market outcomes or on legal mandates such as the minimum wage. Rather a just wage considers a worker's personal circumstances, the competitive position of the firm they work for, and other socioeconomic conditions. The priority of labor over capital implies that work is for people, rather than people are for work.

The final dimension is how work is carried out. Brincat and Wike (2000) point out the importance of how a person carries out their work in terms of its greater moral relevance, rather than the work actually performed. How work is carried out presupposes technical competence. This means that, as far as it is practical, a worker needs to be appropriately trained, provided sufficient and relevant resources, and kept up-to-date with the latest developments.

The four dimensions of work (i.e., its nature, objective, subject, and how it is carried out) must be fulfilled in a spirit of service that entails the well-being of

others. In this view, all work can be described as *professional work*. Turkson (2011) identifies three interdependent activities that presuppose work. The first activity addresses the genuine need for humans to create, develop, and produce goods and services, such as lifesaving medical devices, microfinance, education, social investment, health care, affordable housing, or anything that contributes or facilitates human and social development. The second activity involves the organization of good and productive work, while the third activity involves the use of resources to create and share both wealth and prosperity in sustainable ways.

Hinchliffe (2004) concludes that work is not simply the production of use-values through technical means but also involves the creation and sustenance of ethical relations. Work includes not just the fulfillment of professional obligations and duties, but also the notion of strict justice. Strict justice involves doing all work honestly, whether it is intellectual or manual, significant or insignificant, and paid or unpaid. In this context, when work is carried out with professionalism and in a spirit of sacrifice and service, it becomes indispensable for personal development. This view of work is rooted in humanism, which insists on the inseparable synthesis between spiritual and material well-being. Therefore professional work is not limited to professional duties and obligations. Professional work must be more than a simple reflection of strict justice. That is, professional work must extend beyond the letter of the law. Work carried out in a spirit of service is imbued with self-sacrifice, love, and compassion and with the aim of helping others.

Adhering to strict professional duties inclines one to be more self-centered and closed to the needs of others. This phenomenon can be described by what is termed the *logic of professional service*, in which one provides services in order to receive an appropriate remuneration. On the other hand, professional work characterized by a spirit of service promotes an enlightened self-interest that goes beyond the logic of professional services. The principle of gratuitousness, or giving without claim, is at the heart of work in the spirit of service. That is, professional work done in a spirit of service and sacrifice recognizes the dignity of both work and people, thereby promoting the common good. When work is driven solely by a materialistic mentality, it will be viewed by many as solely the economic value derived from markets, without consideration of work's profound ethical dimension. Therefore, the value of work from an ethical perspective focuses on realizing and ennobling human dignity and happiness.

Happiness at Work

A growing number of studies have shown that happiness, or subjective well-being, has important consequences for both individuals and organizations. Fisher (2010) identified several happiness-related constructs including job satisfaction, work engagement, and affective organizational commitment. These happiness-related constructs can be conceptualized and measured at multiple levels, including transient experiences, stable person-level attitudes, and collective attitudes.

Chowdhury and Fernando (2013) divided subjective well-being into spiritual and material well-being. Spiritual well-being refers to personal, communal, transcendental, and environmental aspects. Material well-being involves job and financial security, possessions, health, etc. Wyld and Maurin (2011) investigated whether more money buys more happiness on the job. Numerous studies on the correlation between pay and motivation, and between pay and job satisfaction, have yielded results that are inconclusive and sometimes contradictory. Wyld and Maurin further observed that there is a great deal of variance across employees, which could be accounted for by how money is valued, and the role of personal financial goals and pressures. They conclude that while money is no doubt motivating to some, it is also transitory.

In a meta-analysis of 86 studies that examined the correlation between pay and job satisfaction, Judge et al. (2010) found a statistically significant but modest positive relationship of both nominal and relative wages to job satisfaction. However, it is interesting to note that those employees in the top half of the pay distribution were no more satisfied with their pay and jobs, than those in the bottom half. This result supports the *Easterlin Paradox* that beyond a certain threshold, more pay contributes little satisfaction or well-being. Judge et al. put forward the proposition that for many workers, the value of a raise could be compared to the often short-lived euphoria of newlyweds. These findings corroborate with those of Teresa Rothausen-Vange (2013), which are summarized in the University of St. Thomas's *Work and Well-Being Study*. The study showed that life's issues, such as money problems, chronic headaches, family drama, or lack of sleep, all impact an employee's ability to be fully engaged at work.

Therefore, the well-being of workers may not depend primarily on job factors, but rather on personal issues outside the workplace. Prottas (2013) found that perceptions of a manager's behavioral integrity influence an employee's behavior and well-being. Warr (2007) details the nature and measurement of happiness on three levels of subjective well-being: (1) *context-free*, which involves an evaluation of life as a whole without restriction to a particular setting; (2) *domain specific*, which relates experiences to one part of life space such as a job, family, or health; and (3) *facet specific*, which focuses on one particular aspect of a domain such as income received from employment. Human potential and flourishing in the workplace includes the "flow" or the engrossed experiences that bring about personal growth and development. To maximize human potential, Vogt (2005) proposes that the structure of the work environment be organized in such a way as to develop a variety of human capabilities.

Conclusion

Work involves the production of goods and services and is intrinsically linked with happiness when performed with professionalism and in a spirit of service and in the promotion of the common good. A growing number of studies have shown that happiness, or subjective well-being, has important consequences for both

individuals and firms. Studies have also shown that there is a relationship between job satisfaction, pay, the work environment, and non-job factors. On an individual level, it is important to understand how each employee deals with these factors in order to structure a work environment (including support services) that is conducive to developing human capabilities and maximizing human flourishing.

References

Aquinas T (1981) Summa theologica, vol II. Ave Maria Press, Notre Dame

Aristotle (1985) Nicomachean ethics (trans: Irwin T). Hackett, Indianapolis

Brincat C, Wike V (2000) Morality and the professional life: values at work. Prentice Hall, Upper Saddle River, New Jersey

Chowdhury R, Fernando M (2013) The role of spiritual well-being and materialism in determining consumers' ethical beliefs: an empirical study with Australian consumers. J Bus Ethics 113:61–79

Csikszentmihalyi M (2003) Good business: leadership flow and the making of meaning. Viking, New York

Fisher C (2010) Happiness at work. Int J Manag Rev 12:384–412

Hinchliffe G (2004) Work and human flourishing. Educ Philos Theory 36(5):535–547

John Paul II (1981) *On human work: Encyclical Laborem exercens*. Washington, D.C: Office of Publishing Services, United States Catholic Conference

Judge T, Piccolo R, Podsakoff N, Shaw J, Rich L (2010) The relationship between pay and job satisfaction: a meta-analysis of the literature. J Vocat Behav 77(2):157–167

Lewis C (1973) The world's last night and other essays. Harcourt Brace Jovanovich, California

Maxon R (1999) Stress in the workplace: a costly epidemic. Fairleigh Dickson University Magazine, Summer

Prottas D (2013) Relationships among employee perception of their manager's behavioral integrity, moral distress, and employee attitudes and well-being. J Bus Ethics 113:51–60

Rothausen-Vange T (2013) UST work and well-being study. University of Saint Thomas, Minnesota. Available at http://www.stthomas.edu/business/faculty/research/ust-wws/default.html

Stephan K (2013) The worth of work. Available at http://www.mercatornet.com/articles/view/the_worth_of_work

Turkson P (2011) Vocation of the business leader: a reflection. Pontifical Council for Justice and Peace, Vatican City State

Vogt C (2005) Maximizing human potential: capabilities theory and the professional work environment. J Bus Ethics 58:111–123

Warr P (2007) Work, happiness, and unhappiness. Lawrence Erlbaum Associates, Mahwah, New Jersey

Wyld D, Maurin R (2011) Does money buy more happiness on the job? Acad Manage Perspect 25(1):101–102

Virtue and Happiness

Surendra Arjoon, Álvaro Turriago-Hoyos, and Bradley M. Braun

Contents

Abstract

Any human activity is an opportunity to express virtue aimed at happiness or human flourishing. This chapter focuses on the Aristotelian-Thomistic view of virtue, which incorporates both a materialistic pleasure-seeking behavior called hedonic, and an intrinsic or self-fulfilling behavior called eudaimonic. The role and relationship between intellectual (epistemic) and moral virtues is important for overcoming biases that prevent a person from achieving happiness.

Keywords

Aristotelian-Thomistic virtue • Intellectual virtue • Moral virtue • Hedonic happiness • Eudaimonic happiness • Human flourishing

S. Arjoon (✉)
Department of Management Studies/Arthur Lok Jack Graduate School of Business,
The University of the West Indies, St Augustine Campus, Trinidad
e-mail: Surendra.Arjoon@sta.uwi.edu

Á. Turriago-Hoyos
Department of Economics and International Finance, Universidad de La Sabana, International
School of Economics and Business Administration, Chía, Colombia
e-mail: alvaroth@unisabana.edu.co

B.M. Braun
Department of Economics, University of Central Florida, Orlando, FL, USA
e-mail: bbraun@bus.ucf.edu

Introduction

As proposed by Aristotle (1985, p. 284),"*happiness is an activity expressing virtue*." Any human activity is therefore an opportunity to express virtue aimed at happiness or human flourishing. Consequently, the development and practice of virtues are indispensable to address effectively the extrinsic (transformative and relational) and intrinsic dimensions. Although there are many views of virtues (situation-specific, utilitarian or instrumental, or stable and long-term dispositions), this chapter focuses on an Aristotelian-Thomistic view because it incorporates both hedonic (materialistic well-being including pleasure-seeking behavior) and eudaimonic (intrinsic or self-fulfilling behavior). Therefore, happiness depends on the practice of virtues.

Intellectual and Moral Virtues

Both Aristotle (1985) and Aquinas (1981) identified two categories of virtues in accordance with the division of the soul. The soul is form to the body's matter and the two are separate entities. *Intellectual* virtues are acquired through instruction and geared toward the goal of achieving excellence in reasoning and truth. *Moral* virtues perfect the will and are developed through practice and are geared toward achieving excellence in living a morally good life. The intellect is endowed with three virtues, which assist to perfect its speculative or theoretical activities. The first virtue is called *nous* (i.e., understanding or intuition), which is the habit of applying the first principles of thinking, and gives a person the ability to grasp or be aware of self-evident truths without the effort of discursive reasoning. Nous is oftentimes referred to as "common sense." The second virtue is called *sophia* (i.e., wisdom), which is the habitual knowledge of understanding fundamental truths and knowledge of things in their ultimate causes. Sophia consists of an ordering of all principles and conclusions into one body of truth. The third virtue is called *episteme* (i.e., science), which is the habit of the possession of truth reflected in the ability to grasp conclusions from the evidence in some specialized field of knowledge. Episteme assists in the perfection of practical activities such as *techne*(art), or the habitual knowledge of how to organize the production of useful things in the most efficient way. These practical activities also include *phronesis* (prudence or practical wisdom), which is the habit of knowing how to act morally in concrete situations. Phronesis is reflected by a person's ability to apply reason to human judgment through the discernment of the *telos* (an end) of human conduct, and to choose the proper means to an end.

Moral virtues are habits that operate under the direction of the will to obey correct reasoning, and to equip a person to act in accord with reason. Although there are many moral virtues as there are specifically different morally good acts, all are reducible to three core virtues: (1) the habit of giving to others what they are due, which is called *justice*, (2) the habit of dealing effectively with difficult situations, which is called *fortitude*, and (3) the habit of self-mastery or discipline over one's

tendencies for laziness, complacency, and disordered appetites, which is called *temperance*. These three virtues, along with practical judgment, are known as the *cardinal virtues* that hinge all other moral virtues together.

It is important to note the operational relationship between practical and other moral virtues. Moral virtues are necessary because they control the appetite or motive force of desire by making effective the commands of practical judgment. Moral virtues are the foundation and precondition of practical judgment. For example, the moral virtue of courage will facilitate the decision-maker to judge correctly in particular situations rather than acting out of ignorance. Though practical judgment is the prerequisite for the appropriate realization of the good, only a person who exercises practical judgment can do so because it enables them to discover the correct application of moral virtues in acting morally upright inconcrete situations (Pieper 1991). The cardinal virtues are prerequisite for the realization of the human capacity for being.

Both intellectual and moral virtues contribute to eudaimonic well-being as they guide the way a person deals with information, forms beliefs, and acquires knowledge (Zagzebski 1996; Roberts and Wood 2007; Baehr 2011). Also, as de Bruin (2013) notes, the intellectual (epistemic) virtues contribute not so much to the intrinsically valuable personal intellectual goods, but rather as instrumentally valuable epistemic goods that are the means to the realization of happiness. An intellectually virtuous agent is motivated by and takes delight in attaining cognitive or intellectual ends such as truth, understanding, wisdom, and rationality. A morally virtuous person is motivated by and takes delight in attaining ends that are morally good, such as justice, responsibility, and self-mastery. This is mirrored in the distinction between epistemic and nonepistemic actions.

Pieper (1991) points out that intellectual activity does not make one unqualifiedly good, rather intellectual activity makes one good in a restricted sense. This is because a person of low intelligence can be prudent as the acquisition of practical judgment does not so much depend on a person's intellectual ability but on the strength of their will. Pieper also points out that intellectual virtues considered alone are more excellent than moral virtues because they pertain to the intellective aspect of the agent. The moral virtues regulate the passions that belong to the sensitive aspect. From the perspective of the service that moral virtues render to the agent, intellectual virtues are more excellent because they facilitate the attainment of the agent's last end. Therefore, moral conduct does not primarily lie in developing the intellectual virtues, but rather the moral ones. A virtuous life entails perfecting human nature, which is characterized by the susceptibility or proneness to error, and the pursuit of *human nature as it ought to be*. A virtuous life is characterized by its natural inclination toward the acquisition of truth and goodness that is based on knowledge and promoted by the intellectual and moral virtues that harmoniously regulate a person's emotional life.

The interplay between the intellect and the will, which is promoted by their respective virtues, is reflected in the psychological process of decision-making. The decision-making process is divided into twelve steps (Cessario 2001): (1) *apprehension*, which occurs when the intellect recognizes that a given object, not yet

possessed, is good for the decision-maker, (2) *wish*, which arises when the apprehension becomes a wish if the will views the object as good for the agent, (3) *judgment* or *synderesis*, which follows when the intellect uses the first principles of practical reasoning to arrive at a general judgment that the given object is good for the decision-maker, (4) *intention*, which happens when the will responds with a desire to possess the object and causes the intellect to seek the means needed to make the possession of the object come about, (5) *deliberation*, which ensues when the intellect seeks to know the means that are necessary to obtain the object and presents the various means that will lead to its possession, (6) *consent*, which arises when the will gives its acceptance to the use of various means, (7) *decision*, which happens when the intellect judges the best means in a given circumstance and presents it to the will, (8) *choice*, which occurs when the will gives its consent to the use of the means chosen, (9) *command*, which elicits the intellect to list the various activities and operations that are involved in attaining the object chosen, (10) *application*, which causes the will to direct other powers to implement the steps toward obtaining the intellectually chosen object, (11) *performance*, which stimulates the intellect and other powers to respond to the command of the will, and (12) *completion*, which arises when the will takes pleasure in the possession of the good. Happiness is realized when the desire is fulfilled by the conscious possession of the good (Fagothey 2000).

Virtues and Happiness: Overcoming Biases

We are hardwired for struggle because virtues cannot be acquired without sacrifice. A human being cannot be humble without being despised, cannot be happy without being needy, and cannot be patient and compassionate without suffering. In promoting both intellectually and morally upright conduct, a person needs to struggle against both internal and external factors.

These factors include inherent biases and prejudices that human beings are prone to suffer in processing information (Barberis and Thaler 2002). As de Bruin (2013) points out, the epistemic or intellectual virtues have attracted little systematic attention from empirical researchers. He argues that epistemic virtues contribute to a person's avoidance of the traps inherent in several biases when forming beliefs, which decrease the influence if the biases enable and motivate people to take the epistemically virtuous action. Six examples are given by de Bruin: (1) the epistemic virtue of *love of knowledge,* or the desire to gain true beliefs about worthy and relevant objects that are supported by the available evidence, (2) the virtue of *epistemic courage,* or obtaining knowledge that one desires, (3) *epistemic temperance,* which is the disposition to choose the right amount of inquiry, (4) *epistemic justice,* or open-mindedness and impartiality when dealing with new information, (5) *epistemic generosity,* which is the disposition to give freely for the purpose of benefitting the receiver, and (6) *epistemic humility*, or ability to acknowledge one's fallibility in knowledge and intellectual capacities.

The development of both intellectual and moral virtues can help overcome myriad biases and obstacles for achieving happiness. These biases and obstacles include anxieties, self-doubts, fears, narcissistic behavior, and other mental and personality disorders (*innate psychological imbalances*), not taking notice of gradual changes in the environment including ethical transgressions(*desensitization*), lack of attention to details (*distractions*), not taking into account key stakeholders' views and those involved in the decision-making process (*moral exclusion*), transactions that place a person in a situation that can compromise their integrity(*quid pro quo arrangements*), ignoring important considerations (*fixation*), shifting blame on others (*diffusion of responsibility*), belief that a person's behavior is shrouded so they can do what they please without being detected(*de-individuation*), an overestimate of one's goodness and an underestimate of one's failings (*self-serving bias*), taking credit for outcomes that are attributable to external factors (*outcome bias*), the unspoken benefits stemming from one's deceptive maneuvers (*secondary gains*), actions that increase the chances that a behavior that precedes it will reoccur (*reinforcers*), the unconscious tendency for a person to assign to others the feelings and attitudes that are connected with the interactions with significant others during their childhood (*transference*), and the transference reaction of a professional to a client (*countertransference*).

Other obstacles for achieving happiness include pride, laziness, lack of ambition, abuse of power, irresponsibility, incompetence, lack of resources, etc. Factors that affect the person from the outside include unreflective behavior in familiar situations (*scripts*), when a person is unclear about some aspect of their role as it relates to organizational norms (*role ambiguity*), when organizational expectations create conflict (*role conflict*), and gender roles, power imbalances, and norms (*sociocultural factors*), the ease of access to an organization's resources (*the availability syndrome*), the incentive to look the other way (*golden shackles*), a bias toward noting evidence that is in accord with a person's character but disregarding evidence against it (*confirmation bias*), the assumption that behavior patterns are due to character traits without taking situational factors sufficiently into account (*correspondence bias*), and when a person clings to beliefs too closely in the face of counterevidence (*belief of perseverance*).

Conclusion

Happiness is an activity expressing virtue. The practice of virtues in overcoming biases and prejudices is critical for achieving happiness in a person's life. Both Aristotle and Aquinas identified two categories of virtues in accordance with the division of the soul: *intellectual* and *moral* virtues. Intellectual virtues perfect the intellect acquired through instruction that is geared toward the goal of achieving excellence in reasoning and truth. Moral virtues perfect the will and are developed by practice and geared toward achieving excellence in living a morally good life. Both *intellectual* and *moral* virtues contribute to the ability to overcome biases in a person's thinking and to the realization of happiness.

References

Aquinas T (1981) Summa theologica, vol II. Ave Maria Press, Notre Dame

Aristotle (1985) Nicomachean ethics (trans: Irwin T). Hackett, Indianapolis

Baehr J (2011) The inquiring mind: on intellectual virtues and virtue epistemology. Oxford University Press, Oxford

Barberis N, Thaler R (2002) A survey of behavioral finance. NBER, Cambridge, MA

Cessario R (2001) The moral virtues and theological ethics. University of Notre Dame Press, Notre Dame

de Bruin B (2013) Epistemic virtues in business. J Bus Ethics 113:583–595

Fagothey A (2000) Right and reason: ethics in theory and practice based on Aristotle and St Thomas Aquinas. Tan Books and Publishers, Rockford, Illinois

Pieper J (1991) A brief reader on the virtues of the human heart. Ignatius Press, San Francisco

Roberts C, Wood W (2007) Intellectual virtues: an essay in regulatory epistemology. Oxford University Press, Oxford

Zagzebski L (1996) Virtues of the mind: an inquiry into the nature of virtue and the ethical foundations of knowledge. Cambridge University Press, Cambridge

Cultivation of Virtuousness and Self-actualization in the Workplace

Mario Fernando and Rafi M. M. I. Chowdhury

Contents

Abstract

In Aristotelian ethics, cultivation of virtuous or good behavior is the key to achieving happiness or eudaemonia or human flourishing. Although Abraham Maslow is considered as a twentieth-century "eudaemonist," there is no comprehensive examination of the link between cultivating virtuousness and self-actualization in the workplace. Work allows people to become self-actualized (Maslow A. Maslow on management. Wiley, New York, 1998). This chapter considers cultivation of virtuousness and self-actualization through work as a process of development of the self toward higher well-being. After reviewing the relevant literature on Aristotelian ethics and positive psychology, we propose

M. Fernando (✉)
School of Management, Operations and Marketing, University of Wollongong, Wollongong, NSW, Australia
e-mail: mariof@uow.edu.au

R.M.M.I. Chowdhury
Bond Business School, Bond University, Robina, QLD, Australia
e-mail: rchowdhu@bond.edu.au

cultivating virtuousness and self-actualization at work as a project of the self, a project of growing, becoming, and evolving toward the ideal self. We highlight views that would support such a thesis.

Introduction

The thesis of this chapter is based on the assumption that Abraham Maslow's ideas were greatly influenced by Aristotle's philosophy. This is in line with the view of Ivie (1986) who views Maslow as an Aristotelian (see also Decarvalho 1991). According to Ivie (1986), Maslow's concepts such as potentiality, actuality, essence, and self are grounded in Aristotle's metaphysics. Furthermore, the internal logic used to justify Maslow's arguments is also based on Aristotelian thinking. For Maslow, virtues are developed while individuals are meeting their needs. For Aristotle, virtues are developed through habitual practice. Both recognized the possibility of individuals developing into superior human beings. For Maslow, they were self-actualized while Aristotle termed them as magnanimous beings. Both of these superior beings however share some common traits. Both stand out from the rest of the ordinary citizens in that they perceive values more efficiently. They are independent thinkers not easily influenced by others. In terms of differences, self-actualizers are compassionate and selfless, believing in human kinship. Maslow (1972) believed that ordinary citizens should emulate the values of self-actualizing people, thus recognizing that the values of self-actualized individuals represent those highest values of the human species (1972). However, Aristotle's magnanimous variety is aristocratic, and achievable only by the few, and helped others for personal superiority. While Maslow's values and ethics were more otherworldly and mystical, Aristotle's were pragmatic and developed with the immediate social and cultural context of the individual.

The rest of the chapter is organized as follows. First we present Aristotle's conception of virtue followed by Maslow's ideas of self-actualization. Next we examine the central role of work in society today and the meaning making ability of work. Next we integrate these ideas to present our thesis, the project of the self. We explain how cultivating virtuousness and the need to self-actualize is a project of the self, a project of growing, becoming, and evolving toward the ideal self, and how the workplace is an ideal ground for enabling the project of the self.

Cultivating Virtuousness

Since the last decade or so, the ethics discourse is being reshaped by the growing scholarly interest in virtue ethics. Virtue ethics has the character and character building of the agent at its heart (Sandler 2008) and on the "harmonious relationship

of the self with oneself, with the other and on the potentiality of eudaimonia, the good life in Aristotelian sense" (Bina and Vaz 2011, p. 173). Virtuous behavior or virtuousness refers to the best of the human condition, the excellence and essence of humankind, and the highest aspirations of humanity (see Comte-Sponville 2001; Weiner 1993; MacIntyre 1984).

In various disciplines, virtuousness has been associated with and portrayed in a variety of ways. According to Sison (2006), virtuousness in the context of governance can be examined in relation to speech (logos), character traits (ethos), and emotional disposition (pathos) (see also Cameron 2012). Moberg (1999) and others have used virtuousness to mean agreeableness and conscientiousness of managers in organizations. Virtuousness has also been linked to exemplifying genuine corporate social responsibility initiatives in natural disasters (see Fernando 2007, 2010). Further, virtuous behavior has been portrayed as a way to promote instrumentalist behavior by suggesting a hedonistic pursuit of human fulfillment (Cameron 2012). For example, Fowers (2005, 2009) and others (e.g., Fernando 2007, 2010) have linked virtuousness with ethics.

In Aristotelian ethics, cultivation of virtuous or good behavior is the key to achieving happiness or eudaemonia or human flourishing. Virtuousness recognizes that human beings act in and from character. Virtues of justice, temperance (good emotional balance), prudence (thinking before one acts), and fortitude or the courage to carry on with an ethical action are key virtues. Aristotle and, more recently, the philosopher Alasdair MacIntyre (1984) examines the interesting notion that virtues are related to practices, which can be related to the way employees carry out their work tasks and how effective they are. As with individuals, different kinds of organizations require different virtues in their employees. Virtuousness can be linked to employee effectiveness and excellence only if the virtues are actually put into practice. According to Aristotle, the way to perfect these virtues is through engaging in practical reasoning (Waterman 2004, 2011). Practical wisdom is one overarching virtue that would help in the engagement of practical reasoning but also in perfecting all other virtues.

Qualities of Virtues and Virtuous People

Virtues are equated with "excellence in the human soul" (Cameron 2012), and virtues refer not only to the strength of character (Grant and Schwartz 2011; Peterson and Seligman 2004). Cameron (2012) notes that a strength can be weak or strong, but virtuousness cannot be exceeded. He asserts that virtuousness is a collection of virtues in its totality. Virtuousness has the innate quality of growing and becoming. It has qualities of flourishing and enriching; "virtuousness possesses an affirmative bias and focuses on elevating, flourishing, and enriching outcomes". Virtuousness pursues the ultimate best – eudaemonism – rather than merely avoiding the negative or emphasizing the attainment of more valuable outcomes (Cameron 2012, p.27). According to Aquinas (1984), "virtuousness is rooted in human character, and represents 'what human beings ought to be' inherent goodness, humanity's very best qualities, or being in complete harmony with the will of

God" (Cameron 2012, p. 27). Virtuousness is also not exposed to impact from situational circumstances. In this manner, compared with ethical frameworks like deontology and utilitarianism, virtuousness can be applied universally. It is a stable standard of the good (Cameron 2012).

According to the eudaemonic assumption, humans have a tendency to gravitate toward moral goodness (Cameron 2012; see also Aristotle 1985; Dutton and Sonenshein 2007). This is well supported by several scholars. For example, Miller (2007) has produced evidence for an inherent and evolutionary human tendency to grow toward virtuousness: "a selective genetic bias for human moral virtuousness" (in Cameron 2012, p.28). According to Cameron (2012, p.30), individuals' commitment, satisfaction, motivation, positive emotions, effort, physical health, and psychological health are predicted by honesty, transcendent meaning, caring and giving behavior, gratitude, hope, empathy, love, and forgiveness (e.g., Giacalone et al. 2005; Fry et al. 2005; Kellett et al. 2006; Cameron and Caza 2004; Snyder 1994; Seligman 2002; McCullough et al. 2000; Emmons 1999).

Certain virtues, albeit with some "cross-culture variability, are valued in almost all cultures, converging across time, place and intellectual tradition" (Peterson et al. 2012, p.83). According to these researchers, classification system of universal virtues developed by Peterson and Seligman (2004) has focused on six universal virtues: "wisdom and knowledge (e.g., mastering new skills, bodies of knowledge), courage (e.g., the will to accomplish goals, not shrinking from threat), humanity (e.g., doing good deeds, valuing close interpersonal relations), justice (e.g., organising activities, working as a team), temperance (e.g., self-regulation), and transcendence (e.g., appreciating beauty, excellence; having coherent beliefs about purpose and meaning)" (Peterson et al. 2012, p. 83). There are several striking similarities between the discourse on cultivating virtuous behavior and Maslow's higher order need to self-actualize.

Self-Actualization

Maslow's well-known human hierarchy of needs theory explains the innate human craving to fulfill human needs. These are organized into five levels of basic human needs. Physiological needs represent those basic human needs of hunger and thirst. The next level involves safety needs of employment, health, and property. Belonging needs are next, followed by esteem and self-actualization needs (Maslow 1954). Out of the five needs, Maslow's idea of the need to self-actualize has attracted lot of scholarly attention. Maslow acknowledges that his inquiry into self-actualization was not undertaken to be formal research. First, he chose 48 "extraordinary human beings" and then described their common patterns. His curiosity began when Maslow was a young intellectual fascinated by two of his teachers whom he adored and loved. He found that both matched a description of one person and that led him to investigate the lives of other brilliant public and historical personalities including

Abraham Lincoln, Thomas Jefferson, Albert Einstein, William James, Aldous Huxley, and Benedict de Spinoza (Maslow 1970, pp.127–128). According to Maslow, psychological sickness, by contrast, reduces the full humanness of individuals.

Similar to virtues, the best of human values are said to be associated with self-actualized individuals. Self-actualization to Maslow is the striving for health, the search for identity and autonomy, and the yearning for excellence: the need for the attainment of "full humanness" (Maslow 1971). Self-actualization was formerly defined by Maslow (1968) as the need for "ongoing actualization of potentials, capacities, and talents, as fulfillment of mission (or call, fate, destiny, or vocation), as a fuller knowledge of, and acceptance of, the person's own intrinsic nature, as an increasing trend toward unity, integration, and synergy within the person" (p. 25).

Maslow concluded that "There seems no intrinsic reason why everyone shouldn't be this way (self actualizing). Apparently, every baby has possibilities for self-actualization, but most get it knocked out of them...I think of the self actualizing man not as an ordinary man with something added, but rather as the ordinary man with nothing taken away. The average man is a human being with dampened and inhibited powers" (quoted in Hoffman 1988, pp.173–174). Maslow (1971) claims that self-actualization is not an experience of one special moment; rather it is a slow process taken one small painful step after another into the dark unknown (p.50). Individuals do not plan to become self-actualized at a designated time. Some may, according to Maslow, not know that they have experienced this higher state of being. But some people can frequently "be" at the higher or lower end of this continuum.

Attributes of Self-Actualizers

Maslow presented a list of behavioral characteristics identified from studying self-actualizing people.

Maslow claimed that these characteristics are identifiable in self-actualizing people as opposed to in "an average person." In his later studies, he claimed that *all* self-actualizers devote themselves to a task, call, or vocation – "outside themselves." He writes:

> Self-actualising people are, without one single exception, involved in a cause outside their own skin, in something outside of themselves. They are devoted, working at something, something very precious to them – some calling or vocation in the old sense, the priestly sense. (p.42)

The outcome of self-actualization has been variously described by Maslow in terms of feeling of ecstasy, rapture, bliss, the greatest joy, awe, mystery, humility, surrender, and the happiest moments in life. He describes the effect of self-actualization in terms of self-unification.

The achievement of self-actualization makes more possible the transcendence of self, and of self-consciousness. It makes it easier for the person to be 'homonous' (i.e., to merge himself as a part in a larger whole than himself).

    A. H. Maslow, *The Psychology of Being*, 1968, p. 212.

Self-actualizing individuals can be said to (a) accept and express the inner core or self; (b) have minimal ill-health, neurosis, psychosis, and loss (or diminution) of basic human and personal capacities; and (c) are motivated by values they strive for and are loyal to... (Maslow 1954, 1968, 1971; see Fernando and Nilakant 2008, p.235). These three attributes of self-actualizers are concerned with "striving for health, searching for identity and autonomy and yearning for excellence" (ibid). According to Maslow (1970), self-actualization is about the development of a unified personality and identity leading to full individuality (or full humanness, see Maslow 1971).

In sum, there are several overlaps between Maslow's self-actualization and the Aristotelian concept of cultivation of virtuousness (see Ivie 1986). First, both explain the concepts through an inherent human condition to gravitate toward excellence, goodness, and greatness. Second, both use similar expressions to explain the meaning and impact of the concepts. For example, Maslow's attributes of self-actualizers (see Table 1) represent virtues such as "wisdom and knowledge (e.g., mastering new skills, bodies of knowledge), courage (e.g., the will to accomplish goals, not shrinking from threat), humanity (e.g., doing good deeds, valuing close interpersonal relations), justice (e.g., organizing activities, working as a team), temperance (e.g., self-regulation), and transcendence (e.g., appreciating beauty, excellence; having coherent beliefs about purpose and meaning)" (Peterson et al. 2012, p. 83). Third, the influence of contextual factors in the growth process is relevant for both concepts. Social conditioning plays an important role in self-actualizers as well as the community input in perfecting virtuous behavior.

Work as a Process of the Development of Self

Applying positive psychology to a work context, Maslow introduced the term "eupsychian management." It was labeled as an enlightened management theory: "... more and more of the world, moving toward the ultimate of mysticism, a fusion with the world, or peak experience, cosmic consciousness etc. a yearning for truth, beauty, justice, perfection and so on" (Maslow 1998 p. 42). According to Payne (2000), eupsychian management practices can lead to positive individual outcomes (e.g. health and well-being) and positive organizational outcomes (e.g. bottomline) and positive societal outcomes. Work allows people to become self-actualized (Maslow 1998), and when organizations follow Maslow's hierarchy of needs model to motivate employees, the healthy employee will naturally strive to become self-actualized (see also Maslow 1965).

The centrality of work in modern society is undeniable. Work is becoming more and more a significant part of people's lives. With this level of importance, the workplace has become a provocative site for self-growth (Sense and Fernando

Table 1 Characteristics of self-actualizing people

More efficient perception of reality	Ability to detect falseness and spuriousness in other people and judge people accurately
Acceptance of self and of others	Accept themselves for what they are
Spontaneity	Especially in their thoughts
Problem centering	Not ego centered but oriented to problems in which they see a mission in life
Detachment	Do not mind solitude and even seek it
Autonomy	Possess relative independence from their environment
Continued freshness of appreciation	Derive ecstasy, inspiration, and strength from the basic experiences in life
Mystic experience or other oceanic feeling	Feelings of limitless horizons opening up to the vision; the feeling of being simultaneously more powerful and also more helpless than one ever was before; feeling of great ecstasy, wonder, and awe; the loss of placing in time and space with finally the conviction that something extremely important and valuable has happened
Human kinship	Identification, sympathy, and affection to the shortcomings of the species
Interpersonal relations	Deep and profound with only a few
Humility and respect	Respect people and learn from and relate to them irrespective of birth, race, blood, and family
Discrimination between means and ends	Discriminates what they are striving for from the means
Creativeness	Special kind of creativeness, originality, or inventiveness
Resistance to enculturation	Essentially autonomous from culture although not especially unconventional in a behavioral way
Sense of humor	Philosophical and non-hostile humor
Values	A value system that is found universally and cross-culturally
Ethics	Strongly ethical – have a strong sense of right and wrong and good and evil

Adapted from Cofer and Appley (1964), pp. 669–670, and Maslow (1970), pp. 128–149

2011). That is, the workplace provides opportunities for multiple interactions with others and in the process offers to achieve challenging opportunities that are personally meaningful. When employees meet challenging opportunities, the feelings of achievement sometimes lead to feelings of being part of something bigger and more significant.

Various scholars from sociology (e.g., Gill 1999; Johada 1982) to occupational therapy (e.g., Strong 1998) and management (e.g., Sense and Fernando 2011; Lips-Wiersma 1999; Fernando and Nilakant 2008; Ghadi et al. 2013) have shown how work is a key source for finding meaning and purpose in life. Work that is aligned with one's personal goals could become more meaningful than work that is not; work that is aligned with one's personal goals and purpose in life is "particularly likely to mould or at least contribute to the positive development of member

attitudes and their perspectives of life and positively affect their social relation-ships" (Sense and Fernando 2011 p.7).

> Work can serve as a tonic for personal identity in that it helps boost self-esteem. When an individual does a meaningful work, he [sic] actually develops a sense of identity, worth, and dignity. By achieving meaningful results, he actually achieves himself, grows, and even, actualizes his full potential. Somehow, he has an opportunity to become who he is and to contribute to the improvement of his life conditions and of his community. Work becomes problematic when an individual cannot relate to it. Some would say that this experience is 'alienation.' (Morin 2004, p. 3)

According to de Klerk (2005), poor psychological well-being and psychopathol-ogies have been linked with lack of meaning in life. Relevant and meaningful work can become a positive influence and thwart tendencies to be powerless and alien-ated (de Klerk 2005; see Sense and Fernando 2011). An increased sense of purpose and meaning making ability of life is likely to produce a greater chance for employees to follow practical activities aligned with personal values and beliefs that will help self-growth.

Furthermore, work generates feelings of worthiness (Sense and Fernando 2011). Employees at the workplace may consider work goals as deserving their particular attention because of personal interest and alignment with their meaning making attributes of life. Thus these engaging employees will consider that some work goals demand their attention more than others. These work goals will attract deep engagement and therefore active participation. Consequently, this heightened level of engagement could lead to positive and renewed sense of purpose and stimulate one's sense of being (Sense and Fernando 2011). Several scholarly contributions in a variety of fields show how work can be a source for achieving one's full potential (e.g., Mitroff and Denton 1999; Fernando and Nilakant 2008). Work presents an ideal site to find personal meaning and discover why employees do the work and the meaning of doing that particular type of work (see Lips-Wiersma 1999). These personal reflections with self while influencing the level of worthiness drive employees' sense of becoming and growing toward "what one can be" (Maslow 1954).

The Project of the Ideal Self

Based on the forgoing, we propose that the notion of realizing self is key to both self-actualization and cultivation of virtuousness. Our thesis is based on two fundamental ideas. First is that the self is guided by a unique moral principle oriented to deontological or utilitarian or any other ethical framework but which is consistently and systematically used in defining that individual's personality. Second is that one's actions depend on a principle of constantly optimizing opportunities (Ballet and Bazin 2006). Self-realization is a concept referred to in "the Hellenic tradition of eudaimonism, most notably presented by Aristotle (1985) in *Nichomachean Ethics*" (Waterman 2004, p.213). Self-realization involves a movement from the present self

(*is*) toward the ideal or real self (oughtness). Lamont et al. (2000) note that the ideal self is "a cultural template expressing highly valued qualities, traits, and characteristics of individuals within an institution (Meyer 1987)" (p. 188). In the sociology literature, ideal self has been linked to the corporate world (Hochschild 1983; Jackall 1988; Leidner 1993; Morrill 1995), to gender relations (Mori et al. 1987), to political activists (Clecak 1983; Lichterman 1996), and to various life-cycle stages (Buchmann 1989). In education, ideal self literature has been linked to three main types of literature (Lamont et al. 2000): to material status and social status, to cultural terms, and, lastly, to morality. In this third type of literature, ideal self is defined in terms of "morality as manifested through self-actualization, work ethic, and interpersonal morality" (p. 191).

In the eudaemonist perspective, the ideal or real self (oughtness) refers to the actualizing potentialities of the individual representing the greatest fulfillment in living. The ideal self of each individual represents excellence; "perfection toward which one strives and, hence, it can give direction, meaning, and purpose to one's life" (Waterman 2004, p.213). In contemporary psychological usage, ideal self has been presented as a person's character (May 1969), the central inner force (Horney 1950), and a nascent self – a set of innate interests, potentials, and processes (Deci and Ryan 2002).

From a eudaemonist perspective, a person's search for ideal self or the oughtness is an effort to identify ways in which to realize those potentials that are aligned with the real or authentic self through virtuous behavior. Work provides a provocative site for cultivating virtuousness and self-growth. Work that provides meaning and purpose in life may be viewed as an approximation of the individual goals, values, and beliefs. Better career and work choices involve wisely choosing the opportunities for maximizing one's potentials. According to Maslow (1968), self-actualization is the need for "ongoing actualization of potentials, capacities, and talents, as fulfillment of mission (or call, fate, destiny, or vocation), as a fuller knowledge of, and acceptance of, the person's own intrinsic nature, as an increasing trend toward unity, integration, and synergy within the person" (p. 25). This definition signifies a process, a journey, and a movement toward the ideal self or oughtness. There is an ethical obligation cast on the individual to choose the means in which this process or journey is undertaken. That is, choose the way in which the potentials are realized. There is courage required to choose who one is to become as well as to live conscientiously (virtuously) in a way aligned with that choice (Waterman 2004, 2011). This, in essence, presents our thesis. Cultivating virtuousness is necessary for self-actualizing. Next, we expand on this claim as to how this may be so.

Cultivating Virtuousness Is Necessary for Self-Actualizing

The process of realizing self is at the heart of our thesis. The process can be described as "I becoming I," a union with self and a becoming of self. Using Maslow's work (1971, xviii), this union can also be presented as a process of fusing the *is* and the *ought* of the subject and the object (Berdyaev 1939). It involves no

loss of subjectivity, instead, its infinite extension. Individuals who have experienced the union of self are in touch with their inner self and in harmony with their inner self (Fernando and Nilakant 2008).

The framework has three key attributes: need, activity, and goal. The need attribute explains the innate desire for humans to relate to self. The activity attribute has two facets: the cognitive and behavioral dimensions. As a process requiring mental abilities, self-reflection or contemplation activity is included in the cognitive dimension. The behavioral dimension includes accommodating others and practicing values. These activities offer opportunities for individuals to select and exercise the right way of performing tasks at work. All the time, while practicing their tasks, individuals are aware of the is and the ought and the effect of their actions on the gap between the is and the ought. The right way (virtuous) of performing tasks will bring employees closer to the ideal, closer to the realization of self. The goal attribute explains the union of self-element in the process, that is, the becoming and merging with the oughtness, "I becoming I." Maslow describes this process of merging with the oughtness as awe-inspiring, or as peak experience.

Conclusion

The process of achieving self-unification or experiencing the oughtness demands the self-actualizing individual to travel through the need, activity, and goal stages. According to Maslow, the process is more important than the realization of the goal – self-unification. This process of traveling through the need, activity, and goal stages is more important than experiencing the outcomes of the process (Maslow 1954, 1968, 1971). In essence, the process involves achieving a particular state of being, which allows an individual to develop a sense of awareness of the difference between the is and the ought, and the necessity to initiate right action to reduce the difference between is and the ought. The need to engage in right action offers the choice for the employee to act wisely, projecting virtuous behavior. To revisit our thesis again, if self-actualization is the need for "ongoing actualization of potentials, capacities, and talents, as fulfilment of mission (or call, fate, destiny, or vocation), as a fuller knowledge of, and acceptance of, the person's own intrinsic nature, as an increasing trend toward unity, integration, and synergy within the person" (p. 25), self-actualization requires virtuous behavior. The process involves a movement toward the ideal self or oughtness, or goodness. From an employee perspective, courage is critical to choose who one is to become and to work virtuously in a manner consistent with that choice.

References

Aquinas T (1984) Treatise on the virtues (trans: Oesterle JA). University of Notre Dame Press, Notre Dame
Aristotle (1985) Nicomachean ethics (trans: Irwin T). Hackett Publishing Co., Indianapolis
Ballet J, Bazin D (2006) A basic model for multiple self. J Socio-Econ 818:1050–1106

Berdyaev N (1939) Spirit and reality. Centenary Press, London

Bina O, Vaz SG (2011) Humans, environment and economies: from vicious relationships to virtuous responsibility. Ecol Econ 72:10–178

Buchmann M (1989) The script of life in modern society: entry into adulthood in a changing world. University of Chicago Press, Chicago

Cameron K (2012) Responsible leadership as virtuous leadership. J Bus Ethics 98:25–35

Cameron KS, Caza A (2004) Contributions to the discipline of positive organizational scholarship. Am Behav Sci 47:731–739

Clecak P (1983) America's quest for the ideal self. Oxford University Press, New York

Cofer CN, Appley MH (1964) Motivation theory and research. Wiley, New York, pp 669–670

Comte-Sponville A (2001) A small treatise of the great virtues (trans: Temerson C). Metropolitan Books, New York

de Klerk JJ (2005) Spirituality, meaning in life and work wellness: a research agenda. Int J Organ Anal 13:64–68

Decarvalho RJ (1991) 'Was Maslow an Aristotelian?' revisited. Psychol Rec 41:117

Deci EL, Ryan RM (eds) (2002) Handbook of self-determination research. University of Rochester Press, New York

Dutton JE, Sonenshein S (2007) Positive organizational scholarship. In: Lopez S, Beauchamps A (eds) Encyclopedia of positive psychology. Blackwell, Malden

Emmons RA (1999) The psychology of ultimate concerns: motivation and spirituality in personality. Guilford Press, New York

Fernando M (2007) Corporate social responsibility in the wake of the Asian tsunami: a comparative case study of two Sri Lankan companies. Eur Manag J 25:1–10

Fernando M (2010) Corporate social responsibility in the wake of the Asian tsunami: effect of time on the genuineness of CSR initiatives. Eur Manag J 28:68–79

Fernando M, Nilakant V (2008) The place of self-actualization in workplace spirituality: evidence from Sri Lanka. Cult Relig 9:233–249

Fowers BJ (2005) Virtue and psychology: pursuing excellence in ordinary practice. APA Press, Washington, DC

Fowers BJ (2009) Virtue. In: Lopez SJ (ed) The encyclopedia of positive psychology. Blackwell, West Sussex

Fry LW, Vitucci S, Cedillo M (2005) Spiritual leadership and army transformation: theory, measurement, and establishing a baseline. Leadersh Q 16:835–862

Ghadi MY, Fernando M, Caputi P (2013) Transformational leadership and work engagement: the mediating effect of meaning in work. Leadersh Org Dev J 34:1–34

Giacalone R, Jurkiewicz C, Fry L (2005) From advocacy to science: the next steps in workplace spirituality research. Retrieved 11 Nov 2007 from http://www.tarleton.edu/~fry/SLTPaloutzianFinal.rtf

Gill F (1999) The meaning of work: lessons from sociology, psychology and political theory. J Socio-Econ 28:725–743

Grant AM, Schwartz B (2011) Too much of a good thing: the challenges and opportunity of the inverted-U. Perspect Psychol Sci 6:61–76

Hochschild A (1983) The managed heart: commercialization of human feeling. University of California Press, Berkeley

Hoffman E (1988) The right to be human: a biography of Abraham Maslow. McGraw-Hill, New York

Horney K (1950) Neurosis and human growth: the struggle toward self-realization. Norton, New York

Ivie SD (1986) Was Maslow an Aristotelian? Psychol Rec 36:19–26

Jackall R (1988) Moral mazes: the world of corporate managers. Oxford University Press, New York

Johada M (1982) Employment and unemployment: a social-psychological analysis. University of Cambridge Press, Cambridge

Kellett JB, Humphrey RH, Sleeth RG (2006) Empathy and the emergence of task and relations leaders. Leadersh Q 17:146–162

Lamont M, Lareau L (1988) Cultural capital: allusions, gaps, and glissandos in recent theoretical developments. Sociol Theory 6:153–168

Lamont M, Kaufman J, Moody M (2000) The best of the brightest: Definitions of the ideal self among prize-winning students. Sociological Forum, 15(2), 187–224.

Leidner R (1993) Fast food, fast talk. Service work and the routinization of everyday life. University of California Press, Berkeley

Lichterman P (1996) The search for political community: American activists reinventing commitment. Cambridge University Press, Cambridge

Lips-Wiersma M (1999) The influence of "Spiritual Meaning-Making" on career choice, transition and experience. Auckland University, Auckland

MacIntyre A (1984) After virtue: a study in moral theory, 2nd edn. University of Notre Dame Press, Notre Dame

Maslow A (1954) Motivation and personality. Harper and Row, New York

Maslow A (1965) Eupsychian management: a journal. R.D. Irwin, Homewood

Maslow A (1968) Toward a psychology of being. Van Nostrand, New York

Maslow A (1970) Motivation and personality. Harper and Row, New York

Maslow A (1971) The farther reaches of human nature. Viking, New York

Maslow A (1998) Maslow on management. Wiley, New York

May R (1969) Love and will. Norton, New York

McCullough ME, Pargament KI, Thoreson C (2000) Forgiveness: theory, research, and practice. Guilford, New York

Meyer JW (l987) Self and life course: Institutionalization and its effects. In: George M. Thomas, John W. Meyer, Francisco O. Ramirez, and John Boli (eds.), Institutional Structure: Constituting State, Society and the Individual: 242-261. Beverly Hills, CA: Sage Publications.

Miller GF (2007) Sexual selection for moral virtues. Q Rev Biol 82:97–125

Mitroff I, Denton E (1999) A study of spirituality in the workplace. Sloan Manage Rev 40:83–92

Moberg DJ (1999) The big five and organizational virtue. Bus Ethics Q 9:245–272

Mori D, Pliner P, Chaiken S (1987) 'Eating lightly' and the self-presentation of femininity. J Pers Soc Psychol 53:693–702

Morin EM (2004) The meaning of work in modern times. In: 10th world congress on human resources management, Rio de Janeiro, August, speech

Morrill C (1995) The executive way: conflict management in corporations. University of Chicago Press, Chicago

Payne R (2000) Eupsychian management and the millennium. J Manag Psychol 15:219–226

Peterson C, Seligman, MEP (2004). Character strengths and virtues: a classification and handbook. Oxford University Press/Washington, DC: American Psychological Association

Peterson J, Canady K, Duncan N (2012) Positive life experiences: a qualitative, cross-sectional, longitudinal study of gifted graduates. Cross-Press, New York

Sandler R (2008) Character and environment. A virtue-oriented approach to environmental ethics. Columbia University Press, New York

Seligman MEP (2002) Authentic happiness. Free Press, New York

Sense A, Fernando M (2011) The spiritual identity of projects. Int J Proj Manag 29:504–513

Sison AJG (2006) Leadership, character, and virtues from an Aristotelian viewpoint. In: Maak T, Pless NM (eds) Responsible leadership. Routledge, London

Snyder CR (1994) The psychology of hope. Free Press, New York

Strong S (1998) Meaningful work in supportive environments: experiences with the recovery processes. Am J Occup Ther 52:1–38

Waterman AS (2004) Finding someone to be: studies on the role of intrinsic motivation in identity formation, identity. Int J Theory Res 4:209–228

Waterman AS (2011) Eudaimonic identity theory: identity as self-discovery. In: Schwartz SJ et al (eds) Handbook of identity theory and research. Springer, New York

Weiner NO (1993) The harmony of the soul: mental health and moral virtue reconsidered. State University of New York Press, New York

Work and Human Development

Jordan J. Ballor and Cary L. Cooper

Contents

Abstract

This chapter discusses the nature of human work as manifested particularly in market settings. Human work is properly oriented toward the service of others, a disposition which has important implications for how we view the goal of work in relationship to things like profit, as well as the development of the human person and society. The complex interrelationship between the producer, the thing produced, and the one for whom something is produced comprises the basis for a proper understanding of the relationship between work and human development, both at the individual and social levels.

Keywords

Work • Human development • Integral human development • Christian social thought • Culture • Economy

J.J. Ballor (✉)
Acton Institute for the Study of Religion and Liberty, Grand Rapids, MI, USA
e-mail: jballor@acton.org

C.L. Cooper
Manchester Business School, University of Manchester, Manchester, UK
e-mail: cary.cooper@manchester.ac.uk

Introduction

A significant portion of each person's life involves work, whether remunerated or not. The centrality of work, both in terms of time spent working and the relationship of work to personal identity, makes it a phenomenon of major significance for the development of the human person and society. If virtue is to be pursued and realized, then it seems that one must do so largely, although not exclusively, in and through human work (Starbuck and Cooper 2005a).

A thorough examination of work, particularly in market settings involving remuneration, shows a reality that orients us toward social interaction and relationship. Work is properly conceived of as productive service of others and is constitutive of the human person, especially as understood from religious and specifically Christian perspectives. Doctrines like the creation of human beings in the image of God (*imago Dei*), the calling of human beings to love God and neighbor (vocation), and the cultural mandate contained in Genesis 1 are foundational for Christian perspectives on work. The complementary ideas of *integral human development* and *integral mission* increasingly recognize the centrality of human work to the development and maintenance of civilization (Starbuck and Cooper 2005b).

Work is an expression of the inherent sociality of the human person, created in and for human community. There is therefore a subjective dimension of work as well as an objective dimension. Work has significance not only in terms of the productive service of others being undertaken but also for the working subject, the human person at work. Work can be understood in this way as a particular form in which human development, both individually and institutionally, takes place.

Work and the Human Person

Since Aristotle at least, the sociality of the human being has been understood to be constitutive of what it means to be human. Aristotle described the human person as a *zóon politikón*, a social or "political" being. This sociality was so significant that for Aristotle it amounted to a sine qua non of the human species. Thus Aristotle concludes that one "who is unable to live in society, or who has no need because he is sufficient for himself, must be either a beast or a god," and therefore not a human being (1996, p. 14).

Aristotle also developed an ethical theory of *eudaemonism*, which relates actions (*praxis*) to human fulfillment or flourishing (Diener 2000). Human beings have innate potencies that must be developed, fostered, and oriented towards their proper ends. The actualizations of these potencies are identified as virtues and can be seen as strengths or powers, while their opposites (vices) are weaknesses or failings. The idea of work, particularly understood as manual labor, was classically taken to be a kind of necessary evil. The practical necessities of bodily existence had to be attended to, but only insofar as they were required for the realization of the higher goods of the soul. Among the ancient philosophers, distinction was made between

the active and the contemplative life, often with the former being derogated and the latter elevated. There were even those for Aristotle whose innate capacities were so limited or constricted that they could only be oriented toward physical expression. Thus some men are "by nature slaves" and are to be concerned with "ordinary duties" of slaves, including "cookery and similar menial arts." The masters, however, engage stewards to manage the slaves, allowing the masters to pursue higher arts and thus to "occupy themselves with philosophy or with politics."

The Christian tradition picked up and developed some basic Aristotelian perspectives on the human person, virtue, and social life. Augustine, for example, followed Aristotle in positing the basic sociality of the human person. "For there is nothing so social by nature as this race, no matter how discordant it has become through its fault," as Augustine wrote in *The City of God* (1998, 7.28). Likewise Augustine engaged the ancient question of the valuation of the active against the contemplative life, preferring to balance the demands of the two (1998, 19.19.1).

Augustine's ambivalence about the relative value of the active life as opposed to the contemplative, and the validity of a variety of forms of mixing the two is a result of the basic ambiguity contained in the Christian scriptures with regard to work. Human beings were created in the image of God (Gen. 1:26–27), and constitutive of this image-bearing nature is the reality of human creativity and productive labor. The commandment requiring observance of the Sabbath mirrors the creation account in Genesis 1. For just as God worked to create the world and all that is in it in 6 days and rested on the seventh, so too are human beings to work 6 days and rest on the Sabbath (Ex. 20:8–11). Human beings are therefore called by God to be like him in their image-bearing capacities, particularly in their work (as well as their rest). Thus the creation account includes the call for human beings to "have dominion" over the earth (Gen. 1:26), as well as to "fill the earth and subdue it" (Gen. 1:28). The basic created vocation of human beings is understood in terms of this cultural mandate, the call to cultivate and develop creation.

This is accomplished primarily by means of human work. The complementary creation account describes the instruction that Adam was given "in the garden of Eden to work and keep it" (Gen. 2:15). Work as an expression of human sociality is likewise linked in these accounts, which affirm the diversity of human relationships, as "male and female he created them" (Gen. 1:27; cf. Gen. 2:22; Matt. 19:4–5; Mark 10:6–7). Adam was not tasked with working and keeping the garden alone. In fact, God creates Eve in response to the judgment that "it is not good that the man should be alone" (Gen. 2:18).

Work is thus understood a basic feature of human existence and a phenomenon providing occasion for the development of different and varied gifts, talents, and virtues. The menial nature of much work identified by Aristotle is, on the Christian account, a feature of the fall into sin, after which work becomes toilsome and troublesome (Gen. 3:17–19). The curse does not destroy the work as a source for good in the world, but it does add features of alienation (Tablan 2011), toil, and evil that would otherwise not be present. Vices as well as virtues can now come to expression within the context of work.

Work as Subjective and Objective

The fundamental point of departure for the examination of work is therefore the perspective of the working person (Dempsey 1954). This, for instance, is the position taken by Pope John Paul II in his encyclical on human work, *Laborem Exercens* (1981). John Paul insists on the priority of the working subject in the evaluation of labor (Woodard 2003). Thus, he writes, "every human being sharing in the production process, even if he or she is only doing the kind of work for which no special training or qualifications are required, is the real efficient subject in this production process, while the whole collection of instruments, no matter how perfect they may be in themselves, are only a mere instrument subordinate to human labour" (John Paul II 1981, p. 12).

The Reformed writers Lester DeKoster and Gerard Berghoef similarly emphasize the subjective significance of work in terms of work's character-forming capacity. They emphasize work as involving "ethical decision," noting that even the basic choice "to rise to one's daily tasks requires an act of will, a decision to serve the community, however reluctantly, however unaware the worker may be that such is the case." Work consisting of "willed acts of service" is thus described as "a maturing of the soul," which means that "the lasting and creative consequence of daily work happens to the worker" (Berghoef and DeKoster 2013, p. 11).

On this view, the subjective value of work has to do with the personal development that accrues from a proper orientation toward the work that is undertaken. Work should be understood as oriented toward the productive service of others (DeKoster 2010). When defined in this way, the role of profit takes a secondary or instrumental character (O'Boyle 2012a; Wong and Rae 2011; Van Duzer 2010; Scruton 2008; Calkins and Wight 2008). This other-directed orientation of work has reciprocal consequences for the maturation and character formation of the worker. Bruni and Sugden (2013) argue for an understanding of the market as a sphere defined by the disposition toward mutual benefit. The subjective development of the human person through work therefore depends on the willed commitment to serve others productively and meaningfully (Robertson and Cooper 2011).

This orientation toward others includes not only the direct service of the recipient of a person's labor, as in the customer or consumer, but also in various other relationships. These include the worker's family, with whom the working subject shares the fruits of his or her labor, as well as the worker's coworkers, whether colleagues, managers, or subordinates, alongside whom laborers expend themselves. Hawtrey and Dullard (2009) rightly contend that a single individual, acting at the right place and in the right time, can have a significant impact on the direction of a firm. Arjoon (2008) and others (Kets de Vries and Miller 1986) have similarly recognized the responsibility and potential for cultivating a virtuous culture within an organization. Novak (1984, p. 76) expresses the powerful difference just one entrepreneur can make: "A single individual, grasping probabilities that no one else ever perceived and setting in place the preconditions to move them to actuality, can change the world and bring forth in it things never seen before."

The virtue-ethical approach of Bruni and Sugden can be seen as cohering to a greater or lesser extent with articulation of capabilities-based approaches described by Davis (2009) and previously by Sen (1993) and Nussbaum (2000) among others. In moving beyond ideas like human and social capital developed by Becker and others, the concept of personalist capital (O'Boyle 2012b), focusing on the development of capabilities and virtues by the working person, likewise emphasizes the subjective dimension of work. In a market economy, the worker is the primary source of wealth (John Paul II 1991) or as Novak puts it, "Practical insights are the primary source of wealth" and "Intelligence is the primary form of capital" (p. 103). As O'Boyle (2012b, p. 94) writes, "The virtuous person accumulates personalist capital in a way that corresponds to the accumulation of physical and human capital – by investing in good habits. The wicked person destroys personalist capital by investing in bad habits."

For work to move beyond potentially narcissistic self-fulfillment and self-actualization, however, work must result in a good or service that others value. In *Laborem Exercens* John Paul II stresses the priority of the subjective nature of work, but in *Centesimus Annus* (1991), the encyclical released on the one hundredth commemoration of Pope Leo XIII's inaugural social encyclical *Rerum Novarum*, the objective nature of work is connected with the market economy. Thus, writes John Paul II, "The Church acknowledges the legitimate *role of profit* as an indication that a business is functioning well. When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied" (1991, p. 35). He goes on to emphasize that profit "is a regulator of the life of business, but it is not the only one" (1991, p. 35), invoking again the priority of the human person and community raised in *Laborem Exercens*. Profit is, in fact, best taken as an indicator of the utility of our work as it is valued by other human beings. Because the desires of others can be evil, not all work that is profitable in monetary terms is profitable in terms of personal or social development. The Christian tradition has long judged particular forms of work, particularly those that involve criminal activity, to be morally impermissible and detrimental to human development (Hardy 1990).

Work as Development

While there is significant debate about the moral merits of the market economy (e.g., Brennan and Waterman 2008; Schneider 2007; Yuengert 1996; Heyne 1995), a compelling case can be made that the market fosters certain kinds of virtues (Langrill and Storr 2012; Kotkin, Hall, and Beaulier 2010; Smith 2010; Storr 2009; McCloskey 2007; Younkins 2001), even if it depends upon the cultivation of virtue in other settings (Lee and Schug 2011; Carden 2008; Walsh and Lynch 2004; Novak 1984). As Bruni and Sugden put it, virtuous, other-directed market actors, including workers and producers as well as consumers, have "market virtues," identified as "dispositions that are directed at this kind of mutual benefit"

(p. 143). These market virtues include "includes universality, enterprise and alertness, respect for the tastes of one's trading partners, trust and trustworthiness, acceptance of competition, self-help, non-rivalry, and stoicism about reward" (Bruni and Sugden, p. 143).

As John Paul II puts it in *Centesimus Annus* (1991), "Besides the earth, man's principal resource is *man himself*. His intelligence enables him to discover the earth's productive potential and the many different ways in which human needs can be satisfied." He observes that "important virtues" are involved in productive work, including "diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible set-backs" (p. 32). In *Laborem Exercens*, John Paul argues, while taking note particularly of industriousness as a virtue, that "work is a good thing for man – a good thing for his humanity – because through work man not only *transforms nature*, adapting it to his own needs, but he also *achieves fulfillment* as a human being and indeed, in a sense, becomes 'more a human being'" (1981, p. 9). Work is the primary means by which humankind provides for its temporal needs while likewise developing and forming its character as a creative, free, and moral agent (Fredrickson and Joiner 2002).

The work of each individual person occurs within the context of received traditions and institutions and cultures that he or she in turn continues to develop and eventually to bequeath to future generations. This complex of culture, both in its material and immaterial (moral, spiritual) aspects, can be understood as a civilization, the specific matrix of cultural artifacts, beliefs, mores, and institutions that both form and are formed by human action. As DeKoster (2010, p. 5) puts it, work and civilization form a kind of benevolent circle: "Work is the form in which we make ourselves useful to others; civilization is the form in which others make themselves useful to us."

Work contributes to the advance or development of civilization in large part through the changes to material culture or technology. Technological advances endure and transform societies well beyond the lifespans of their inventors or discoverers. Particularly given the pace of advance over the last two centuries, each new generation is born into a world increasingly different than that of its parents. But as Pope Benedict XVI writes in his encyclical *Caritas in Veritate*, "Technological development can give rise to the idea that technology is self-sufficient when too much attention is given to the 'how' questions, and not enough to the many 'why' questions underlying human activity" (2009, p. 70). Technological reach can quickly outstrip moral grasp.

Novak (1984) argues that this requires greater moral discernment and attention, both in terms of the ethics of technical know-how but also with regard to social institutional structures. Thus there are also immaterial cultural artifacts that are significant for civilizational development. We can think of these as institutions, which can in turn be defined as "patterns of thought, behavior, and relationship that govern our lives and the spiritual realm that animates them" (Hunter 2010, p. 157). Cultural institutions include conventions like shaking hands or driving on a

particular side of the road as well as more morally significant structures like the rule of law, property rights regimes, as well as educational and religious formation, which occurs in families, churches, and other institutions of civil society.

Conclusion

This comprehensive perspective on work, rooted in the vision of the inherently social human person, provides a basis for understanding the significance of work for human development. Work is in the first place a subjective reality, which impacts the moral development of the working person. Work also has significance for the development of others, particularly those who are served in human work. Work also develops lasting artifacts and structures, both material and immaterial that contribute to the temporal development of civilizations.

A key theme of Roman Catholic social teaching over the last century has been *integral human development*, which has emphasized the fundamental importance of work at both the individual and social levels (Spieker 2010). A similar theme can be found in the evangelical Christian exploration of *integral mission*, which in the words of the Cape Town Commitment (2010) of the Lausanne Movement "means discerning, proclaiming, and living out, the biblical truth that the gospel is God's good news, through the cross and resurrection of Jesus Christ, for individual persons, *and* for society, *and* for creation." As part of this commitment, the statement acknowledges the necessity of "intensive efforts to train all God's people in whole-life discipleship, which means to live, think, work, and speak from a biblical worldview and with missional effectiveness in every place or circumstance of daily life and work."

The phenomenon of human work is, in this way, recognized as a critically important aspect of what it means to be human. Work is a unique aspect of human flourishing and development, both for individuals and for communities, both small and large (Chen and Cooper 2014).

Cross-References

▶ Being and Doing: How Virtue Shapes Work
▶ Cultivation of Virtuousness and Self-actualization in the Workplace
▶ Developing a Virtuous Organizational Culture
▶ Organizations and the Development of Virtue
▶ The Psychology of Work and Spirituality
▶ The Divided Life: A Serious Challenge to Virtuous Work
▶ Virtue and the Case for Meaningful Work
▶ Virtues and Vices in Workplace Settings: The Role of Moral Character in Predicting Counterproductive and Citizenship Behaviors
▶ Work and Happiness

References

Aristotle (1996) Politics. In: Everson S (ed) The politics and constitution of Athens. Cambridge University Press, Cambridge

Arjoon S (2008) Slippery when wet: the real risk in business. J Mark Morality (Spring) 11(1):77–91

Augustine (1998) The city of God against the pagans (ed and trans: Dyson RW). Cambridge University Press, Cambridge

Benedict XVI (2009) Encyclical letter Caritas in Veritate (June 29)

Berghoef G, DeKoster L (2013) Faithful in all God's house: stewardship and the Christian life (ed: Elder B). Christian's Library Press, Grand Rapids

Brennan G, Waterman AMC (2008) Christian theology and economics: convergence and clashes. In: Harper IR, Gregg S (eds) Christian theology and market economics. Elgar, Cheltenham

Bruni L, Sugden R (2013) Reclaiming virtue ethics for economics. J Econ Perspect (Fall) 27(4):141–164

Calkins M, Wight JB (2008) The ethical Lacunae in Friedman's concept of the manager. J Mark Morality (Fall) 11(2):221–238

Carden WA (2008) Commerce and culture in the global economy. J Interdiscip Stud 20(1–2):21–36.

Chen P, Cooper CL (2014) Work and wellbeing. Wiley-Blackwell, Oxford

Davis JB (2009) The capabilities conception of the individual. Rev Soc Econ (December) 67(4):413–429

DeKoster L (2010) Work: the meaning of your life – a Christian perspective, 2nd edn. Christian's Library Press, Grand Rapids

Dempsey BW (1954) The worker as a person. Rev Soc Econ (March) 12(1):16–24

Diener E (2000) Subjective wellbeing: the science of happiness. Am Psychol 55:34–43

Fredrickson BL, Joiner T (2002) Positive emotions trigger upward spirals towards emotional wellbeing. Psychol Sci 13:172–175

Hardy L (1990) The fabric of this world: inquiries into calling, career choice, and the design of human work. Eerdmans, Grand Rapids

Hawtrey K, Dullard S (2009) Corporate virtue and the joint-stock company. J Mark Morality (Spring) 12(1):19–33

Heyne P (1995) Moral criticisms of markets. Senior Econ (April) 10(4):3–5, 12

Hunter JD (2010) To change the world: the irony, tragedy and possibility of Christianity in the late modern world. Oxford University Press, New York

John Paul II (1981) Encyclical letter Laborem Exercens (September 14)

John Paul II (1991) Encyclical letter Centesimus Annus (May 1)

Kets de Vries MFR, Miller D (1986) Personality, culture, and organization. Acad Manag Rev (April) 11(2):266–279

Kotkin R, Hall J, Beaulier S (2010) The virtue of business: how markets encourage ethical behavior. J Mark Morality (Spring) 13(1):45–58

Langrill R, Storr VH (2012) The moral meanings of markets. J Mark Morality (Fall) 15(2):347–362

Lee DR, Schug MC (2011) The political economy of economic education: the moral dimensions. J Mark Morality (Spring) 14(1):71–84

McCloskey DM (2007) The bourgeois virtues: ethics for an age of commerce. University of Chicago Press, Chicago

Novak M (1984) The spirit of democratic capitalism. Touchstone, New York

Nussbaum M (2000) Women and human development: the capabilities approach. Cambridge University Press, Cambridge

O'Boyle EJ (2012a) Profit maximization and the subjective dimension of work. Cathol Soc Sci Rev 17:179–195

O'Boyle EJ (2012b) The acting person and personalist capital. J Mark Morality (Spring) 15(1):89–102

Robertson I, Cooper CL (2011) Wellbeing: happiness and productivity at work. Palgrave Macmillan, Basingstoke

Schneider JR (2007) Christian theology and the human ontology of market capitalism. J Mark Morality (Fall) 10(2):279–298

Scruton R (2008) Virtue and profit: a critique of managerial reasoning. In: Gregg S, Stoner JR Jr (eds) Rethinking business management: examining the foundations of business education. Witherspoon Institute, Princeton

Sen A (1993) Capability and well-being. In: Nussbaum M, Sen A (eds) The quality of life. Clarendon, Oxford

Smith BA (2010) Smith and Tocqueville on the commercial ethos. J Mark Morality (Spring) 13(1):29–44

Spieker M (2010) Development of the whole man and of all men: guidelines of the catholic church for societal development. J Mark Morality (Fall) 13(2):263–278

Starbuck W, Cooper CL (2005a) Work: context and consequences, vols 1, 2 and 3. Sage, London

Starbuck W, Cooper CL (2005b) Work: work and workers, vols 1, 2 and 3. Sage, London

Storr VH (2009) Why the market? Markets as social and moral spaces. J Mark Morality (Fall) 12(2):277–296

Tablan F (2011) Human alienation and fulfillment in work: insight from the catholic social teachings. J Relig Bus Ethics 3(1):1–23

Third Lausanne Congress (2010) The cape town commitment: a confession of faith and a call to action. Hendrickson, Peabody

Van Duzer J (2010) Why business matters to God (and what still needs to be fixed). IVP Academic, Downers Grove

Walsh AJ, Lynch T (2004) Can individual morality and commercial life be reconciled? J Interdiscip Stud 16(1–2):80–96

Wong KL, Rae SB (2011) Business for the common good: a Christian vision for the marketplace. IVP Academic, Downers Grove

Woodard RJ (2003) Prophet of justice and hope: John Paul II and the dignity and rights of workers. Cathol Soc Sci Rev 8:265–278

Younkins EW (2001) Morality and character development: the roles of capitalism, commerce, and the corporation. J Mark Morality (Spring) 4(1):94–111

Yuengert AM (1996) Free markets and character. Cathol Soc Sci Rev 1:99–110

Happiness: A Philosophical and Historical Perspective

Surendra Arjoon, Álvaro Turriago-Hoyos, and Bradley M. Braun

Contents

Abstract

This essay discusses "happiness" from a philosophical and historical perspective. Also discussed are attempts to measure happiness and to identify goods used to pursue and promote happiness. The focus is on two related but distinguishable concepts called hedonic and eudaimonic. We find that eudaimonic is fundamental to a person's moral and psychological well-being. We also find that hedonic happiness is unsustainable in the absence of eudaimonic well-being. If these findings are true, we are one step closer to understanding what constitutes

S. Arjoon (✉)
Department of Management Studies/Arthur Lok Jack Graduate School of Business,
The University of the West Indies, St Augustine Campus, Trinidad
e-mail: Surendra.Arjoon@sta.uwi.edu

Á. Turriago-Hoyos
Department of Economics and International Finance, Universidad de La Sabana, International
School of Economics and Business Administration, Chía, Colombia
e-mail: alvaroth@unisabana.edu.co

B.M. Braun
Department of Economics, University of Central Florida, Orlando, FL, USA
e-mail: bbraun@bus.ucf.edu

human nature and the goods a person ought to pursue to attain happiness, and what should guide government policies to promote social well-being.

Introduction

The fourteenth century represented a hermeneutic of rupture and discontinuity in the history of moral analysis. At that time, the morality of obligation took priority over the morality of happiness, which was primarily motivated by religion. The morality of obligation was brought to a climax and formalized in the eighteenth century in the work of the German philosopher Immanuel Kant (1724–1804). Prior to Kant's writings, moral life was intrinsically linked to happiness, or more precisely *eudaimonia*, which is a Greek term that is roughly translated as human flourishing. Though "flourishing" is arguably a better fit semantically than "happiness," it is etymologically a mismatch. Adams (2006) noted that "flourishing" was a term borrowed from botany that meant flowering or blooming. In contrast, the origins of eudaimonia are linked to religion, evoking the ideas of *eu* (what's good) and *daimon* (one's true self). The eu refers to a connection with a supernatural being. The daimon refers to the potentialities of each person and includes the perfection of each capability that gives meaning and direction to one's life. The realization of one's potential represents the greatest fulfillment in living (Waterman 1993). A life that is lived in accordance to the daimon strives toward this perfection and results in eudaimonia.

Historical Perspective of Happiness

From an historical perspective, there are three types of goods that are associated with *eudaimonia*: (1) *pleasurable* goods that provide positive emotions, (2) *useful* goods that lead to something else that is more desirable, and (3) *meaningful* or *befitting* goods that give satisfaction and enjoyment by contributing to the perfection of one's being. The moral good is necessarily the befitting good, though it can also be pleasurable and useful. In his *Critique of Practical Reason*, Kant insisted that "there is not the slightest ground in the moral law for a necessary connection between morality and the proportionate happiness of a being belonging to the world as part of it and hence dependent upon it" (V, 111–113). Kant critiqued eudemonism, and any system that viewed happiness as an end to itself, for euthanizing morality. Kant maintained that all eudemonists are practical egoists

(Pinckaers 2001). The revival of interest in the moralities of happiness was initiated by Anscombe (1958) and MacIntyre (1984).

Owing to the growing dissatisfaction with the prevailing moral philosophies of *deontology* and *utilitarianism*, there has been renewed interest in the moralities of happiness. Because both deontology and utilitarianism fail to address the importance of leading a virtuous life and doing the right thing, they are unable to provide plausible accounts of the rich diversity of moral life, which includes human flourishing, respect for human dignity, and promotion of the common good. Deontology and utilitarianism promote principles that suffer excessive formalism, excessive rigorism, or both. Formalism is too abstract, indeterminate, and general, while rules-based approaches suffer from excessive rigorism and are too algorithmic, uniform, or ethically insensitive. Deontology and utilitarianism often prescribe incompatible solutions that lead to skepticism and promote a culture of relativism and subjectivism. That is, a human being cannot impose moral demands on others as that would lead to emotivism, or the denial that moral judgments are simply expressions of preferences, which are neither true nor false. In other words, a culture of relativism and subjectivism presupposes the use of freedom in which each person does what they want based on what is pleasing, convenient, expedient, politically correct, or useful. Because utilitarianism is not able to appropriately identify and define what is good, the dominant economic philosophy has proved to be inadequate. Lastly, morality is viewed more as an impediment to freedom and profit opportunities. As expressed by the then United States Senator Joseph Biden in 1991, there is a danger to allowing natural law to dictate morality and govern our actions, rather than leaving matters to individual choice and preference. In this view, freedom is threatened or violated by morality and natural law. Therefore, we should promote *freedom with autonomy* whereby each person is self-sufficient and not subject to the moral or natural law. The converse of this proposition is *freedom without autonomy*, in which a person is not self-sufficient but subject to the moral law as epitomized by the Romanic outlook: *legume servi summus ut liberio esse possimus* – we are slaves to the law in order that we may be free.

Defining Happiness

Fisher (2010) observed that according to philosophers and social researchers, the notion of happiness fundamentally fits into two categories. The first is called *hedonic*, which refers to pleasant feelings and favorable judgments. The second is *eudaimonic*, which is doing what is virtuous and morally right, being true to one's self, and developing and using one's skills and talents. Hedonic happiness is a subjective experience that includes "the belief that a person is getting the important things they want, as well as certain pleasant affects that normally go along with this belief" (Kraut 1979, p. 178). Hedonics is the dominant hypothesis used in the economic theory of choice, which is based on maximizing expected utility or material well-being. That is, the greater the level of consumption of goods and services, the greater the level of utility or welfare.

Aristotle (1985) rejected the hedonic view of happiness: "The many, the most vulgar, seemingly conceive the good and happiness as pleasure, and hence they also like the life of gratification. Here they appear completely slavish, since the life they decide on is a life for grazing animals" (p. 7). In contrast, Aristotle "offers the proposition that eudaimonia is an activity expressing virtue" (p. 284). Also referred to as *felicitas* or *beatitudo* by Aquinas, another understanding of eudaimonia includes blessedness, prosperity, the state of doing and being well, being well favored in relation to one's self and to the divine, behaving well and faring well, and living a life that is complete and satisfying as a whole. Views that are often associated with eudaimonia include pleasurable goods (hedonic), useful goods (utilitarian), and virtuous goods (stoic).

It is not surprising that both the hedonic and eudaimonic views correlate strongly. For example, Waterman (1993) found that the two concepts of happiness are related. There is a strong positive correlation between eudaimonic and hedonic enjoyment. However, distinguishable eudaimonic happiness is a signifier of success in the process of self-realization, whereas this is not true of hedonic enjoyment. Fisher (2010) also noted that conventional wisdom would suggest that hedonic happiness is unsustainable in the absence of eudaimonic well-being. On philosophical grounds, Telfer (1980) claims that hedonic happiness is necessary but not sufficient for eudaimonic happiness. Waterman (1993) argues that eudaimonism is the philosophical foundation for optimal, healthy, and effective psychological functioning as reflected by such constructs as personal identity, self-actualization, internal locus of control, and principled moral reasoning.

Seligman (2002) originally proposed a theory of authentic happiness as life satisfaction in three distinct paths: (1) *pleasant* as characterized by the promotion of positive emotions such as pleasure, rapture, ecstasy, warmth, and comfort; (2) *engagement* as characterized by "flow" or the loss of self-consciousness during an absorbing activity whereby the action is merged with the object, which helps a person to identify and use their highest strengths more often; and (3) *meaning* as characterized by acting for an end, which involves belonging to and serving something bigger than one's self. In addition to these three components, the theory of authentic happiness was later expanded to include relationships and accomplishments. According to Seligman, the five components contribute to well-being that is pursued for its own sake. That is, the five components are defined and measured independently. Waterman (1990) links eudaimonia with personal expressiveness and self-realization, which occur when one experiences feelings that are associated with intrinsic motivation and peak experiences.

Measuring Happiness: Subjective Well-Being

The deficiencies of the narrowly defined hedonic notion of overall well-being are well known and undisputed. In response to the deficiencies of gross domestic product (GDP) as a measure of social well-being, 40 years ago Bhutan's fourth

Dragon King Jigme Singye Wangchuck developed the concept of gross national happiness (GNH). The Dragon King coined GNH as a complementary measure to GDP. Gross national happiness incorporates noneconomic aspects of well-being by taking a more holistic and sustainable approach to economic and social development by accounting for the spiritual, physical, social, and environmental health of people. This broader concept of social well-being is particularly relevant given the current work crises in rich countries, involving falling rates in employment, high unemployment rates, stagnant real wages, and rising inequality.

The key factors of GNH include not only living standards, but also psychological well-being, health, education, time use, cultural diversity, good governance, community vitality, ecological diversity, and resilience (Center for Bhutan Studies). Supported by a large body of psychological evidence, the initiative to find an additional measure of social well-being was fuelled by the *Easterlin Paradox* (named after American Economist Richard Easterlin).

The idea of the Easterlin Paradox is that there are diminishing returns to happiness from increases in material well-being. Beyond a certain threshold of national income and wealth, there does not appear to be much increase in happiness. The work by social psychologists have found that despite the substantial increase in GDP over the past 60 years, people in United States, Europe, and Japan are not as pleased with their lives as they were in the 1950s (Diener et al. 1999). In the 1990s, academics at Massachusetts Institute of Technology showed that once people had access to purchasing power parity of approximately USD 10,000/year, their happiness did not deepen significantly as they grew richer. They also found that additional happiness was boosted only through the development of the noneconomic goods such as emotional, spiritual, and other agencies (Nuthall 2013).

France, Great Britain, Canada, and the OECD have also developed measures of well-being that account for such things as environmental health, safety, education, and inequality between gender, age and social classes. The OECD's *Better Life Index* (BLI) was launched in 2011 in an attempt to bring together internationally comparable measures of social well-being. The BLI is an interactive tool that seeks to engage citizens in the discussion of what matters most in their lives, and what governments should do to promote social well-being. For example, by measuring changes in psychological well-being against variables such as employment, health, education, income, housing, etc., governments can link well-being to policy initiatives. The measurement of subjective well-being has its roots in *Human Capabilities Theory*. There is a growing dissatisfaction among philosophers and economists with the conventional ways of answering questions such as: *Are people in the world flourishing? Is their lot getting better or worse? Is the human race making progress toward eradicating poverty?* (Vogt 2005).

To help answer these questions the United Nations *Human Development Index* (HDI) was developed to shift the emphasis from economic growth, to whether growth is enlarging people's choices and their ability to live up to their potential. The HDI is a composite statistic used to rank countries based on life expectancy, education, and income. Growth then is reconceived as an intermediate goal whose

value is to be measured by the extent to which it contributes to the betterment of human lives (Sen 2003). Because HDI does not take into account sustainability issues, in 2008 the New Economics Foundation developed the *Happy Planet Index* of well-being to account for the environmental impact of growth.

Goods to Pursue and Promote Happiness

According to Vogt (2005), Aristotle (1985) provides a "theory of the good" in the sense that the full range of human functioning is considered and has enough content to be meaningful. For example, humanity is not solely defined in terms of rationality and "vague" in the sense that it affords a multiplicity of specific local expressions. Contemporary philosopher Martha Nussbaum (1995) articulates an Aristotelian *Theory of the Good*, which is shaped and divided by two aspects.

The first aspect considers what constitutes the shape of the human form of life, such as mortality, the human body, capacity for pleasure and pain, cognitive capability, early infant development, practical reason, affiliation with other human beings, relatedness to other species, humor and play, and separateness. The first aspect poses questions such as: *What constitutes human nature? What is so essential that without it we would no longer recognize such a life as human? What aspects of life are so precious or important that without them, our lives would devolve into something like that of beasts?* The second aspect builds upon a vision of human nature in articulating capabilities that we must freely pursue to live a good and full human life. These include life, physical and mental health, integrity, senses, imagination, thought, emotions, affiliation, and control over one's environment.

MacIntyre (1984) distinguished between *internal* and *external* goods. Internal goods are unique to a particular activity, are intangible, unlimited in supply, and have intrinsic value. That is, internal goods are intermediary ends valued for their own sake. Internal goods help people to excel. Achievement arises from internal goods and is the outcome of competition, which in turn benefits the entire community. Internal goods also give rise to intrinsic satisfaction, pride in accomplishment, a sense of dignity derived from the consequent self-development in areas such as strategic imagination, competitive intensity, achieving excellence, expanding experience, developing analytical skills, creativity, innovation, and industry. In contrast, external goods are useful goods that when achieved are always someone's property. External goods are valued for their own sake, and for the sake of further goods such as profits, survival, reputation, success, security, honor, prestige, money, pleasure, fame, perfection of the body, etc.

Internal goods are basic, or intelligible human goods, the pursuit of which promotes happiness. Grisez and Shaw (1988) further divide internal goods into *substantive goods* and *relational goods*. Substantive goods include life, self-preservation, bodily integrity, respect for dignity, wisdom, aesthetic, and skillful performance. Relational goods include integrity, peace and harmony with one's

self, practical reasonableness, harmony with one's actions, friendship, harmony with others, and harmony with the supernatural ultimate source of meaning and value. Aquinas (1981) argued that there is a genuine happiness that is well worth achieving in this present world. However it is always imperfect and leaves unsatisfied the natural desire for perfected happiness.

Conclusion

Historically, the concept of happiness was divorced from freedom in the fourteenth century in which the moralities of obligation took priority. Because of the dissatisfaction with contemporary theories of morality and narrowly defined concepts of overall well-being, the idea of happiness has been receiving increased attention. The two interrelated concepts that have emerged from the literature are eudaimonic and hedonic. We find that eudaimonic is fundamental to a person's moral and psychological well-being. We also find that hedonic happiness is unsustainable in the absence of eudaimonic well-being. If these findings are true, we are one step closer to an understanding of what constitutes human nature and the goods a person ought to pursue to attain happiness, and what should guide government policies to promote social well-being.

References

Adams R (2006) A theory of virtue: excellence in being for the good. Oxford University Press, Oxford

Anscombe E (1958) Modern moral philosophy. Philosophy 33(124):1–19

Aquinas T (1981) Summa theologica, vol II. Ave Maria Press, Notre Dame

Aristotle (1985) Nicomachean ethics. (trans: Irwin T). Hackett, Indianapolis

Diener E, Suh E, Lucas R et al (1999) Subjective well-being: three decades of progress. Psychol Bull 125(2):276–302

Fisher C (2010) Happiness at work. Int J Manag Rev 12:384–412

Grisez G, Shaw R (1988) Beyond the new morality: the responsibilities of freedom, 3rd edn. University of Notre Dame Press, Indiana

Kraut R (1979) Two conceptions of happiness. Philos Rev 87:167–196

MacIntyre A (1984) After virtue. University of Notre Dame Press, Indiana

Nussbaum M (1995) Aristotle on human nature and the foundations of ethics. In: Altham JEJ, Harrison R (eds) World, mind and ethics: essays on the philosophy of Bernard Williams. Cambridge University Press, Cambridge

Nuthall K (2013) Measuring happiness: new ways to signify world progress. Account Bus Int 16–19

Pinckaers S (2001) Morality: the catholic view. St. Augustine Press, Indiana

Seligman M (2002) Authentic happiness. Free Press, New York

Seligman M (2012) Flourish: a visionary new understanding of happiness and well-being. Free Press, New York

Sen A (2003) Development as capability expansion. In: Fukauda-Parr S, Shiva Kumar AK (eds) Readings in human development: concepts, measures and policies for a development paradigm. Oxford University Press, New York, pp 30–53

Telfer E (1980) Happiness. St Martin's Press, New York

Vogt C (2005) Maximizing human potential: capabilities theory and professional work environment. J Bus Ethics 58:111–123

Waterman A (1990) Personal expressiveness: philosophical and psychological foundations. J Mind Behav 11:47–74

Waterman A (1993) Two conceptions of happiness: contrasts of personal expressiveness (eudaimonia) and hedonic enjoyment. J Pers Soc Psychol 64(4):678–691

Virtue and the Case for Meaningful Work

Ron Beadle

Contents

Abstract

This chapter considers empirical research into meaningful work from the perspective of the virtues. Research conducted over more than half a century has isolated a number of dimensions that animate the experience of meaningful work and a number of desirable consequences that are associated with it including improved job performance and job satisfaction. Research is fragmented however, and there is no generally agreed explanatory framework though many potential candidates. A second significant problem in the field is the repeated finding that not all employees experience meaningfulness in jobs whose characteristics suggest that they should and that some employees craft meaning into otherwise mundane work. As a result of this, some ethicists have maintained that meaningful work is an inherently subjective notion and therefore that it cannot function as the type of good that can be the subject of ethical claims. A MacIntyrean virtue ethics perspective overcomes this objection, in part because it accounts for the apparent subjectivity in the attributions of meaningfulness in terms of the virtues that agents have developed, or failed to develop. The case for meaningful work is its necessity to the development of the virtues.

R. Beadle (✉)
City Campus East, Newcastle Business School, Northumbria University, Newcastle upon Tyne, UK
e-mail: ron.beadle@northumbria.ac.uk

Introduction

This chapter is an argument to the conclusion that a virtue-informed account of agency changes the terms of debate around meaningful work. In particular, it provides resources to account for an apparent lacuna in empirical research, that jobs exhibiting the characteristics most strongly associated with experienced meaningfulness – task significance, skill variety, and task identity (Hackman and Oldham 1975; Oldham and Hackman 2010) – are not reported as being meaningful by all of the workers who undertake them (Fried and Ferris 1987; Behson et al. 2000), while jobs that exhibit few such features are meaningful to some workers who undertake *them* (Wrzesniewski and Dutton 2001). Commentators such as Arneson (1987) have argued from such evidence to the conclusion that meaningful work cannot be an object of distributive justice. We cannot claim that meaningful work should be designed into jobs because we do not know what meaningful work is, or so the argument goes.

To look for a coherent conception of meaningful work in the phenomenology of the contemporary workplace is indeed to look in vain. Jobs are designed around the perceived needs of organizations, and if the experiences of meaningful work result, then this is happenstance. At the same time, ascriptions of work meaningfulness may be *expressed* on the basis of its propensity to fulfill any of a number of apparent desires – your work may be meaningful for you because it maintains your comfortable way of life, mine might be meaningful to me for the opportunities it affords for career advancement, and so on. Much can be and has been learned from research into such expressions of preference and desire fulfillment, but this learning does not include a rationally justifiable conception of meaningful work because a nonsubjective conception of meaningful work cannot be formulated in terms of preference. To this extent, Arneson's argument is sound. But to move from this premise to the conclusion that no account of meaningful work could be rationally justified is to have looked for such justification in the wrong place and to have falsely concluded that there are no other places.

An account of meaningful, that is, good, work requires a rationally justifiable account of the human good as such. Virtue traditions provide accounts in which the achievement of human goods depends upon the acquisition of the virtues through undertaking the type of tasks that demand them over significant periods of time. It is the requirements of lives lived *first* as apprentices and then as practitioners – as farmers, musicians, nurses, and many others – that both develop our virtues and enable us to learn how to make meaningful distinctions around the goods internal to, and the standards of excellence sought by, such practices.

So the virtue of patience, developed through our progress as farmers, musicians, and nurses, enables us to achieve the goods of our lives as a whole, to caution us

against undue haste, and to relieve us of the stress of waiting. It also prevents us from becoming boorish or insufferable in those decision-making contexts; in schools, trade union branches, and parishes in which we reason about; and towards the common goods of our communities (MacIntyre 2007). The virtue of patience, alongside the other virtues developed in practices, prepares us to reason about goods as a whole; to deny us such work is to undermine such preparation.

The chapter will proceed in three sections. Section "Empirical Research into Meaningful Work" will consider the inconclusive and fragmented state of empirical research into meaningful work. Section "Desire, Virtue and Meaningfulness" outlines MacIntyre's argument that we cannot account for human action independently of the desires and intentions of agents. Employees' judgment of the "meaning of work" should be understood as an epiphenomenon of the development of their virtues. Section "Conclusion", offers some implications of this argument for the case for redesigning jobs.

Empirical Research into Meaningful Work

Meaningful work remains a subject of considerable interest to a variety of disciplines including psychology, ethics, political economy, moral economy, and organization theory. However, there remains no settled definition of meaningful work, and meta-analyses demonstrate the extent of fragmentation. For example, Rosso et al. (2010: 91) note that: "the field lacks overarching structures that would facilitate greater integration, consistency, and understanding of this body of research." Their own attempt to provide such a structure classifies the literature into two subfields: studies focused on sources of meaning and studies focused on mechanisms by which work becomes meaningful. A subsequent literature review offers an alternative classification which distinguishes between studies of worker orientation and studies of work (Michaelson et al. 2013). Beadle and Knight (2012) highlight another distinction between enquiries into the ethical claims made for meaningful work and enquiries into its phenomenology. And these are successors to earlier accounts for whose authors the critical distinctions lay between meaning in work and meaning at work (Pratt and Ashforth 2003) and between task and relational aspects of jobs (Grant and Parker 2009).

The overwhelming majority of empirical studies focus on "single sources of work meaning" (Rosso et al. 2010: 116) which are commonly tested against a selected set of potential affective and behavioral outcomes. For over 50 years, research results have been analyzed, sorted, and critiqued within disciplines largely ignorant of each other's work. There are two other less commonly noted problems in the field. The first is that we lack longitudinal studies of the kind that could inform us about changes in the attributions and experiences of meaningful work over time. While some suspect an intimate and relationship between social mores and the sources of meaning such that changes in both can be observed over time (Davis 2010) and others demonstrate that particular objects (such as career

advancement) reduce significantly after mid-life (Wrzesniewski and Dutton 2001), there is no longitudinal research to track such changes. Second, the field lacks serious cross-cultural studies to test the degree of consistency between sources of meaning in different cultural groups. These and other gaps have been noted in calls for further research (Michaelson et al. 2013: 11–12; Rosso et al. 2010: 118–120).

Despite these problems, the ongoing level of interest in the antecedents of meaningful work is fuelled by the consistency of its reported positive impact on a range of outcomes including improvements to work motivation, work behavior, engagement, job satisfaction, empowerment, organizational identification, career development, individual performance, and personal fulfillment alongside reduced levels of absenteeism and stress (Rosso et al. 2010: 92–93; see also Michaelson et al. 2013: 1–2). To design work that generates such effects and behaviors has been akin to the grail quest. And like the grail quest, it has led in many directions:

First, to find the sources of meaning that may be found in work
Second, to find the mechanisms through which work becomes meaningful to workers
Third, to determine the affective and behavioral consequences of different levels of work meaningfulness
Fourth, to find what characterizes the type of work that can provide meaning
Fifth, to consider what accounts for the availability of such work
Sixth, to consider whether such work should be provided and by whom

In broad terms, the first three questions have focused on the attention of psychologists, the fourth and fifth have been attended to by organizational scholars, while the final question has been addressed by ethicists. The importance and to some extent the intelligibility of later questions depend on the answer to earlier questions; we only have good reason to ask whether meaning-eliciting work should be provided if we have reason to believe that it could be. But here we encounter a problem with answers to the first question which have led some to argue that the sixth question is not worth asking at best and might be unintelligible at worst (Arneson 1987).

Research points to a number of factors in and at work whose presence elicits ascriptions of meaningfulness. In particular, the extensive studies around Hackman and Oldham's (1975) Job Characteristics Index have demonstrated that the variety of skills required by workers to undertake tasks, the extent to which tasks could be completed by workers (task identity), and the perceived significance of tasks were both separately and conjointly influential in determining the experienced meaningfulness of jobs. However, Hackman and Oldham's model and findings from over 200 associated studies (Fried and Ferris 1987) held that these relationships are found only in employees with a strong growth orientation, a psychological construct indicating desire for personal development. Later work has demonstrated that jobs with such characteristics provoke the experience of flow, a sense of complete immersion in work, but once again only for research subjects reporting high degrees of conscientiousness (Demerouti 2006), an indicator of both virtue (Hernández and Mateo 2012) and alongside strength of growth orientation, of the desire for agency.

Studies demonstrate considerable variation in the sources of meaning in work and relative preferences for different returns to working, albeit using different constructs of work orientation, psychological categories, and so on. In their recent and thorough review, Rosso et al. "identified four main sources of meaning or meaningfulness in work: the self, other persons, the work context and spiritual life" (2010: 95), with the result that: "There is often an implicit logic in this literature that meaningfulness involves a sort of "fit" or alignment between the individual and the tasks, job or work he or she performs. That is, to the degree that work fulfils one's needs or matches one's values or beliefs, then work is often seen as meaningful" (Michaelson et al. 2013: 3).

In particular, Bellah et al. (1985) have been used to explain how distinctive work orientations to work account for the experience of meaning in work. Their schema presents three dominant orientations to work. In the first, those with a *job* orientation understand work instrumentally as a means to other ends. In the second, those with a *career* orientation have a specific instrumental end in the development of their careers. However, in the third, those with a *calling* orientation desire to undertake intrinsically meaningful work (e.g., Bunderson and Thompson 2009; Hall and Chandler 2005). Research has demonstrated strong and consistent associations between these orientations and the conditions under which employees will find work meaningful. Workers with a calling orientation may even "craft" their jobs to develop relationships and other sources of meaning even when performing mundane tasks (e.g., Wrzesniewski and Dutton 2001). The implications of work orientation for the design of jobs are stark – some workers will seek meaning in any job whatsoever, while others will remain impervious to attempts to design meaning into jobs.

Evidence such as this has been used to support the argument that "meaningful work" is inherently subjective (Isaksen 2000) and that this removes any obligation on public authorities to promote it, businesses to design jobs around it, or individuals to seek it (Arneson 1987). But on a virtue-informed account, the second argument is neither entailed nor inferred from the first. Subjective preference, whatever our desires happen to be, should never have the final word in arguments about our good, to suggest that it does is to deny the distinction between our desires and our goods and by so doing to deny meaning to the idea of good. This would have a number of consequences, including rendering the question: "Should I desire X?" unintelligible. If we are to maintain the distinction between desire and the good, as we must if we are to have any coherent basis for any ethical claim whatsoever, we need an account of desire.

Desire, Virtue and Meaningfulness

The achievement of genuine goods requires us to discipline, order, and direct our desires (MacIntyre 1999). This is the particular work of the virtue of prudence but also of patience, courage, and many others. Without such virtues, untutored desires will continue to dominate us. We move towards the attainment of the virtues and

such self-control or we do not, and the extent to which our agency falls under such conscious control is always in part a matter of volition, in part of circumstance. On a MacIntyrean account, the work which confers meaning is an epiphenomenon of the goods to which our lives are directed and the virtues to whose development such directedness is closely and dynamically related. Malka and Chatman's (2003) study of MBA graduates demonstrates the effects of orientation in its finding that job satisfaction among the extrinsically motivated is largely explained by income alone, whereas those whose orientation is intrinsic experienced a small negative relationship between income levels and job satisfaction. Energies directed toward endless acquisition (the vice of ploenexia) undermine the achievements of goods that are genuinely internal to particular forms of work. Contrast this work orientation to that expressed by a long-time owner-manager of a travelling circus:

> Circus to me is a way of life . . . It isn't a job . . . I always say I've never had a job . . . this is my life that I've decided to do and I've decided to do it for all this time . . . we work all day to be in that ring . . . that's what we do . . . All of the building up and pulling down is all because of that ring . . . that round thing in the middle there with sawdust . . . hallowed ground. (cited in Beadle 2013: 687)

Here work meaningfulness derives from an intimate relationship between action, identity, and setting to the point where the work itself is no longer regarded as "a job," a discrete set of ordered tasks, but rather takes its place as the narrative of a whole life. The work of the circus or of fishing crews or the US Marines (MacIntyre 2000) is experienced not as a compartmentalized activity but as identity. Such experience requires not just a distinctive set of values and beliefs but rather the development of the virtues such that the:

> desires we initially bring to these tasks – often desires to please parents or teachers and to obtain goods that are the external rewards for success in this or that particular activity, prizes, fame, money, are displaced by and transformed into desires for the goods internal to each particular activity, and more especially, for the good of excellence in performing those tasks. (MacIntyre 2000: 124)

Evidence of the relationship between the pursuit of excellence in practices and the experience of meaningful work is found in the field experiments of Grant and his coworkers (see especially Grant (2007, 2008), Grant et al. (2007), and Grant and Hoffman (2011)). These have shown that establishing relationships between employees and the beneficiaries of their work can enhance motivation towards pro-social behavior and job performance. Whether hospital workers improving hand-washing (Grant and Hoffman 2011), fund-raisers improving revenue (Grant et al. 2007), or lifeguards' enhanced sense of the meaningfulness of their work, experience of the impact of work on others has consistent positive and persistent (Grant 2007) effects on a range of outcomes.

The extent to which we consider our work meaningful and those of its features that are to have particular salience for us may be altered, sometimes fundamentally, by the type of work we undertake, the demands it makes of us, and its impact on others.

Nevertheless, Rosso et al. conclude this insight has "largely ignored social, other-oriented, and community-based perspectives on the nature of work in favour of individual perspectives" (Rosso et al. 2010: 119). By contrast, MacIntyre's argument that the development of virtue is inextricably linked with participation in practices requires us to consider meaningfulness in social settings and equally to consider the kinds of rationalities which characterize social settings. Meaning supervenes upon practices; as we learn how the internal goods of practices are realized, we learn to ascribe meaning and invest meaningfulness to distinctions formerly unavailable to us:

> One arises from the key distinctions which apprentices in any craft have to learn to apply; indeed only insofar as they learn to apply them can they learn to anything else. The first is the distinction between what in particular situations it really is good to do and what only seems good to this particular apprentice but is not in fact so. That is, the apprentice has to learn, at first from his or her teachers and then in his or her continuing self-education, how to identify mistakes made by him or herself in applying the acknowledged standards, the standards recognized to be the best available so far in the history of that particular craft. A second key distinction is that between what is good and best for me with my particular level of training and learning in my particular circumstances to do and what is good and best unqualifiedly. That is, the apprentice has to learn to distinguish between the kind of excellence which both others and he or she can expect of him or herself here and now and that ultimate excellence which furnishes both apprentices and master-craftsmen with their telos (MacIntyre 1990: 61–62).

This understanding of meaning as supervening on activity takes us far away from accounts in which work becomes meaningful only to the extent of fulfilling preexisting psychological needs or motives. The finding that these needs and motives differ widely between agents is not just to be understood as a psychological but also a historic and social reality in which work in the type of productive practices that require extensive apprenticeship, the acquisition of virtue, and the transformation of desire is now marginal. Such an account is entirely consistent with but importantly supplements the more formal conclusion that meaningful work: "often requires the confluence of normative meaningful work conditions and the subjective volition to make meaningfulness out of these conditions" (Michaelson et al. 2013: 9).

Conclusion

As we noted, Arneson's (1987) argument regarding meaningful work as being the type of good which could be subject to distributive justice rests on its apparent subjectivity. Unlike food, healthcare, education, or work as such, meaningful work is simply not the kind of thing that public authorities or businesses can distribute. But Arneson's is a utilitarian account in which ethical claims are measured by some notion of aggregate utility. Absent a formula, no calculation, absent a calculation, no ethical claim.

On a MacIntyrean account of the virtues, claims about goods, decisions on appropriate conduct, and debates between rival propositions are intelligible only *within* traditions of thought and practice – there simply is no welfare, no utility, no formula, and no calculation outside a shared understanding which has *already* determined the rank ordering of different goods through participation in its practices and its enquiries about them. It follows that in virtue-informed traditions, the human agent who has not developed the virtues is incapable of the achievement of genuinely human goods. The types of meanings that may be realized through our work are limited by the understanding and capabilities we have developed.

The resources provided by MacIntyre's account of the virtues provide an interpretive scheme through which both the empirical research into meaningful work and debates around the provision of meaningful work can be understood. The understanding of meaningful work and its relative importance (compared, e.g., to customer satisfaction) is on this account in large part a consequence of the type of work we have undertaken, the requirements it has placed upon us, and the virtues that we have developed or failed to develop.

The case for redesigning work systems and tasks to extend the challenge, significance, skill requirements, and identity of jobs; to eliminate monotony wherever this is possible through such measures as repackaging task between job holders (Walsh 1994; Breen 2007; Sayer 2009), and substituting technology cannot be made effectively on utilitarian or deontological grounds (Beadle and Knight 2012). A virtue-informed conception of human agency however requires us to think seriously about the way in which the design of work inhibits or encourages the development of virtues and with them the achievement of our distinctly human goods.

References

Arneson RJ (1987) Meaningful work and market socialism. Ethics 97:517–545

Beadle R (2013) Managerial work in a practice-embodying institution – the role of calling, the virtue of constancy. J Bus Ethics 113:679–690

Beadle R, Knight K (2012) Virtue and meaningful work. Bus Ethics Q 22:433–450

Behson SJ, Eddy ER, Lorenzet SJ (2000) The importance of the critical psychological states in the job characteristics model: a meta-analytic and structural equations modeling examination. Curr Res Soc Psychol 5:170–189

Bellah RN, Madsen R, Sullivan WM, Swidler A, Tipton SM (1985) Habits of the heart: individualism and commitment in American life. University of California Press, Berkeley

Breen K (2007) Work and emancipatory practice: towards a recovery of human Beings' productive capacities. Res Publica 13:381–414

Bunderson JS, Thompson JA (2009) The call of the wild: zookeepers, callings, and the double-edged sword of deeply meaningful work. Adm Sci Q 54:32–57

Davis GF (2010) Job design meets organizational sociology. J Organ Behav 31:302–308

Demerouti E (2006) Job characteristics, flow and performance: the moderating role of conscientiousness. J Occup Health Psychol 11:266–280

Fried Y, Ferris GR (1987) The validity of the job characteristics model: a review and meta-analysis. Pers Psychol 40:287–322

Grant AM (2007) Relational job design and the motivation to make a prosocial difference. Acad Manage Rev 32:393–417

Grant AM (2008) The significance of task significance: job performance effects, relational mechanisms and boundary conditions. J Appl Psychol 93:108–124

Grant AM, Hoffman DA (2011) It's not all about me: motivating hospital handwashing by focusing on patients. Psychol Sci 22:1494–1499

Grant AM, Parker SK (2009) Redesigning work design theories: the rise of relational and proactive perspectives. Acad Manag Ann 3:317–375

Grant AM, Campbell EM, Chen G, Cottone K, Lapedis D, Lee K (2007) Impact and the art of motivation maintenance: the effects of contact with beneficiaries on persistence behavior. Organ Behav Hum Decis Process 103:53–67

Hackman JR, Oldham GR (1975) Development of the job diagnostic survey. J Appl Psychol 60:159–170

Hall DT, Chandler DE (2005) Psychological success: when the career is calling. J Organ Behav 26:155–176

Hernández J, Mateo R (2012) Indications of virtues in conscientiousness and its practice through continuous improvement. Bus Ethics 21:140–153

Isaksen J (2000) Constructing meaning despite the drudgery of repetitive work. J Humanist Psychol 40:84–107

MacIntyre A (1990) Three rival versions of moral enquiry: encyclopedia, genealogy and tradition. Duckworth, London

MacIntyre A (1999) Dependent rational animals. University of Notre Dame Press, Notre Dame

MacIntyre A (2000) The recovery of moral agency. In: Wilson J (ed) The best christian writing 2000. HarperCollins, London, pp 111–136

MacIntyre A (2007) After virtue, 3rd edn. Duckworth, London

Malka A, Chatman J (2003) Intrinsic and extrinsic work orientations as moderators of the effect of annual income on subjective well-being. Pers Soc Psychol Bull 29:737–746

Michaelson C, Pratt M.G, Grant AD, Dunn CP (2013) Meaningful Work: Connecting Business Ethics and Organization Studies. Journal of Business Ethics 121: 77–90

Oldham GR, Hackman JR (2010) Not what it was and not what it will be: the future of job design research. J Organ Behav 31:463–479

Pratt MG, Ashforth BE (2003) Fostering meaningfulness in working and at work. In: Cameron K, Dutton JE, Quinn RE (eds) Positive organizational scholarship: foundations of a new discipline. Berrett-Koehler, San Francisco, pp 308–327

Rosso BD, Dutton KH, Wrzesniewski A (2010) On the meaning of work: a theoretical integration and review. Res Organ Behav 30:91–127

Sayer A (2009) Contributive justice and meaningful work. Res Publica 15:1–16

Walsh A (1994) Meaningful work as a distributive good. South J Philos 32:233–250

Wrzesniewski A, Dutton JE (2001) Crafting a job: revisioning employees as active crafters of their work. Acad Manage Rev 26:179–201

Part XVII

Virtues and the Laws, Norms, Principles, and Codes of Conduct

Virtue and the Law: Contemporary Perspectives

Jeffrey Nesteruk

Contents

Abstract

The idea that the law should promote virtue is a reoccurring and persistent notion, even within our contemporary world. Today, of course, this notion faces challenges that were often missing from the formulations of classical thinkers on the subject. At the root of such challenges is the assumption that the law should foster the autonomy of individual moral choices, rather than any particular notion of the good life. Nonetheless, some jurisprudential writers today pursue a more selective and nuanced role for the law in promoting moral development. Particularly in an era in which many of the traditional vehicles for moral education – families, schools, and religious organizations – are under strain, we cannot ignore the possibilities the law may offer for moral development.

J. Nesteruk (✉)
Business, Organizations, and Society Department, Franklin and Marshall College, Lancaster, PA, USA
e-mail: jeff.nesteruk@fandm.edu

Introduction

The notion that the law can play a role in fostering the moral development of individuals is a reoccurring and persistent one, even within our contemporary world. One currently prominent proponent of this view, Robert George, affirms the law's potential "not only to help make people safe, comfortable, and prosperous, but also to help make them virtuous" (p. 20). But such a view today faces challenges that were absent from the more classical formulations of this position in writers such as Plato, Aristotle, Aquinas, and Machiavelli.

At the root of such contemporary challenges is a basic underlying political premise that holds tremendous sway today. The assumption is that the role of law is to protect the autonomous moral choices of the individual, allowing each individual to define his own notion of the good life, rather than law – and by extension government – imposing its version of the good life upon all citizens. Thus, the idea of the law helping to make people more virtuous gives rise to suspicions, both from the political right and the political left. From the right, conservatives with a libertarian bent wish to minimize the role of government and thus are loath to extend its reach into the realm of morality. From the left, progressives who emphasize personal autonomy worry about government imposition of the values of social conservatives, in areas ranging from abortion to stem cell research to gay marriage.

Yet in the midst of such challenges, legal scholars and ethicists today are pursuing a more selective and nuanced set of possibilities for integrating law with the virtues. In many ways, the current interest in integrating law and the virtues stems from a desire to overcome the intractable conflict of two other normative theories that have deeply influenced legal discourse. Chapin F. Cimino writes:

> For years, the legal academy has been obsessed with two dominant normative theories: law and economics and individual rights. From environmental law to criminal procedure, every debate seems to start and end there. ... In some sense, this obsession is not surprising – scholars across the social sciences and humanities struggle to break free of the same old debates between consequentialism (the philosophy on which law and economics is based) and deontology (the philosophy on which rights theories are based). (p. 703 footnote omitted)

But the developing interest in law and the virtues also has a broadly practical and popular appeal. In our morally unsettled yet increasingly litigious world, there is growing recognition that legal institutions do not operate effectively in a moral vacuum. Law is intimately bound up with the character of the persons who enact, interpret, and live under its prescriptions. Thus, it is not surprising to find scholars such as Lawrence B. Solum proposing a "virtue-centered theory" of judging.

Particularly in an era in which many of the traditional vehicles for moral education – families, schools, and religious organizations – are under strain, we cannot ignore the possibilities the law may offer for moral development.

Virtue Jurisprudence

Virtue jurisprudence refers to current theories of law that draw on concepts of virtue to understand, guide, and illuminate the law. This contemporary turn in legal theory has its roots in the Greek concept of arête or "excellence," but seeks to develop this classical notion in ways that address contemporary legal issues. The central idea here is thus to see the law as both drawing upon and fostering human excellences or virtues. The virtues encompass human excellences of both the intellectual and moral variety. They thus are potentially applicable to everything from the quality of judicial reasoning to the content of constitutional principles.

In examining the law through the lens of human excellence, virtue jurisprudence has much to say with potential implications for our contemporary world. It provides insights regarding the ultimate purpose of the law, the content of legal concepts or doctrines, and the ethical issues faced by legal actors.

Envisioning the Broad Ends or Goals of the Law

One of the central issues of jurisprudence is the question of the ultimate purpose of the law. Virtue jurisprudence answers this question in a distinctive way, saying that the ultimate end or goal of the law is "human flourishing." Human flourishing is a state in which our human capacities are able to reach their highest development or excellence. Simply put, it means doing and living well.

To be sure, people will differ in their sense of what doing and living well means. This has always been true, as Aristotle acknowledges in his account of eudaimonia, the original Greek term for human flourishing.

> Verbally there is a very general agreement; for both the general run of men and people of superior refinement say that it is [eudaimonia], and identify living well and faring well with being happy; but with regard to what [eudaimonia] is they differ, and the many do not give the same account as the wise. For the former think it is some plain and obvious thing like pleasure, wealth or honour. . . . (Book 1, Chap. 4)

But locating the law's ultimate purpose in human flourishing is markedly different from the dominant contemporary strands of jurisprudence, which tend to focus on the centrality of rights or the satisfaction of preferences. As Colin Farrelly and Lawrence B. Solum put it in their advocacy of virtue jurisprudence: "[T]he fundamental concepts of legal philosophy should not be welfare, efficiency, autonomy, or equality; the fundamental notions of legal theory should be virtue and

excellence" (pp. 2–3). Law should, they write, "enable humans to lead excellent lives" (p. 2).

Enriching Particular Legal Concepts, Principles, or Doctrines

Along with offering its distinctive approach to defining the ultimate ends or goals of the law, virtue jurisprudence brings into view the question of how character should bear on our understanding of particular legal concepts or doctrines. Consider, for example, the area of criminal law. To what degree should criminal culpability turn on the virtue of the accused? We seem, at some level, to incorporate a sense of the accused's character into our legal judgments. We assign, for instance, different penalties for negligent homicide than we do for murder, judging the latter to be more indicative of a morally deficient character because of its premeditated nature.

One particularly poignant area in criminal law concerns the role of remorse. In what ways, if any, should a convicted individual's expressions of remorse affect the sentencing phase of his trial? Judges have been known to deal more harshly with those who expressed no remorse for their crimes, reflecting an intuition that such a stance reveals a more depraved character. Yet the authenticity of an expression of remorse, particularly after conviction, is notoriously difficult to judge, and such an expression, at any rate, pointedly does not erase the harm done to the victim.

Guiding the Ethical Decision-Making of Legal Actors

Putting virtue at the center of our understanding of the law also has implications for the ethical decision-making of legal actors, ranging from judges to lawyers to general citizens. Consider, for example, a lawyer faced with an ethical dilemma in which keeping a client confidence means harming a third party. Virtue ethics would not begin from a theoretical notion of client rights or an abstract calculation of consequences to the third party. Rather, virtue ethics asks: What would a virtuous lawyer – one possessing the highest development of intellectual and moral excellence – do? This approach relies more concretely on personal exemplars or role models as the touchstones for legal actors wrestling with the morally difficult choices the law can present. Such exemplars or role models might be found in the practical actions or stories passed on by mentors or the established reputations of widely admired members of the profession.

Drawing on personal exemplars or role models for ethical guidance may affect, as Rosalind Hursthouse points out, not only the choices one makes, but the emotions such choices evoke. Writing of a virtuous lawyer who must allow harm to another in order to keep a client confidence, Hursthouse writes, "Would he congratulate himself on having done the right thing, feeling pleased about what he has done? Obviously not. Will he boast about it? Obviously not. Will he welcome opportunities to discuss his decision and being congratulated on his

perspicacity? Obviously not, even if it was very difficult to arrive at the correct decision and did call on all his practical wisdom" (p. 246).

In highlighting this virtuous lawyer's emotional reactions, Hursthouse reveals an orientation toward ethics central to classical virtue theorists from Plato to Machiavelli. This is a concern not simply with a person's choices or actions, but the state of his inner attitudes, convictions, or values. In this way, virtue jurisprudence strives to deepen our contemporary understandings of the ethical dilemmas of legal actors.

Virtue Jurisprudence and the Business World

Virtue jurisprudence can also illuminate the contemporary business environment, prompting a reexamination of some of its underlying assumptions. Turning to examples from corporate, negligence, and contract law, we can see how the insights of virtue jurisprudence provide a way of affirming and developing the moral possibilities of the business enterprise.

Corporate Law

Virtue jurisprudence's commitment to communities that promote human flourishing has the potential to reorient traditional corporate law. It does so because the corporation is a kind of community, one distinctively shaped by legal doctrines and principles. "Corporations," writes Robert Solomon, "are real communities, neither ideal nor idealized ..." (p. 325). Such communities, though, have been traditionally structured by the law's goals of maximizing utility or protecting rights, rather than fostering human flourishing.

Bringing human flourishing to the fore in corporate law entails reevaluating the legal rules that structure the corporate community. Consider, for example, the perennial legal debate between a shareholder-centered and a stakeholder-centered conception of the corporation. Which legal model has the greater potential for promoting human flourishing, if such flourishing includes fostering individual moral agency?

If at the core of moral decision-making is the evaluation of competing ends – asking which end is better, more worthy, or moral – then the shareholder-centered and stakeholder-centered notions of the corporation offer markedly different possibilities for the development of the individual moral agency of corporate executives. This is because by orienting the choices of corporate leaders to a single pregiven end – profit – the shareholder-centered conception of the corporation brings to the decision-making of managers a purely instrumental character. Their decisions are about the means to an end that is already given, rather than an evaluation of the worthiness of competing ends, including potentially ends other than profit. Instrumental choices of this nature thus lack an essential dynamic at the

core of individual moral choice. Managers may become skilled at implementing a value that the law requires of them, but they themselves are not wrestling with the more fundamental and varied values at stake in their choices.

In contrast, the corporate manager operating from a stakeholder perspective lives in a world infused with a number of at least potentially conflicting ends. The value shareholders place on profit may conflict with the value employees place on job stability. The value consumers place on lower prices for products may conflict with the value a local community places on maintaining a long-running manufacturing plant. The choices of corporate executives thus necessarily entail evaluating the relative worthiness of such potentially conflicting ends. These choices thus offer opportunities for the development of the individual moral agency of corporate managers that are lacking in an environment in which profit holds exclusive sway. If enabling and developing individual moral agency is part of human flourishing, then the stakeholder-centered model of the corporation more closely approximates the kind of community virtue jurisprudence seeks to foster.

Moreover, such communities are of critical importance to the aspirations of virtue jurisprudence. For as Aristotle reminds us, good individuals can only flourish in good communities. Edwin Hartman puts it this way: "But for a good person, in particular a cooperator inclined to trust others, life in a community full of treacherous free riders would be unhappy. So we can see the point of Aristotle's claim that a virtuous person must live in a great *polis* – can only survive in a good community, we might say" (pp. 257–258).

Negligence

Like corporate law, the law of negligence is an important area both for individual managers and the broader business environment. Negligence law requires that business actors exercise reasonable care and are thus exposed to liability for careless or indifferent behavior in the work environment. This applies to the conduct of individual managers and, under notions of vicarious liability, to their corporations. Corporations can also have direct liability in areas such as negligent hiring, when a failure to detect a problem employee leads to a third-party harm. This would be the case, for example, should a trucking company hire a driver with a record of DUI arrests.

In today's business world, the law and economics movement has helped to promote a particular understanding of the concept of reasonableness as it operates in negligence law. The reasonableness required of business actors under the law of negligence has increasingly been subject to an economic calculus. An action meets the standards of reasonable care if its economic benefits outweigh its economic costs. Thus, the care required of business actors depends upon the economic efficiency of their conduct.

Virtue jurisprudence fosters a reexamination of this particular understanding of negligence, suggesting that reasonableness, particularly in its recent economic incarnations, is not the whole story. While the traditional definition of negligence

has focused on the reasonableness of a party's behavior, recent work in virtue jurisprudence has pointed to the role of virtues, such as prudence and benevolence, in deepening our understanding of the law's standard here. Heidi Li Feldman writes, "It is a mistake to reduce negligence to reasonableness or to try to understand the sense of reasonableness contemplated by the negligence standard without reference to the virtues of prudence and benevolence. Taken together and analyzed in relation to one another, these three traits define a distinct evaluative perspective, according to which some actions expose oneself and others to inappropriate risk of physical harm, and others do not" (p. 51).

Incorporating the virtues of prudence and benevolence into our understanding of the duty not to harm others resists reducing the definition of negligence to a simple cost/benefit calculus of economic efficiency. Rather than relying solely upon economic reasoning, it leaves to citizens sitting on juries to resolve what is ultimately a political question. "Using the jury," writes Feldman, "to calibrate the meaning of negligence . . . allows the citizenry to continuously revisit a fundamental political question: the proper balance between safety and freedom" (p. 53).

Contract Law

Few legal concepts are as central to business transactions as contracts. Indeed, without the law of contracts, it is hard to imagine how the contemporary world of business would operate. But our understanding of contracts in the business environment has primarily focused on their role in facilitating economic transactions.

Along with facilitating economic transactions, contracts are embedded in social relationships. Chapin F. Cimino brings the perspectives of virtue jurisprudence to the legal understanding of contracts by emphasizing the social dimensions of business transactions. Whatever their overt economic ends, contracts – as Cimino points out – occur in the context of a social relationship between the parties. Thus, in interpreting contracts, the law should take account of how the parties' intent is at least partially rooted in their social relationship. The parties may, writes Cimino, "have intended that each would treat the other respectfully or that a promise would be kept under certain conditions but could be excused under other conditions" (p. 733).

Empirical research indicates managers and others in business take these social relationships seriously. Individuals in business environments often rely on the social norms sustaining these relationships, rather than the technical requirements of the law. Many formal breaches of contracts are resolved not on the basis of specific contractual provisions, but with an eye toward maintaining the social ties needed for both parties involved in a contract to prosper.

Virtue jurisprudence thus suggests the law attend more closely to the virtues that are necessary to maintain and strengthen these social relationships. Such virtues would include trustworthiness, fairness, respect, and caring for others. Promoting such virtues in individuals fosters more robust social relationships that in turn ultimately lowers transaction costs and enhances long-term profitability for businesses.

Contract law could explicitly incorporate such virtues by drawing more fully upon the open-textured, equitable concepts in the traditional law of contracts. Traditional contract law concepts such as unconscionability or the duty of good faith and fair dealing provide the doctrinal basis for encouraging and rewarding individual virtues, such as trustworthiness, fairness, respect, and caring for others, in the business environment. By providing a theoretical justification for such traditional concepts playing a more central role in the legal adjudication of contract disputes, virtue jurisprudence would help to affirm and develop the moral possibilities in this area of business law.

Conclusion

The future of law's role in supporting society's "moral ecology," to use Robert George's phrase, is hard to predict. The theoretical attractiveness of virtue jurisprudence lies in the way it helps to recast some of the intractable conflicts arising out of legal theories rooted in rights analysis or consequentialist approaches. Its practical appeal stems from its ability to enable the law to play a richer role in our moral development at a time in which traditional venues require support or revitalization.

But the challenge for virtue jurisprudence lies in the highly contested nature of the virtuous life in our heterogeneous society. Defining the virtues is a more complicated affair in our morally pluralistic and globalized community than it was for Aristotle in the classical world. The task for legal scholars and ethicists is exploring a selective and nuanced set of possibilities that comport with our expectations for law in our contemporary environment.

Cross-References

▶ Management Approach: The Virtuous Corporation as a Moral Agent for Sustainable Development
▶ New Classical Natural Law Theory, Virtue, and the Economy
▶ Virtue and the Law: Classical Perspectives

References

Aristotle (1980) Nicomachean ethics (trans: Ross WD). Oxford University Press, Oxford
Cimino CF (2009) Virtue and contract law. Oreg Law Rev 88:703–744
Farrelly C, Solum LB (eds) (2008) Virtue jurisprudence. Palgrave Macmillan, New York
Feldman HL (2008) Prudence, benevolence, and negligence: virtue ethics and tort law. In: Farrelly C, Solum LB (eds) Virtue jurisprudence. Palgrave Macmillan, New York
George RP (1993) Making men moral: civil liberties and public morality. Clarendon, Oxford
Hartman EM (1994) The commons and the moral organization. Bus Ethics Q 4:253–269

Hursthouse R (2008) Two ways of doing the right thing. In: Farrelly C, Solum LB (eds) Virtue jurisprudence. Palgrave Macmillan, New York

Nesteruk J (1996) Law, virtue, and the corporation. Am Bus Law J 33:473–487

Solomon RC (1992) Corporate roles, personal virtues: an Aristotelean approach to business ethics. Bus Ethics Q 2:317–339

Virtue and the Law: Classical Perspectives

Raymond Angelo Belliotti

Contents

Abstract

Classical thinkers such as Plato, Aristotle, Cicero, Aquinas, and Machiavelli developed a perspective that insisted that a primary function of law was to nurture the souls of citizens. Although these thinkers disagree somewhat as to what the primary virtues citizens should embody, they joined cause in their conviction that law should not be neutral on the matter of the best notion of the good. This chapter analyzes the development of the classical perspective of virtue and the law, speculates as to the changes adopting such a perspective would have on contemporary jurisprudence, and sketches some of the reasons why such changes may not seem salutary to contemporary thinkers.

Keywords

Plato • Aristotle • Cicero • Aquinas • Machiavelli • Directive and coercive functions of law • Law and the good • Promoting virtue through law • Shaping the character of citizens • Law and individual freedom

R.A. Belliotti (✉)
The State University of New York at Fredonia, Fredonia, NY, USA
e-mail: belliott@fredonia.edu

Introduction

Why would classical political philosophers conclude that the law should have an educative role in shaping the characters of citizens? Why are most contemporary political philosophers concerned that such an approach to law nurtures the worst excesses of totalitarianism? To begin to answer these questions, we must return to Ancient Greece.

Classical Perspectives

Plato (428–347 BC) wrote most extensively about the relationship between the law and human virtue in two of his dialogues: the *Statesman* and the *Laws*. In the *Statesman*, Plato describes the ideal polity as that in which a man of superior wisdom rules as a benevolent monarch. Such a ruler ascends to power because of his expertise in nurturing virtue in his fellow citizens. Because Plato insists that virtue is knowledge – to genuinely know the good is to be motivated to act in accord with it – the ideal statesman embodies insights more acute than those captured by laws. General, universal, and impersonal laws cannot produce the best results in every case because they cannot take into account the particularities of character and circumstance. Instead, they are geared to the typical person and usual case. For Plato, the paramount role of the state is to promote virtuous citizens whose souls attain an internal harmony and health that he identifies with human fulfillment. Because the ideal statesman possesses superior wisdom and goodness, he is better placed to render justice than are the laws (Plato 1961a). Accordingly, the ideal statesman should have the power to take into account the particularities of each case and override the written law where necessary in order to advance the common good and to cultivate virtue within citizens.

But a major problem appears: The ideal statesman has existed, at best, once or twice in world history (Plato 1961b). Accordingly, in actual polities the rule of law must be paramount. Laws are an imitation or an approximation of the principles of the ideal statesman. Where special characters and circumstances are present, laws must permit what contemporary jurists would call considerations of equity or judicial discretion. Although inferior to the conclusions of the ideal statesman, the judgments of law are the product of reasoning and amount to an efficient, second-best method of accomplishing the most important goals of the state: fostering virtue among citizens, tending to the internal health of their souls, and thereby contributing mightily to human fulfillment. The statesman in actual (nonideal) polities is the weaver who advances a normative vision that all citizens can embrace, and who establishes laws that promote the virtues of valor (courage and audacity) and prudence (Plato 1961c).

In the *Laws*, Plato identifies the principal virtues as wisdom, self-control, righteousness, and valor (Plato 1961d). Laws promote such virtues through reward (praise and honors) and punishment (blame and penalties). At the end of the life of a citizen, legislators will apply law in determining the types of funeral rite that is

appropriate: the virtuous will be honored; the wicked will be denied a memorial (Plato 1961e). Although Plato identified the virtuous life with the happy or fulfilled life in several earlier dialogues, he concedes in the *Laws* that numerous citizens, lacking profound knowledge of the good, will doubt the connection. He proposes a myth that claims that the gods informed legislators that the virtuous life is the happiest and most fulfilling, and advances ideas on how that myth can become part of the socialization process (Plato 1961f). More critically, he reiterates that the chief purpose of the state and the laws it promulgates is not preparation for war, but the cultivation of virtuous citizens. This is the case even when prioritizing virtue jeopardizes the survival of the community by making it vulnerable to external aggression (Plato 1961g). Plato anticipates the educative function of law: it is crucial for citizens to view law not as an obstacle to attaining their desires, but as an indispensable guide for pursuing the good human life (Plato 1961h). In that vein, the ultimate aim of legal punishment is primarily educative: to bring the criminal to repent his past felonies and to reconnect him to reason. Again, Plato insists that to know the good is to do the good (Plato 1961i).

Aristotle (384–322 BC) understood thoroughly that habits structure character (Aristotle 1985a). The good person embodies stability and constancy of character that facilitates understanding of what is right. Rectitude requires not merely doing the appropriate things but also developing and nurturing the proper internal condition of the soul. For Aristotle, the relationship between character, choice, and action is critical: "acts are called just and self-controlled when they are the kind of acts which a just and self-controlled man would perform; but the just and self-controlled man is not he who performs these acts, but he who also performs them in the way just and self-controlled men do" (Aristotle 1985b). The proper way of performing such deeds, then, demonstrates the harmonious internal condition of the just and self-controlled person. Merely performing just deeds does not in itself establish a person's harmonious internal condition. Our acts must demonstrate the virtuous condition of our souls. Aristotle connected virtue with developing the proper sorts of habits. He thereby set the stage for later articulations of the educative function of law. As the most powerful instrument of social control, law can play a major role in inculcating the habits associated with virtuous citizens.

The relationship of virtue and the law was further developed through the elaboration of the conception of natural law that had been articulated earlier by the Stoics and refined by Cicero (106–43 BC). The early church identified natural law with the law of God which was taught by Christ. The law of God, as embodied in the teachings and decrees of the church, served as an ideal toward which actual state law should strive. This basic idea was later refined and systematized by the most influential proponent of the religious version of natural law: St. Thomas Aquinas (1224–1274). Aquinas held that law has three components: it was (i) an ordinance of reason promulgated (ii) for the common good (iii) by the caretaker of the community. So conceived, law is a foundation for commitment and action, has the animating aspiration of unifying the parts (individual humans) to the whole (the perfect community), and must constitute a public (promulgated) measure of action. For Aquinas the law has two powers: the *coercive power* to command obedience

from reasons of prudence (we obey the law because we fear the reprisals of state power) and the *directive power* to impose prescriptive obligations and to allow various propositions to exist as valid law (law embodies a moral dimension which should command our allegiance independent of our fear of state punishment). Law's directive power stems from its ability to facilitate the ends of humans as social beings and members of a community. Law must aim at a common good, which is not merely the aggregation of all individual interests (Aquinas 1947a).

The difference between a law with both coercive and directive power and a law with only coercive power is easily illustrated. For most of us, laws prohibiting murder bear both coercive and directive power: I fear the severe punishment that accompanies being found guilty of murder, but independent of that fear I am certain that murder is morally wrong. I would not murder another person even if I could do so and escape punishment. I have internalized the values constituting the prohibition on murder and have accepted them as my own. On the other hand, for me at least, the 65 mile-per-hour speed limit on the New York State Thruway bears only coercive power. I fear the punishment of yet another speeding ticket – the cost of the fine, the inconvenience of paying or bargaining down the penalty, the unbearable evening squandered at driver's reform school – but I have no misgivings about driving over 65 if I suspect I can do so without receiving a citation from a state trooper. Assuming excellent driving conditions, typical traffic patterns, adequate road conditions, and the like, I know that I can drive over 65 safely and efficiently. Moreover, the speed law is enforced sporadically – early and late in the month seem like heavy quota times – and with discretion: no one is ticketed for traveling, say, 67 in a 65 mile-per-hour zone. The usual "trooper's number" seems to be 77 or 78. Thus, the state itself does not reinforce the alleged values of the speed limit. To do so would mean a vast increase in the number of tickets and in the amount of time the police expend in monitoring traffic. Where punishment is swift and certain, the law is strengthened in both its coercive and directive functions. Where punishment is selective a law's directive power evaporates. Judging from the habits of other drivers, I feel safe in concluding that the 65 mile-per-hour speed limit on the New York State Thruway has little or no directive power for around 95 % of operators of motor vehicles.

For Aquinas there are four kinds of law: (1) *Eternal law* exists in the mind of God. It fixes the essence of all things, orders human action to its appropriate ends, and is the origin of natural law. It governs the entire order of the universe and is dependent on the divine reason for its existence and value. Because all creation is under the dominion of divine providence, all existing entities are inclined naturally toward their appropriate functions. Only human beings, however, are self-conscious of their proper ends and can use reason to facilitate the attainment of them. Here Aquinas restates his strongly teleological assumption that all entities have an inherent essence which they are by nature inclined to fulfill. Human beings, as God's greatest creatures, embody reason (Aquinas 1947b). (2) *Divine positive law* is the law of God as revealed through Christ and the scriptures. Because eternal law resides in the infinite mind of God, it is not directly accessible to finite human minds. Divine law helps to make eternal law explicit and available to human beings.

Moreover, divine law directs human beings to their ultimate goal of eternal salvation and everlasting happiness with God (Aquinas 1947c). (3) *Natural law* is founded on human nature, discovered by reason, and is permanent and universal. Humans cannot subtract from it, and compliance with it is necessary if we are to attain our appropriate function. Thus natural law guides humans to their earthly ends and is our "participation" in eternal law. The fundamental principles of natural law are self-evident, universal, and beyond rational demonstration: God has "instilled [the basic principles of natural law] into man's mind so as to be known by him naturally" (Aquinas 1947d). (4) *Human positive law* is comprised of legal statutes, decisions, and decrees of various governments. It is valid – it can be described accurately as "law" – only if it is in accord with natural law. In fact the proper role of human law is to make natural law explicit and applicable in particular situations. Human law is either arrived at deductively from the basic tenets of natural law – "that one must not kill may be derived as a conclusion from the [natural law] principle that one should do harm to no man" – or derived as a "determination," an instantiation of a general principle: "[natural law] has it that an evil-doer should be punished; but that he be punished in this or that way, is a determination of the [human positive law]" (Aquinas 1947e). Human law that has been derived deductively from natural law gains additional directive power than that which is derived as a determination. But human law derived in either fashion is binding and is fully "law." An important corollary is that Aquinas concedes straightaway that the specific translation of general natural law principles to concrete cases will be controversial, contestable, and not a matter of logical necessity: "[T]he more we descend to matters of detail the more frequently we encounter defects" (Aquinas 1947f). Disagreements will result because exceptional circumstances may make our generally derived rules inapplicable; humans differ in their respective abilities to discover moral truths, and in some cases "reason is perverted by passion, or evil habit, or an evil disposition" (Aquinas 1947f).

Aquinas underscores the importance of reason and the criterion of morality as the determinants of the existence of law. He stresses the enduring element of law – its timeless application beyond the practical needs of human beings at a particular time. Although such application must adapt to variable, concrete social contexts, natural law has as its end that humans fulfill their function and achieve their essential purposes. Any variance from reason, morality, and law's enduring element denies a proposition the honorific title of "law." Thus a proposition is not truly a law, regardless of its genesis and pedigree, if it is contrary to the common good, or its author is not the "caretaker" of the community, or it opposes the divine good (Belliotti 1992).

Niccolò Machiavelli (1469–1527) understood implicitly the difference between the coercive and directive functions of law. Law's coercive power is its threat of punishment: human beings, other things being equal, seek to avoid the pains and suffering of retribution for their misdeeds, but coercive power is insufficient. If the only reason citizens have for obeying the law or complying with the prince's decrees is fear of punishment, then once that sword is no longer dangling over their heads, they will break the law with impunity. That is, they will disobey in

these circumstances where the probability of getting caught is low and the benefits to them are reasonably high.

Law's directive power kicks in when citizens internalize the values expressed by legal prohibitions and prescriptions: when citizens accept those values as their own and no longer perceive them as externally imposed. Machiavelli's relentless call for strong arms and sound laws underscores the need for the prince to bring order, stability, and security to the state (Machiavelli 1994a). A well-ordered state is the prerequisite for the socialization process that promotes the habits and traditions – the necessities – that advance the directive function of law. According to Machiavelli, human beings are naturally inclined toward wickedness; they become righteous only when strong-armed by necessity (Machiavelli 1994b). Only when citizens accept for themselves that the prince's rule and his laws are appropriate, acceptable, and even necessary will the state no longer be corrupt. A tyrant can call upon the coercive power of his reign even more easily than a prince can. But the tyrant, lacking the loyalty of the masses, rules over a corrupt polity where the directive power of law is absent. The authority of the tyrant is based entirely on might. When *Fortuna* turns against him, the tyrant will most likely fall swiftly and certainly.

Machiavelli understood that a prince who is merely feared by his subjects holds only coercive power. To gain directive power, he must win the loyalty of his subjects: he must transform what citizens first take as external rule into an internally accepted regime. The cornerstones of the program include showing the people how their self-interest is inextricably bound to the well-being of the prince, recruiting a strong army and instituting sound laws, neutralizing the ambition of the nobles, implementing disciplined education, cultivating appropriate habits and customs, enlarging the prince's reputation, and demonstrating that the system works through grand military triumphs and a sharp system of internal rewards and punishments (Belliotti 2009).

For Machiavelli, sound laws were critical for transforming people from selfish, radical individuals into citizens who appreciate the common good. Only if strong arms and sound laws are in place can a state cultivate civic *virtù* and begin to compete effectively in international affairs. Machiavelli prizes virtues such as boldness, military and political valor, vigor, and ambition, all of which are critical as nations compete for preeminence in a zero-sum context.

Contemporary Jurisprudence

An interesting question arises: What differences in legal interpretation and understanding would result if contemporary jurisprudence took the classical perspective seriously? First, morality would play a more explicit role in both interpreting and applying law. Citizens would view the law less in terms of what it explicitly permits and prohibits, and more in terms of how it facilitates the development of certain human virtues. For example, corporations are generally thought to have a duty to

maximize profits for their shareholders. If the tax laws permit paying lower taxes by establishing phantom subsidiaries and maintaining offshore accounts, corporate executives who avail themselves of these strategies can justify them as legal fulfillment of their obligations to shareholders. But under classical perspectives, they must also inquire as to which approach – paying the full amount of domestic taxes or avoiding the full amount through legal mechanisms – better honors the laws' function of nurturing virtue. Second, judicial interpretation of law would include, for better or worse, more discretion and invocation of equitable considerations. The spirit of the law under classical perspectives includes promoting certain attributes among citizens. Where applying the letter of the law conflicts with that mission, judges influenced by classical perspectives might well be willing to finesse the letter of the law in deference to the spirit of the law. Third, both citizens and judges would interpret and understand "hard cases" – those not resolvable by routine application of rules and facts – differently from current renderings. Instead of looking to understand and decide such cases by referring broadly to social policy or to an abstract legal theory, participants would reach conclusions by appealing narrowly to which understanding and decision better promotes the virtues sought in that nation.

Conclusion

Unlike classical perspectives, contemporary jurisprudence in Western democracies is grounded in the conviction that law has no legitimate interest in promoting a particular notion of virtue in citizens. Law is concerned with the conduct of citizens only when it affects the significant interest of others or the appropriate prerogatives of the state. On this view, the character traits that motivated citizens' behavior – their virtues and vices – are otherwise of no concern to the law. Instead of imposing a single conception of the good upon citizens, the law and the state generally should allow its constituents maximum freedom to pursue their own notions of the good at least when doing so is compatible with the rights of others. The dominant contemporary perspective takes the condition of the souls of citizens to be a private matter not directly subject to public maneuvering.

The political structures of Plato, Aristotle, Cicero, Aquinas, and Machiavelli were smaller, more homogeneous in numerous respects, and possessed a clearer collective notion of the good than contemporary republics. To citizens in modern pluralistic democracies, invocations of a single notion of the good strike an unresponsive chord. Instead, such pleas conjure reminiscences of totalitarian excesses. Moreover, many will question whether the most powerful instrument of social control – law – is the proper mechanism to facilitate the delicate task of soul-making. In any event, adopting the classical perspective of virtue and law would require numerous changes in our idea of the proper relationship between citizen and state.

References

Aquinas T (1947a) Summa theologica (trans: Fathers of the English Dominican Province). Benziger, New York

Aquinas T (1947b) Summa theologica (Q 91, art. 1) (trans: Fathers of the English Dominican Province). Benziger, New York

Aquinas T (1947c) Summa theologica (Q 91, art. 4, 5) (trans: Fathers of the English Dominican Province). Benziger, New York

Aquinas T (1947d) Summa theologica (Q 94, art. 3, 5) (trans: Fathers of the English Dominican Province). Benziger, New York

Aquinas T (1947e) Summa theologica (Q 95, art. 2) (trans: Fathers of the English Dominican Province). Benziger, New York

Aquinas T (1947f) Summa theological (Q 94, art. 4, 6) (trans: Fathers of the English Dominican Province). Benziger, New York

Aristotle (1985a) Nicomachean ethics (Bekker 1103a–1104b, 1119a–1119b, 1148b–1154b) (trans: Irwin T). Hackett, Indianapolis

Aristotle (1985b) Nicomachean ethics (Bekker 1105a–1105b) (trans: Irwin T). Hackett, Indianapolis

Belliotti RA (1992) Justifying law. Temple University Press, Philadelphia, pp 20–24

Belliotti RA (2009) Niccolò Machiavelli. Lexington Books, Lanham, p 11

Machiavelli N (1994a) The prince (chapter 12) (trans: Wootton D). In: Wootton D (ed) Selected political writings. Hackett, Indianapolis

Machiavelli N (1994b) The prince (chapters 15, 18, 23) (trans: Wootton D). In: Wootton D (ed) Selected political writings. Hackett, Indianapolis

Plato (1961a) Statesman (Stephanus 292a–297c) (trans: Skemp JB). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Plato (1961b) Statesman (Stephanus 293a) (trans: Skemp JB). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Plato (1961c) Statesman (Stephanus 310a–311c) (trans: Skemp JB). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Plato (1961d) Laws (Stephanus 631c–d) (trans: Taylor AE). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Plato (1961e) Laws (Stephanus 632b–c) (trans: Taylor AE). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Plato (1961f) Laws (Stephanus 662a–666a) (trans: Taylor AE). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Plato (1961g) Laws (Stephanus 705d–707d) (trans: Taylor AE). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Plato (1961h) Laws (Stephanus 719c–720e) (trans: Taylor AE). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Plato (1961i) Laws (Stephanus 862c–867a, 934a) (trans: Taylor AE). In: Hamilton E, Cairns H (eds) Collected dialogues. Princeton University Press, Princeton

Virtue and Principles in Management

Jeffery Smith

Contents

Abstract

General moral principles are often taken to be an important element in moral life. Many virtue ethicists, however, are decidedly critical of the practical import of moral principles because moral judgments are seen as rarely, if ever, guided by general principle. Virtue ethicists often prefer to emphasize how moral judgment is an extremely context-sensitive matter, tied to well-informed deliberation about the complicated, nuanced facts and circumstances about which moral choices are made. This chapter examines the tendency among virtue ethicists to eschew a role for general principles and suggests that a suitably tailored understanding of what general principles are – and how they function in deliberation – can preserve the importance of general moral principles.

Keywords

Moral principle • Practical wisdom • Rules • Moral judgment • Codes of conduct

J. Smith (✉)
Seattle University, Seattle, WA, USA
e-mail: smitjeff@seattleu.edu

Introduction

We take general moral principles to be an important element in moral life. Such sayings as "he is a person of principle" and "she does not compromise her principles" are illustrations of this tendency to frame moral commitment and character through an allegiance to principles. This is no less the case in the world of business where companies, industry associations, and allied professions routinely identify formal principles within codes of conduct that individuals should respect. Scholars, teachers, and consultants, too, have all made contributions that presume the importance of general moral principles in the management of ethical problems within business organizations (Soule 2002; Soule et al. 2009; Berenbeim and Kaplan 2007; Boatright 2012).

But does the identification of general moral principles actually assist managers and employees in making appropriate moral judgments? Does, for instance, the principle that "one should refrain from deception" provide the direction needed by sales agents when deciding whether to withhold information about a new product? Or does the principle that "all employees deserve equal opportunity" provide any instruction for managers when considering whether to adopt an affirmative action program to recruit women in an industry historically dominated by men? Although few would deny the validity of such principles, many will also quickly note that principles are incomplete guides when it comes to actually deciding how to act or what policy to adopt. The abstract and indeterminate nature of principles engenders skepticism regarding their usefulness in deliberation and role in justifying particular judgments. This is particularly the case with those who are theoretically aligned with the tenants of virtue ethics.

It is therefore worth exploring how, exactly, principles play a role in judgment and whether the platitudes we commonly hear about the importance of principles are misplaced. Examining this problem will lend insight to those who are engaged in the management of ethical problems within organizations by helping them understand how moral principles can remain relevant while not overstating their role in guiding and justifying particular moral assessments.

Two Limitations on Moral Principles

Virtue ethicists tend to resist the notion that moral judgments can be justified through the application of general moral principles. This orientation makes some sense. Contemporary virtue ethicists focus their attention on a range of considerations, such as character development, the importance of attitudes and affective dispositions, accounts of human flourishing, and, importantly, moral discernment, which lend themselves well to an account of moral judgment that emphasizes the unique contours of each situation rather than (primarily) the generalities of human experience. It is therefore not surprising that those who find virtue ethics theoretically appealing view general principles with added philosophical caution.

This orientation among virtue ethicists arises from two related ideas. First, moral judgments seem rarely, if ever, derived from general principles; instead, the process of moral judgment is tied to well-informed deliberation about the complicated, nuanced facts and circumstances about which moral choices are made. The interpersonal relationships, history, and social context of situations make moral judgments highly particular and resistant to derivation from generalized statements about what should and should not be done. Second, such context-dependent deliberation requires sensitivity, clarity of mind, experience, and attention to detail. Exercising moral judgment presupposes that an agent has certain capacities that enable enlightened decision making. In this respect, moral judgment is, first and foremost, best thought of as a process dependent upon the possession of a certain kind of *practical wisdom* rather than the possession of certain principles (Annas 2004).

These insights are traceable to Aristotle (1999) where his remarks on practical wisdom (phronesis) suggest that moral judgment is a form of learned appreciation, which is built upon sustained life experience and situational awareness. While Aristotle thought that we can learn from the judgments that we have made in the past, our moral evaluations "hold only for the most part" and, whatever we might learn from previous situations, they are not an automatic guide to what we ought to do in new circumstances (*Nicomachean Ethics* III.3). This is because being a moral agent is not simply a tendency to act in a certain manner, but is a matter of being attuned to the complexities of life through an examination of the array of the relevant considerations in different situations. Consider the principles identified above. An individual's deceptive conduct may decisively call for its condemnation in one (or many) case(s) but this does not entail that it should be condemned in all cases. The fact that equal opportunity in employment typically requires that candidates' gender be set aside as a consideration in hiring does not require that it be set aside in industries where gender-conscious hiring may actually correct for the past exclusion of women from employment opportunities. These examples illustrate that the types of conduct expressed in principles cannot be so easily generalized as appropriate, or inappropriate, across cases; further, the fact that such generalizations cannot be made demonstrates that judgments about what to do – or what to think – about a particular situation cannot be derived or justified from the mere possession of a principle. This problem has been extended further by contemporary Aristotelians who stress that moral judgment is "uncodifiable" and therefore incapable of being directed by general rules (McDowell 1979, see also Dancy 2004; MacIntyre 1984; Blum 1994).

There are two related ideas at work within this orientation. On the one hand, general principles are taken to be indeterminate in that they provide little, if any, guidance about what an agent should (or should not) do in a particular case. Business ethicists and management theorists inspired by virtue ethics have taken this idea seriously (cf. Solomon 1992; DesJardins 1993; Moore 2008a, b). Principles are too abstract to provide direction in concrete circumstances. The problem is that principles are empty guides when it matters most; a general proscription against deception tells us little about what should be done when there seem to be

unique considerations in favor of deception, and a general prescription in favor of equal opportunity in employment provides no detail on how, when, and under what circumstances equal opportunity might be enhanced or undermined in practice. On the other hand, there is the problem that even if not completely empty in their practical guidance, principles cannot serve their supposed justifying function in moral deliberation because moral reasons actually function differently in different decision-making contexts. The fact that one's action involves a promise is (typically) a reason counting in favor of keeping it; however, some critics of principles maintain that, depending upon the context, the fact that one's action involves a promise may serve as a reason against keeping it, if there are unique situational features that warrant breaking the promise (Dancy 2004). Practical considerations function differently in different contexts and this means that types of actions are resistant to general statements about their moral worth. There are, thus, problems for general principles on two levels: they cannot provide assistance in deliberation about what to do, and they are incapable of providing justification for particular judgments due to the variability in practical force that a type of conduct exerts in specific cases (see Smith and Dubbink 2011; Little 2001).

A Role for Principles in Moral Judgment

Advocates of general principles retort that even virtue ethicists need to acknowledge that certain types of conduct have moral characteristics across cases and across decision-making contexts. Are not general statements about actions that exhibit virtue (or vice) tantamount to accepting a role for principles of sort? Are not the vices of callousness, indifference, maleficence, and excessive self-interest indicative of some general commitments against those types of behavior?

Advocates of principles have also aptly noted that critics presume a certain understanding of *how* principles function in moral deliberation; specifically, it is often presumed that *if* general principles are to play a deliberative or justificatory role in particular judgments, *then* particular judgments need to be derived from the principle in question. Making a moral judgment on this picture is deductive in nature. Once a case is presented, the particular conduct or action under scrutiny needs to be described or classified in a certain manner, e.g., as deceptive; a general, principled commitment is invoked, e.g., one ought to refrain from deception; and a judgment about that particular conduct is rendered on the basis of the moral qualities expressed in the general commitment, e.g., in this particular case the conduct is wrong because it exhibits deception.

The problem with this presumed view of how principles function is that it is misleading. If advocates of the importance of principles indeed thought that principles deductively compel moral judgments through a process of subsuming particular cases under the general headings of moral principles, then the critics of principles may have a legitimate concern. But this is not obviously an accurate characterization of how principles are thought to function. A more plausible characterization is that principles are generalized statements of the moral worth

of certain types of conduct that have value (or disvalue) when they occur; their presence, however, does not compel a particular decision or judgment about what should be done in any one case (O'Neill 2001, 2002). The presence of callousness or deception does not mean, all things considered, that particular instances require a judgment or evaluation of a specific sort. Context matters as virtue ethicists emphasize. An actor's callousness or deception is one element among many considerations that may go into an overall evaluation of his or her conduct. The principles that proscribe callousness or deception express the fact that their presence is a consideration that speaks against the person's conduct. They may not be decisive, may in fact be overridden by other considerations, and certainly do not compel a particular judgment.

General principles, thus, can remain important in that they encapsulate ways of being or acting that carry moral worth. This is significant for the process of moral judgment because principles remind agents what is generally important – and in need of consideration – without mechanistically determining an overall evaluation in the absence of considering other factors (Koehn 1995). A company that identifies principles to treat customers fairly, refrain from fraudulent dealings, respect legal requirements, and avoid doing harm to stakeholders does not necessarily purport to give its managers or employees a list of rules that determine what should be done in all cases; rather such principles are reminders of what commitments should be part of a thoughtful, context-sensitive evaluation of what policies and practices should be adopted in the course of doing business. This means that such principles neither determine what actions should be undertaken in particular cases nor do they escape a holistic balancing of an array of principled considerations.

Conclusion

Principles prescribing fairness, honesty, respect for the law, and avoidance of harm may all be relevant in any one situation. Indeed these principles may individually prescribe courses of action that are incompatible. Morally attuned judgment, however, will remain accountable to the general reasons expressed in each principle by recognizing that in complicated, nuanced circumstances there are a variety of ways one can show proper respect for all principles at the same time. In one situation there may be an acknowledgement that full and complete transparency in communication for the sake of honesty cannot be maintained because it turns out to unreasonably harm others. In other situations there may be a good reason to provide full and complete transparency in communication because others will be harmed without it. Knowing how and when these conditions arise and understanding how these general moral considerations interrelate with one another are essential elements of any principle-based account of moral judgment (Richardson 1990; O'Neill 2002). In this respect there is nothing inherently problematic in recognizing that general principles are valid despite needing context-sensitive application to determine how they, taken together, guide moral judgment without the force of logical deduction.

The tradition of virtue ethics is compatible with this conclusion in two interrelated ways. First, virtue is expressive of principle. Commonly cited virtues inspired by Aristotle, such as truthfulness, beneficence, and justice, are themselves complex dispositions to recognize certain considerations as reasons to act in a certain manner (*Nichomachean Ethics* Book IV). A truthful person, e.g., will find it difficult to witness fraud, will end relationships with individuals who are untrustworthy, and will shun employment in an organization that rewards fraudulent conduct. This complex disposition expresses a general recognition that favors honesty and eschews dishonesty in all its forms. Truthful individuals live by a principled reason to seek honest behavior and reject dishonest behavior (cf. Audi 2009; Svensson 2010). Second, virtues are the habits of mind that enable a practically wise consideration of moral principles. Many of Aristotle's proposed virtues, such as temperance, courage, and liberality, are attitudes that actually help to clarify the complicated ways that general commitments inform and interact with one another (*Nichomachean Ethics* Book III). They are virtues not merely because they express what is naturally good in one's character – although they are that as well – but they are virtues in that they help moral agents gain a perspective on how to weigh and balance competing considerations in novel situations in the manner suggested above. Virtue is in this regard a part and parcel of possessing practical wisdom.

None of this should be interpreted to mean that moral principles are sufficient for attuned judgment. They provide guidance and may be integral to moral judgment; however, they are by no means a replacement for the traits of mind necessary for a wise application of them in complex circumstances. Principles, in other words, do not contain instructions for their application. Companies, industries, and professional associations that identify principles as part of their mission statements or codes of conduct therefore need to recognize that these efforts are only part of an overall effort to effectively manage ethical problems within organizational life (Reynolds and Bowie 2004).

References

Annas J (2004) Being virtuous and doing the right thing. Proc Am Philol Assoc 78:61–75

Aristotle (1999) Nichomachean ethics (trans: Irwin T). Hackett, Indianapolis

Audi R (2009) Moral virtue and reasons for action. Philos Issues 19:1–20

Berenbeim R, Kaplan J (2007) The governance of principle- and rule-based ethics programs: an emerging global trend? Executive report A-0231-07-EA, The Conference Board. Retrieved from http://www.conference-board.org/publications/

Blum L (1994) Moral perception and particularity. Cambridge University Press, Cambridge

Boatright J (2012) Ethics and the conduct of business, 7th edn. Pearson, Upper Saddle River

Dancy J (2004) Ethics without principles. Oxford University Press, New York

DesJardins J (1993) Virtues and business ethics. In: Chryssides G, Kaler J (eds) An introduction to business ethics. Thomson, London, pp 136–142

Koehn D (1995) A role for virtue ethics in the analysis of business practice. Bus Ethics Q 5:533–539

Little M (2001) On knowing the 'why': particularism and moral theory. Hastings Cent Rep 31:32–40

MacIntyre A (1984) After virtue. Duckworth, London

McDowell J (1979) Virtue and Reason, The Monist 62(3):331–350

Moore G (2008a) Virtue ethics and business organizations. In: Smith J (ed) Normative theory and business ethics. Rowman and Littlefield Publishers, Lanham, pp 35–60

Moore G (2008b) Re-imagining the morality of management: a modern virtue ethics approach. Bus Ethics Q 18(4):483–511

O'Neill O (2001) Practical principles and practical judgment. Hastings Cent Rep 31:15–23

O'Neill O (2002) Instituting principles: between duty and action. In: Timons M (ed) Kant's metaphysics of morals: interpretive essays. Oxford University Press, New York, pp 331–348

Reynolds S, Bowie N (2004) A Kantian perspective on the characteristics of ethics programs. Bus Ethics Q 14:275–292

Richardson H (1990) Specifying norms as a way to resolve concrete ethical problems. Philos Public Aff 19:279–310

Smith J, Dubbink GW (2011) Understanding the Role of Moral Principles in Business: A Kantian Perspective, Business Ethics Quarterly 21(2):205–231

Solomon R (1992) Ethics and excellence: cooperation and integrity in business. Oxford University Press, New York

Soule E (2002) Managerial moral strategies: in search of a few good principles. Acad Manage Rev 27(1):114–124

Soule E, Hedahl M, Dienhart J (2009) Principles of managerial moral responsibility. Bus Ethics Q 19(4):529–552

Svensson F (2010) Virtue ethics and the search for an account of right action. Ethical Theory Moral Pract 13:255–271

Corporate Codes and the Virtues

J. Brooke Hamilton

Contents

Abstract

The virtues are those internal dispositions or habits that guide a person to act in excellent ways. Ethics or morality is one of the systems that guides action in social contexts. The cultivation of virtues (excellences) in individuals is important for a society to be efficient and effective. Corporate codes and those in government and social organizations require compliance with legal and organizational rules and motivate ways of acting that fulfill the organization's ideals of excellence. A review of mechanisms that organizations have developed to foster virtue is provided, and a business justification for companies to engage in these activities is made. Since many organizations operate in multiple societies, they face challenges to ethical action such as corruption and discrimination that are dealt with most successfully by cooperative action with other organizations to bring about changes in business and social institutions.

J.B. Hamilton (✉)
Management Department, University of Louisiana at Lafayette, Lafayette, LA, USA
e-mail: hamilton@louisiana.edu

Introduction

Virtues are those dispositions or habits that guide a person to act in ways that reflect human excellence (SEP 2013). Discussions of virtue in the Western philosophical tradition beginning with Plato and Aristotle place the ethical decisions and moral character of individual actors within the context of a society that teaches them virtue and rewards ethical action. This connection between ethics and society comes about because ethics or morality is in large part a prescription for how an individual ought to live with himself/herself in a social context. Ethics is a set of thoughts and feelings about what is right or wrong, which allows us to live and work together in complex societies by respecting certain values, cultivating certain virtues, and following certain principles, so that we can pursue our common and individual interests through cooperating with and not interfering with others. The ultimate aim of ethics is happiness (SEP 2013), realized by acting well in the context of groups, societies, and an environment that together provide the conditions for excellence.

In the United States, the leader in the development of corporate codes promoting excellence in business activities, codes appeared as early as J.C. Penny's 1913 statement of values, "The Penny Idea," and Johnson & Johnson's 1943 Credo, both of which primarily express the founder's values which the organization is expected to embody (Knouse et al. 2007; Preuss 2013). Later codes came about in response to regulatory action such as the Federal Sentencing Guidelines in the United States which provided both the carrot of reduced punishment for companies with compliance programs designed to discourage wrongdoing and the stick of greater punishment for those which had not (Paine 1994; Driscoll and Hoffman 2000). The 2002 US regulation known as Sarbanes-Oxley made a code mandatory at least for directors and senior officers of publicly traded U.S. companies (Preuss 2013; Canary and Jennings 2008).

Preuss (2013) discusses this history of code development and distinguishes among components code writers have or may want to include. Codes may have an ethics or conduct component, environmental and sustainability policies, corporate social responsibility (CSR) policies, and provisions for individual challenges such as human rights or for corporate functions such as supply chain management. He discusses the comprehensiveness of the items addressed by a code, its reach along the value chain, and its monitoring and compliance stipulations and summarizes some advantages and disadvantages of codes to regulate CSR activity and promote ethical decision-making.

In their review of a large number of empirical and theoretical studies of codes in businesses, professions, governments, and not for profits around the globe, Vrielink and Montfort (2010) suggest that codes of ethics and practice have been adopted when the public's expectations of good conduct is challenged by scandals. They point to a need for empirical and qualitative research to elucidate the connection between codes and the actions of managers and employees to put them into practice. Literature to fill this knowledge gap does exist, given the more than 100-year history of business codes and the interest in philosophy, psychology,

neuroscience, and management regarding what motivates ethical action. The purpose of this article is to mine that literature to suggest some elements of corporate codes that have the potential to nurture virtue in the members of an organization. Several examples illustrate that this nurturing can work, though it requires constant attention.

Company Examples

One example is the Continental Oil Company – Conoco, Inc. – under the leadership of Archie Dunham (Hamilton et al. 2002). As part of its legacy as a subsidiary of DuPont, the original manufacturer of dynamite, Conoco sought to make its two core values of Health and Safety, and Environmental Stewardship, habitual standards for the behavior of its employees, contractors, and subcontractors by giving annual awards for conduct exemplifying the values. When Dunham became CEO and chairman, he added two more values, Business Ethics and Valuing All People, despite pushback from his top management team that they were oil people and did not know what those values involved (Hill et al. 2005). He established an annual President's Award for these new values to match those for the first two. The President's Awards process served as a mechanism for driving the values into all levels of the company.

A second example is Motorola during its growth into a global company in the 1990s, as it sought to preserve the moral values the company took from its origins in the culture of a small Midwestern US town (Moorthy et al. 1998). As the company hired employees from different cultural backgrounds around the world, and as the original employees retired, taking with them their understanding of the company's moral culture, Motorola undertook the training of its employees in the use of its operating principles, including two core ethical values – Uncompromising Integrity and Constant Respect for People – to insure that they would use these values to govern their behavior as "Motorolans."

A third example is the rewriting of the ethics code at Texas Instruments (Driscoll and Hoffman 2000). Beginning in the 1930s with its founders' values of honesty, integrity, and service, TI grew into a worldwide technology powerhouse based in part on a sophisticated and multi-award-winning ethics program that communicated its values to employees in multiple cultures. In 1996 as the company was transforming from a semiconductor company into a fast-paced competitor offering digital signal processing solutions, it saw the need to shed its command and control culture and simplify its ethics program so that employees around the world would be able to make decisions based on company values.

A cautionary tale can be seen in the arc of Johnson & Johnson from early adopter to culture hero and to serial defendant (Rose et al. 2010). Beginning with their 1943 Credo, J&J built a greatly admired ethical culture that carried it through the Tylenol-poisoning incident when company representatives, acting on their deeply ingrained sense of how J&J conducted business, removed the product from store shelves without even being directed to. In contrast, with a change in top

management, and facing a competitive marketplace, J&J was accused of conducting a phantom recall to avoid publicity when it hired a marketing firm to quietly buy up all the products on shelves when problems surfaced with its manufacturing process. Quality control officers were faced with demands to continue production even when quality was below health and safety standards. Sales representatives were accused of promoting off-label uses for profitable drugs to physicians in clear violation of federal regulations. Lost product revenues and fines and settlements in the multimillions and billions followed for these and other failures (Rose et al. 2010).

The Connection Between Codes and Virtues

To understand how codes in organizations like these can encourage virtue, it is important to distinguish between the compliance-oriented aspect of codes and the integrity or values-oriented aspect (Paine 1994). Compliance aims to guarantee conformity with externally imposed standards, primarily the law and company policies. Efforts to prevent criminal misconduct include education regarding what is required or proscribed, limiting choices by employees based on values in favor of rule-specified actions, and vigorous auditing, controls, and penalties. The behavioral assumption is that employees are autonomous and look out for their own self-interest. The goal of compliance programs is to prevent, detect, and punish legal violations. Many organizations, hoping to take advantage of the leniency provided by the 1991 Federal Sentencing Guidelines for companies that have the seven elements described in the law, instituted compliance-based programs (Paine 1994; Driscoll et al. 1998).

While essential, a compliance program is not enough to engage employees in the creative use of moral imagination (Paine 1994; Werhane 1999) or to sustain a culture that promotes excellence in employees rather than the self-interested management of one's own career (Jackall 1988). In fact a 2001 OECD survey showed that organizations have recognized that there are a variety of reasons for having a code including the protection and enhancement of reputation (21 %), customer loyalty (9 %), improved operation of the business (6 %), and stronger staff loyalty (4 %). Only 6 % of the 246 corporations, industry associations, NGOs, and government entities cited control of risks related to violations of legal requirements, associated litigation, or increased regulation as an important reason for adopting their code. Codes do serve purposes beyond compliance (Schwartz 2004).

Each reason for code adoption requires a specific set of operational excellences. Multiple empirical and anecdotal accounts of businesses show the importance of focusing not just on financial returns but on a variety of fronts (Collins 2011; Mackey and Sisodia 2013). Care for the organization's reputation requires looking beyond this quarter's numbers, balancing stakeholder interests, and responding to changes in society's expectations. Cultivating customer loyalty requires excellence in understanding customer needs and the creativity and drive to develop products and services to fulfill them. Improved operations depend on efficient use of

resources and effective delivery of results, including bottom-line profits, and the practical wisdom to find the balance between them. Staff loyalty is itself an excellence and requires attention to nurturing trust within the organization. Insuring compliance means perseverance and discernment of risks, as well as flexibility in dynamic regulatory environments.

To develop virtues in an organization, it is crucial to balance operational with ethical virtues. TI recognized that the set of business traits reflected in their new CEO's favorite phrase, "a passion for winning," could be interpreted as "win at all costs" unless balanced by ethical concerns. They settled on three core values that combined business and ethics, buttressed by phrases indicating how to put these into practice: Integrity (respect and value people; be honest), Innovation (learn and create; act boldly), and Commitment (take responsibility; commit to win) (Driscoll and Hoffman 2000). Motorola gave each employee a wallet card stating that to accomplish their fundamental objective of "total customer satisfaction," they should always act with "constant respect for people" and "uncompromising integrity." This organizational focus and ethical principles were necessary to accomplish the key business goals of best in class operations, increased global market share, and superior financial results (Moorthy 1998). Dunham emphasized that to hire the best employees and partner with governments around the globe, Conoco needs to value all people and operate with business ethics (Hill et al. 2005).

Thus developing excellence aims at more than avoiding illegal actions. Organizations need to add to their compliance programs an integrity or values-based approach that empowers employees to make creative choices based on company values and which focuses their behavior on responding to society's mandates for businesses (DeGeorge 1990; Hamilton and Berken 2005). An integrity program focuses on core values, on desirable but not obligatory aspirations, and on good behavior described in company codes and backed by incentives, audits, and controls, and the development of attitudes and decision-making skills (Paine 1994). Driscoll and Hoffman's (2000) suggestion of ten steps to implement values-driven management provides an excellent template for discussing how corporate codes connect with the virtues.

Self-assessment is the first step to promoting excellence through an organization's code. It insures that everyone understands the organization's origins and current culture and the potential risks in its internal operations, organizational structure, compensation structure, culture, and communication patterns and in the external market, customers, competition, legal environments, and regulatory agencies. Conoco's Dunham was aware of the cultural legacy from DuPont but saw a need to expand on that because his company was the smallest in the industry, and ethics could provide a competitive advantage (Hill et al. 2005). Motorola saw the challenge of continuing its small town ethical legacy in a global marketplace with employees from diverse cultures. TI recognized that its highly successful ethics program was too complicated and rule driven to meet new challenges (Driscoll and Hoffman 2000). The importance of their rich ethics legacy to long-term financial success and the risks involved in abandoning it seem to have been lost at J&J (Rose et al. 2010).

Commitment from the top promotes buy-in by all levels of the organization as well as by external stakeholders. Employees are aware of whether those at the top talk about and act on the organization's core values (ERC 2013b). The Conoco, Motorola, TI, and the pre-Weldon as CEO era at J&J all provide examples of top management's commitment to talk about multiple excellences that are key to their organization's success and to live and work in alignment with those values. Every nominee for the Conoco annual awards received a personal letter from Dunham that was placed in his/her personnel file where it could be viewed during the annual evaluation process, and their name and grounds for nomination were mentioned prominently in the company's annual report. The fact that the CEO was expecting nominees from all divisions for the President's Awards and would demand them if none were forthcoming, made conduct based on those core values a priority.

A code or codes of ethics should give guidance to employees, shareholders, regulators, suppliers, customers, the media, and competitors (Driscoll and Hoffman 2000; Ethics Resource Center 2013a; Center for Business Ethics 2013). The Motorola employee's wallet card listed behavioral expectations in the form of the company's business and ethical values (Moorthy et al. 1998). This kind of values statement or Credo (Rose et al. 2010) should be supplemented with specific rules for conduct required or forbidden by law or the organization's policies (Driscoll and Hoffman 2000). Conoco titled their brochure on company policy "Do the Right Thing."

Organizations operate in competition and/or cooperation with similar organizations in industry, trade, or sector groupings, and multinational organizations deal with multiple societies and governments. Since the environment for developing virtue is not therefore limited to the culture of a single organization, organizations are increasingly working together to create ethics codes for the economic, government, social, or geographic sectors in which they operate. The UN Global Compact (2013), for example, gathers 7000 businesses from 35 countries around the globe to address problems with corruption, poverty, environmental degradation, climate change, and women's empowerment, among others. The pressures to act unethically in any of the seventy countries that suffer from systemic corruption are not amenable to solution by a single organization, especially if competing organizations are acting unethically to gain market advantage. The Defense Industry Initiative (2013) is another sector organization seeking common cause among 77 companies to deal with unethical conduct in defense procurement. Having recognized that in a globalized marketplace with instant communications reputation was key, Dunham championed Conoco's first in the industry fully audited sustainability report and the company's participation in an international petroleum group's development of guidance for this kind of triple bottom-line reporting (IPIECA 2011).

Communication should take multiple forms to keep the core values in front of the organization at all times but should be targeted to avoid the bureaucratization that TI observed after its program had matured (Driscoll and Hoffman 2000). The aim of these communications is to have ethics and the other excellences talked about throughout the culture (Driscoll and Hoffman 2000). The variety of nominations

and the multiple sources from which they came showed how successful the annual awards were in making the Conoco employees comfortable talking about ethics.

Training is essential to allow employees to discuss the organization's values and learn how to apply them in actual situations (Driscoll and Hoffman 2000). Since there will be occasions when the demands of the business excellences of efficiency and effectiveness seem to conflict, at least in the short term, with the ethical excellences, employees should have the opportunity to learn how supervisors expect them to handle these conflicts. This can be done in many ways including face-to-face sessions including the employee's immediate supervisors, in online computer-based sessions, and in print format. The Conoco annual awards publicized the conduct of nominees to both internal and external stakeholders and gave specific examples of what constituted ethical behavior in a vertically integrated oil and gas company (Hamilton et al. 2002). The chief auditor responsible for the ethics process sent out company-wide emails describing violations without naming those involved and the punishment meted out for those violations. These "Scheck grams" reinforced employees' understanding of what the company considered unethical behavior (Hill et al. 2006).

Resources for assistance when questions or problems arise include an action line that allows for anonymous reporting of incidents and for obtaining advice on how to deal with particular situations. In addition, Motorola invited ethics experts to provide commentary on case examples that were part of its textbook for training (Moorthy et al. 1998). A common ethics vocabulary that employees are trained to use in making decisions and resolving disputes over what is right or wrong is an important resource. *Organizational ownership* of the core values and ethics processes is crucial if employees are to feel safe acting ethically when ethics conflicts with short-term business goals. TI went to great lengths when creating its code to include employees in all cultures where the company operated (Driscoll and Hoffman 2000). *Consistent standards and enforcement* and *audits and evaluations* are crucial to holding employees accountable for their conduct. Failure to do so encourages concern for advancing one's own career even to the detriment of the organization (Jackall 1988). Compensation and advancement that reward ethical behavior are crucial (Driscoll and Hoffman 2000). The challenge posed by consistency is to value consistent enforcement while allowing for differences in circumstance (Driscoll and Hoffman 2000). Openness to *revision and reform* insures that the organization will continue to promote the development of virtues to meet future challenges.

Conclusion

It is important to make the business case for virtue. Not only does the promotion of virtue make individuals happy but such promotion also makes organizations function better as reflected in the economic as well as the other measures of the triple bottom line (Gebler 2012; Guiso et al. 2013). Corporate codes are an important tool

here. If used effectively, they have a significant role to play in promoting a more virtuous business environment.

Cross-References

▶ A Case Study of a Justice-Based Virtuous Organization
▶ Aristotle's Virtue Ethics and Virtuous Business
▶ Being and Doing: How Virtue Shapes Work
▶ Corporate Roles and Virtues
▶ Developing a Virtuous Organizational Culture
▶ Organizational Character and Agency
▶ Organizational Virtue
▶ Organizations and the Development of Virtue
▶ What Virtues for Business Ethics?

References

Canary H, Jennings M (2008) Principles and influences in codes of ethics: a centering resonance analysis comparing pre- and post-Sarbanes-Oxley codes of ethics. J Bus Ethics 80:263–278

Center for Business Ethics, Bentley University, Waltham, MA. Codes of conduct. http://www.bentley.edu/centers/center-for-business-ethics/resources/codes-of-conduct. Accessed 30 Nov 2013

Collins J (2011) Good to great: why some companies make the leap. . .and others don't. Harper Collins, New York

Defense Industry Initiative. http://www.dii.org/. Accessed 30 Nov 2013

DeGeorge R (1990) Business ethics, 3rd edn. Macmillan, New York

Driscoll D, Hoffman W (2000) Ethics matters: how to implement values-driven management. Center for Business Ethics, Bentley University, Waltham, MA

Driscoll D, Hoffman W, Murphy J (1998) Business ethics and compliance: what management is doing and why. Bus Soc Rev 99:35–51

Ethics Resource Center (2013a) Ethics toolkit. http://www.ethics.org/page/ethics-toolkit. Accessed 30 Nov 2013

Ethics Resource Center (2013b) Building a corporate reputation for integrity. http://www.ethics.org/resource/building-corporate-reputation-integrity. Accessed 30 Nov 2013

Gebler D (2012) The three power values: how commitment, integrity, and transparency clear the roadblocks to performance. Josey-Bass, New York

Guiso L, Sapienza P, Zingales L (2013) The value of corporate culture. National Bureau of Economic Research, Cambridge, MA

Hamilton J, Berken E (2005) Exxon at Grand Bois, Louisiana: a three-level analysis of management decision making and corporate conduct. Bus Ethics Q 15(03):385–408

Hamilton J, Smith M, Scheck S (2002) Conoco's decision: the first annual president's award for business ethics. Case Res J 22(3):79–95

Hill V, Hamilton J, Smith M (2005) Creating an ethical culture as a strategic advantage for global growth: a conversation with Archie Dunham, former chairman of ConocoPhillips. J Appl Manage Entrep 10(4):82–89

Hill V, Hamilton J, Smith M (2006) Implementing ethics in a corporate environment: a conversation with Steve L. Scheck, General Auditor and Chief Ethics Officer, ConocoPhillips. J Appl Manage Entrep 11(1):106–114

IPIECA. The global oil and gas industry association for environmental and social issues, Oil and gas industry guidance on voluntary sustainability reporting. http://www.ipieca.org/focus-area/reporting?utm_source=single-newsletter&utm_medium=email&utm_term=january11&utm_content=reporting-announce&utm_campaign=reporting-external. Accessed 30 Nov 2013

Jackall R (1988) Moral mazes: the world of corporate managers. Oxford University Press, New York

Knouse S, Hill V, Hamilton J (2007) Curves in the high road: a historical analysis of the development of American business codes of ethics. J Manag Hist 13(1):94–107

Mackey J, Sisodia R (2013) Conscious capitalism: liberating the heroic sprit of business. Harvard Business School Press, Boston

Moorthy RS, DeGeorge RT, Donaldson T, Ellos WJ, Solomon RC, Textor RB (1998) Uncompromising integrity: Motorola's global challenge. Motorola University Press, Schaumburg, IL

OECD (2001) Codes of corporate conduct: expanded review of their contents. OECD working papers on international investment, no. 2001/06. Organisation for Economic Co-operation and Development, Paris. http://dx.doi.org/10.1787/206157234626. Accessed 10 Apr 2011

Paine L (1994) Managing for organizational integrity. Harv Bus Rev 72(2):107–117

Preuss L (2013) Corporate codes of conduct. In: Idowu S, Capaldi N, Zu L, Gupta A (ed) Encyclopedia of corporate social responsibility. Springer, Berlin/Heidelberg. doi:10.1007/SpringerReference_3495872013-03-1315:53:22UTC. SpringerReference www.springerreference.com

Rose C, Sucher S, Gordon R, Preble M (2010) On Weldon's watch: recalls at Johnson & Johnson from 2009 to 2010. Harvard Business Publishing, Cambridge, MA

Schwartz M (2004) Effective corporate codes of ethics: perceptions of code users. J Bus Ethics 55 (4):323–343

SEP (2013) Stanford encyclopedia of philosophy. http://plato.stanford.edu/entries/ethics-virtue/. Accessed 30 Nov 2013

United Nations Global Compact. www.unglobalcompact.org. Accessed 30 Nov 2013

Vrielink M, Montfort C (2010) Codes of ethics and codes of practice. In: Anheier H, Toepler S (eds) International encyclopedia of civil society. Springer, Berlin/Heidelberg. doi:10.1007/SpringerReference_756982011-01-3123:00:00UTC. SpringerReference www.springerreference.com

Werhane P (1999) Moral imagination and management decision making, Ruffin Series in Business Ethics. Oxford University Press, New York

Part XVIII

Virtues and Workplace Spirituality

Spirituality in Organizational Management: Cases and Experience

Thomas Dienberg and Markus Warode

Contents

Abstract

Spirituality and management are not opposites; rather, in their combination they suggest an innovative approach for an effective and value-oriented leadership of organizations. If spirituality is understood as a mental attitude that includes all levels of human thinking and acting, management based on spirituality implies a merging of spheres that have traditionally been kept apart. This integrative approach has significant consequences for organizational management. Examples from practical business contexts are provided. It is then suggested how, based on experience in a university setting, spirituality can be incorporated into professional practice and management education alike.

Keywords

Spirituality • Management • Action competence • Communication • Theory Y

T. Dienberg (✉) • M. Warode
Institut für Kirche, Management und Spiritualität, Philosophisch-Theologischen Hochschule Münster, Münster, Germany
e-mail: th.dienberg@ikms.eu; m.warode@ikms.eu

Introduction

Countless ethical and compliance violations have triggered wide discussion at leadership levels in internationally oriented companies regarding value-based aspects of the performance quality of managers (for the discussion in Germany, see Astheimer 2012). In periods of economic and financial crisis and of a constant discussion of values by society as a whole, it surprises that very little attention has thus far been paid to one factor which can aid in leading organizations both successfully and in an ethically responsible manner – spirituality.

The following remarks present the approach to spirituality and management that has been developed at the *Institut für Kirche, Management und Spiritualität* (Institute for Church, Management and Spirituality) (IKMS), an institution incorporated into the Philosophical-Theological University in Münster, Germany. The essay explains this approach in terms of its content and structure while considering managers as the selected target group. The description is rounded off by experiences gained about this approach in seminars, presentations, and conversations.

The Foundations of Spirituality and Management

The objective of the IKMS approach to spirituality and management approach is to enable participants to initiate and sustainably organize management processes on the basis of their own lived spirituality and their reflected value structures. Spirituality and management ensure that value-based and ethical attitudes are transferred into practice and are thus lived out. In light of this integrative connection, the basic concepts of spirituality and management are related to each other rather than being understood as opposites, because one of the most recurrent experiences is expressed in this saying: "spirituality has to do with the Church and management with companies – they just don't go together."

The practical implementation of this approach focuses on explaining the basic assumptions of spirituality and management, ultimately in order to tap the potential of this integration: the balance of a value-based and economically effective development of employees and companies.

What Is Spirituality?

As an institute of the Philosophical-Theological University in Münster, an institution sponsored by the German province of the Order of Friars Minor Capuchin, IKMS defines spirituality from a Christian point of view. The origins of the term "spirituality" in the Christian understanding lie at the beginning of the faith in the Latin adjective *spiritualis* (or *spiritalis*) and the corresponding noun *spiritualitas* (or *spiritalitas*). Early on, *spiritualis* was used as the Latin equivalent for the Greek word *pneumatikos* ("spiritual") in the letters of St. Paul. The Apostle did not select

this word by relating it to specific groupings within the Christian faith; *pneumatikos* was rather his technical term for what sets the Christian life apart from secular existence (1 Cor. 2:14-3:3, Dienberg 2007).

To transfer it to practical processes of action, spirituality is understood as a mental attitude founded across the levels of thinking, feeling, experiencing, and acting (1 Cor. 2:12-16, 9:11, 14:1). Spirituality describes an attitude and a basic mind-set toward life reflected in values, patterns, and a specific way of life. Despite its origin in Christianity, the term need not be restricted to Christianity alone (Balthasar 1960, 1965). Spirituality is life defining and is itself inspired by living. This means that spirituality has to be mutable and dynamic, a process that implies the shaping of patterns and the reviewing of attitudes and values (Sudbrack 1966). A lived-out spirituality thus shapes all actions of a person, including his leadership action in companies. Fundamental for the IKMS approach is a reflected attitude oriented toward Christian values and translated into ethically responsible actions. Spirituality implies perception, communication, and choice as its defining components; it demands and promotes relationships and is oriented toward action (Balthasar 1965). Regarding action orientation in entrepreneurial contexts, spirituality commits to an attitude and demand of keeping oneself performing. Above all, this imposes the need to review one's own specialized abilities. Experience also plays a key role in the integration of spirituality into practical, professional processes, because it fundamentally involves both perception and communication (Dienberg and Warode 2009). Spirituality also applies to the active or passive management of change: many things have to be organized actively, some are passively experienced. In any case, change always entails an opportunity for renewal and gives people a motivation to act (Dienberg 2012). With regard to its application in practical life, Christian spirituality always has, in equal measure, two dimensions in view – external change and internal transformation. It coalesces intra- and interpersonal perspectives so that personal development involves experience of growth and coming of age, of learning and maturation, and of letting go and dying (Dienberg 2002). Spirituality thus reveals its innovative potential, while, on the other hand, it musters up the necessary resources for dealing with failure and frustration. Spirituality includes knowledge that life is an incomplete process which includes the possibility of failure (Waaijman 2005; Dienberg 2007). Day-by-day management should create strength and motivation to accommodate this perspective.

Among the goals of an entrepreneur, spirituality cannot be easily functionalized and installed in management processes as a mere instrument (Klessmann 2007). It exists only in a concrete and lived form, not in one of abstraction and rules (Sudbrack 1966). Spirituality is nourished by the knowledge that life has meaning and that it must be organized in a reflective way based on this meaning (Weismayer 1990). At the same time, it enables aspiration and emphasizes the responsible options for a person to act, from which a connection to management and a company's objectives emerges.

The Connection to Management

It is crucial for the transfer from spirituality into company practice that management is understood as a humanities discipline defined by the components of thinking and action. According to Drucker, the society of the twenty-first century crucially requires management (Drucker 1950). Management is defined as the organizing and changing force within a company and organization based on holistic and forward-looking thinking (Drucker 1973). An essential or the essential task of management is to ensure the long-term well-being and success of organizations. Management comprises what is done to make an organization more effective, to orient it more effectively toward its purpose, and socially to legitimize the targeted result (Krieg 2006; Krieg and Jäger 2007). This includes the fact that today many people spend the largest part of their lives in organizations and companies where a considerable proportion of them are involved with management tasks. Management is today the lifeworld for many people, and the number of people confronted with management and leadership tasks will continue to grow (Drucker 1989). The question of how to manage effectively is also gaining importance. A certain level of precision and routine is essential for correct and good management (Malik 2009). As part of personnel and company development, it therefore seems sensible to address the whole person with his values, needs, and abilities in developing management skills because the implementation of management and the success of measures taken depend on the person, whereby the focus is shifted onto him in his responsibility for himself and his actions (Kriegesmann et al. 2007). Target-oriented skill development that links individual characteristics and value patterns with requirements of practice gains in importance. More complex tasks and the advancing blending of working time and leisure therefore suggest a holistic self-management in terms of integrative skill development; in addition to specialist skills, it also supports husbandry of one's own physical, psychological, and spiritual resources (Kriegesmann 2003). Perhaps the thesis postulated by Peter Drucker that a person can ultimately only manage one person – himself or herself – goes a little too far (Drucker 1973). Yet in view of developments in the corporate sphere, reflected leadership of oneself is a prerequisite for leadership of others. Accommodating spirituality allows for a holistic understanding of management that integrates the values and potentials of persons into strategic and operational dispositions.

The Concept of Spirituality and Management

In professional practice, spirituality is becoming an initiator and supporter of management processes. It implies that all participants in the process must continuously make decisions based on their individual code of values. The concept takes into account the increasing importance of decisions in terms of a balance between economic needs and those of customers and staff. The objective is to develop competence for change based on a reflected value structure centered on the individual in his freedom and responsibility. It will be implemented by a program

explaining theories, backgrounds, and interdependences, identifying potential customer needs, and it thus meets the customer's expectation of benefits. To truly meet this objective, the approach is geared toward scientific and tried-and-tested models:

- On the one hand, the concept is geared toward the St. Gallen management model because it looks at companies from a systemic perspective and thus also understands itself as a complex, changing system. The system-environment relationship is crucial, forcing the mutual interaction of the individual stakeholders and considering the linking of individual components from human relationships to technological infrastructures in a holistic manner (Rüegg-Sturm 2005).
- On the other hand, the approach draws on the Bochum model of competence especially in the development of the ability to act. The model describes the interaction of the ability to act (capability), which is understood as the ability to apply and automate routines alongside actual knowledge, and the readiness to act (volition). Both aspects are closely tied to the personal characteristics of an individual, to the level on which even spirituality can be represented as a component of action competence. For practical action competence, however, only a person's organizational, technological, and social integration (permission) decides to what extent the individual action competence actually comes to fruition (Kriegesmann et al. 2007).

Orientation toward a dynamic and systemic management approach and a holistic, actionable competence model makes the concept of spirituality and management responsive to increasingly more complex framework conditions within companies and the increasingly individualized needs of staff and customers. This approach also refers to the necessity for change (Kriegesmann and Kerka 2007) and the increasing importance of independent and informal learning as a component of developing the ability to act (Livingstone 1998, 1999; Tough 1979, 2002). At the same time, the focus on purely economic and functional goals in today's economic processes is being questioned as a holistic concept for authentic and sustainable efficiency is called for (Galuska 2004). The desire for a lived spirituality and for human quality as a basic human need which companies cannot elude is thus met (Lozano 2011).

Focus on Managers

Spirituality is transferred into operational processes through acting people. The focus is therefore on managers as multipliers which occupy the Spirit part in the trinity of leadership archetypes (Father-Son-Spirit). The reference points for this are the inspiration, enchantment, and transformation of those being led (Neuberger 2002). Thus, the changing requirement profile of managers is taken into account, according to which leadership today is defined more by the complexity of work, the organization of relationships, and the advancing change of values tending toward the self-development of the individual, rather than by the number of subordinates

(Drucker 1998; Wunderer 2007; von Rosenstiel 1995; Opaschowski 1997). Studies also show that a large number of managers are insufficiently trained for the leadership task. Social leadership skills such as empathy and the ability for self-reflection with regard to one's own leadership, which is increasingly becoming more important for authentic and potential-oriented leadership, play a limited role within the development of managers (Steinert and Halstrup 2011). With the spirituality and management approach, precisely these aspects should be considered. It is necessary to make managers sensitive to not lose sight of the balance between the purpose and profile of a company and personal value structure under any economic conditions. A particular aspect of the management task lies in the responsibility of managers for employees. The manager is called to appreciate the employee as a whole person and to support him in identifying and further developing his strengths. This orientation is based on an image of humanity according to Theory Y (McGregor 1960) and the concept of "self-actualizing" man (Schein 1965), according to which a manager should consider herself/himself mainly as a supporter and catalyst for generally high-quality, highly motivated employees (Gmür and Thommen 2006). In addition to basic organizational requirements and material incentives, a framework for reasonable activity should also be set up that makes comprehensive use of existing personnel resources (Drucker 1998).

The person is consequently the deciding variable for practical, successful management. The interplay of a reflected, value-based attitude and appropriate action competence is necessary as a condition for acting authentically and in a manner that is effective over the long term. What is crucial, therefore, is a reflected attitude geared to interiorizing values which form the basis of those actions and thus make value-oriented actions possible. Particularly in the context of a business, managers that live their value-based spirituality are the basis for the development of a value-oriented organization, for only the "spiritually active" person can fill the organization with life.

Areas of Action in Spirituality and Management

The previous remarks show that an approach is needed which takes the individuality of managers (with their spirituality) and their specialist and leadership skills into account. The "spirituality and management" approach draws precisely on this objective. Issues of daily and strategic action can be worked out based on a reflective spirituality:

- How is my spirituality grounded, and how can I integrate this into my role as a manager? How do I develop my leadership role?
- How can I ensure that I have the necessary specialist skills?
- How do I handle dynamic change as a manager?
- Do the decisions of the company still fit my ideals?
- How can I further develop human resources with regard to changing tasks or integrate them into new structures?
- From where will I get the strength to make and implement decisions?

First of all, the approach plans to create a sound theoretical basis of the individual topics in order to transfer it into practice in the second step. The content basis and reference point always has to be spirituality. The central topic areas for its transfer into management are also communication, human resource management, and change management, which can generally be viewed within Christian spirituality (Dienberg and Warode 2012). The uniqueness of this approach lies in the practical integrative merging of spirituality and management. The subjects of spirituality and management, employees or change, are not arranged side by side but are simultaneously considered from both perspectives. Training courses then fit this model.

- In the spirituality course, the aim is to make individuals more aware of their values, attitudes, and expectations. Introduced by a Christian theological framework and based on the history of spirituality, it is necessary to find stimuli for a personal process-oriented path. Reflection on one's own person and thus also one's leadership role is envisaged here. The participants should realize what sources and values are central for them, what their goals are, and with which skills they wish to achieve these goals. Thus the discovery of personal sources through practical work with the Gospel, the rules of religious orders, and significant models in the history of religious orders such as Sts. Francis or Benedict should inspire them and make them aware of the process of their personal "search for the source." The aim is to develop responsibility for self-management for one's remit including responsibility for decisions and employees. Critical reflection on theories and methods and on processes and objectives in the practical process should be addressed. At this point, ethics will also be introduced as a topical area.
- The communication course also serves to train professional abilities for communication. It aims to consciously transfer one's own role and personal strengths into one's personal communicative behavior. Participants experience and get to know themselves communicatively and can thus direct their personal impact in a variety of discussion situations convincingly and authentically. Through active implementation, personal values and attitudes are communicated and put into practice. At the same time, it is necessary to adopt a universal perspective which considers the environment and needs of others. Focusing on best practice, presentations, moderation, and staff discussions should be implemented in this area so that problematic issues are resolved in an objective and target-oriented manner.
- Good performance presupposes a clear sense of purpose. Committed and qualified employees are required for the efficient structuring of management processes. This attitude is the foundation of the human resources course. Leadership of human resources and implementation of company targets and philosophy is a key task for a company's economic success. The qualification of both a company's leader and staff with regard to individual options and requirements of the company is also central. Furthermore, particular attention is paid to the management of targeted and individual incentives. To make the reference to spirituality, each theory and methodology presented should be linked to the

personal spirituality of managers. By consciously adding empathy, reverence, respect, and attention as spiritual components, human resource management is considered from different perspectives. Values such as trust, reliability, and responsibility, together with experience from the Church and religious orders, are also considered as an innovative approach for balanced and authentic leadership in the HR area by which managers can critically reflect on their behavior in light of centuries-old experience.

- Change is one of the key words in the discussion on the sustainability of companies. How to design change processes successfully and in a balanced and integrative manner is the subject of the course on change management. It focuses on the issue of how change can be organized in light of organization-specific cultures and what effects these processes may have on the individual. How can the individual go from being someone affected by change to an active creator in an organization? The course draws upon change processes in the history of religious orders. In addition to classical topics such as project or quality management, innovation management in particular will also be offered as a subject, because in it the individual is motivated to instigate change and to break cherished routines.

These four pillars constitute the thematic range of the spirituality and management approach. Within these areas, a specific range of seminars can be designed flexibly with self-contained objectives and a learning perspective. A structural framework is also integrated in order to create a marketable approach to consider in full the needs of potential participants and the necessary practical perspective. In light of this objective, the following aspects were included in the concept:

- Professional organization of practical events. Selection of lecturers with academic and practical expertise. Personal advice and support of participants through the events.
- Mix between theoretical and practical teaching methods in self-learning and presence phases. Seminar-specific documents are provided.
- Integration of the personal work and living sphere into seminars so that specific action options become tangible for the individual. Selection of individual and group exercises increases the possibilities of those trained to put into practice what they have learned.
- The joining of participants with different types of training and various backgrounds of experience in order to implement the interactive nature of the concept.

Experience in Practice

The concept claims to make a straightforward transfer of spirituality into management processes with the aim of implementing and using spirituality sustainably in company structures. Both internal qualitative and quantitative experiences of the participants demonstrate a variety of core aspects of a successful path of spirituality

in the management world. The starting point for the integrative connection of spirituality and management and their implementation lies fully on a personal level. Thus:

- A willingness to reflect on personal spirituality including the sources for one's personal performance is a prerequisite for all structures of thinking and acting.
- A conscious arrangement of the leadership role in management tasks and professional, social, and methodical leadership skills supported by spiritual resources define a "spiritual" leadership quality.
- It is necessary to understand changes as an opportunity and to initiate them autonomously.
- Active forms of dialog are the cornerstone for building up interpersonal relationships within which action can be taken.
- It is only through constantly building up practical experience that comprehensive competence is acquired.
- The development of personal independence allows the person's spirituality to be preserved even in heteronomous and dynamic processes and thus a balance between economic and value-based goals to be lived.

In view of the initial results from the evaluation from the events, the question remains for IKMS on how the quality of the spirituality and management approach can continue to be increased. As a first step, the seemingly banal insight will be heeded that in the seminars or courses, the integration of feedback from participants is the main course of action. Implementing this knowledge into company practice is ultimately based on the skills and input brought in by the participants. The following topics should be considered in particular:

- Through the interdisciplinary composition of participants, lecturers, and content, it is essential to create a common understanding of the content and goals. Experience shows that there is a considerable barrier even in the different understanding of language of participants from various disciplines. A rather crucial aspect for the long-term success of management processes is a language that everyone understands. Faithful to the saying of a former top executive of a mobile communication company – "If I keep speaking louder, my staff should surely understand me" – it is the aim to sensitize managers to ensure that employees have another current language, have other experience, or have other expectations for a situation. Considering others neutrally and without expectation thus becomes a vital component of future management skills.
- Equally as vital is the consideration of religion, identity, or tradition when implementing management processes, especially when there is change. The focus of the seminar program is to be subsequently geared more toward the integration of the respective organizational environment and the personal working area. Here, it must be the aim to combine the abilities, experiences, values, and spirituality of a company with new expertise and external expertise without severing its roots. The interplay of attitude and activity here symbolizes the

expectations of the participants and thus also becomes a key point: the linking of spirituality and management in the right balance.

- As a sufficient requirement for integrating spirituality into management, room for spirituality should be provided in terms of opportunities for reflection in everyday life. A kind of spiritual hygiene should also be integrated into everyday company processes. Short reflection before an important deadline in a quiet place is also an option which religious orders practiced already centuries ago.

The Rule of Saint Francis regards experience as essential but only as a part of life. This is because life is always broader and more current than any rules, experiences, etc. The awareness of being limited and not always able to influence processes on the other hand provides freedom and independence not to lose sight of one's personal value structure in dynamic competitive situations.

Conclusion

According to the research-based approach developed by IKMS, spirituality is characterized by the merging of a mental attitude that reflects on values with the actions of a person building on these reflections. This holistic perspective of spirituality is vital and constitutes both the challenge and the opportunity of combining it with management.

Drucker claimed that, within the context of modern management and leadership structures, a person can ultimately only lead one person – himself. It is precisely this understanding that justifies, first and foremost, the theoretical connection of spirituality with management as a practical solution to organizing management processes. Due to the fact that the value structure of management and employees forms the basis for any decisions, it is to be expected that such a basis can also ensure economically sound but also value-based actions. For it is only with a lived-out spirituality that one can profit in the long term.

References

Astheimer S (2012) In Deutschland führen die Falschen. Frankfurter Allgemeine Zeitung, 12 Dec 2012. http://www.faz.net/aktuell/wirtschaft/unternehmen/haben-wir-die-richtigen-chefs/fuehrungskraefte-in-deutschland-fuehren-die-falschen-11991331.html

Dienberg T (2002) Die Mitte finden. Wegbegleiter im Labyrinth des Lebens. Katholisches Bibelwerk, Stuttgart

Dienberg T (2007) Spiritualität – ein Definitionsversuch. In: Dienberg T, Fasel G, Fischer M (eds) Spiritualität & Management. Lit, Berlin, pp 3–52

Dienberg T (2012) Veränderung, Wandel und Verwandlung als Kernworte christlicher Spiritualität. In: Warode M, Schmies B, Schimmel TM (eds) Veränderungen als Chance begreifen: Fusionsprozesse in Orden, Kirche und Gesellschaft, vol 1. Books on Demand, Norderstedt, pp 41–70

Dienberg T, Warode M (2009) Importante è il comportamento: esperienza/spiritualità come momento di competenza operativa. Ital Frances 3(Suppl):99–106

Dienberg T, Warode M (2012) Spiritualität und Management. Veränderte Anforderungen an Führungskräfte in Kirche. Lebendige Seelsorge 63(4):280–285

Drucker PF (1950) The new society. The anatomy of industrial order. Harper & Brothers, New York

Drucker PF (1973) Management: tasks, responsibilities, practices. Harper & Row, New York

Drucker PF (1989) The new realities. Harper & Row, New York

Drucker PF (1998) Peter Drucker on the profession of management. Harvard Business School Press, Cambridge, MA

Galuska J (2004) Pioniere für einen neuen Geist in Beruf und Business. Kamphausen, Bielefeld

Gmür M, Thommen JP (2006) Human resource management – Strategien und Instrumente für Führungskräfte und das Personalmanagement. Versus, Zürich

Klessmann M (2007) Spiritualität als Ressource. EZI-Korrespondenz 23:10–18

Krieg W (2006) Echte Ganzheitlichkeit im Management: Wichtiger denn je! In: Biner A et al (eds) International Public Affairs: Im Spannungsfeld von Freiheit und Verantwortung. Stämpfli, Bern, pp 331–337

Krieg W, Jäger U (2007) Kybernetischer Kreislauf der Spiritualität. In: Dienberg T, Fasel G, Fischer M (eds) Spiritualität & Management. Lit, Berlin, pp 101–124

Kriegesmann B (2003) Selbstmanagement: Neue Aufgaben bei der Abstimmung individueller Lebensführung mit geänderten Lebensformen. Berichte aus der angewandten Innovations-forschung 207

Kriegesmann B, Kerka F (2007) Managementkonzepte im Wandel – Vom Lean Management und Business Reengineering zur Lernenden Organisation. In: Kriegesmann B, Kerka F (eds) Innovationskulturen für den Aufbruch zu Neuem. Deutscher-Universitätsverlag, Wiesbaden, pp 11–41

Kriegesmann B, Kerka F, Kottmann M (2007) Innovationen werden von Menschen gemacht – Neue Herausforderungen für die Kompetenzentwicklung. In: Dienberg T, Fasel G, Fischer M (eds) Spiritualität & Management. Lit, Berlin, pp 125–152

Livingstone DW (1998) The education jobs gap: underemployment or economic democracy. Westview Press, Boulder

Livingstone DW (1999) Informelles Lernen in der Wissensgesellschaft. In: Arbeitsgemein-schaft Qualifikations-Entwicklungs-Management (ed) Kompetenz für Europa: Wandel durch Lernen – Lernen im Wandel, QUEM-report 60, pp 65–92

Lozano JM (2011) The long voyage from business ethics to spirituality. In: Opdebeek H, Zsolnai L (eds) Spiritual humanism and economic wisdom. Garant, Antwerp, pp 111–140

Malik F (2009) Managing, performing, living: effective management for a new era. Campus, Frankfurt

McGregor D (1960) The human side of enterprise. McGraw-Hill, New York

Neuberger O (2002) Führen und führen lassen. Lucius & Lucius, Stuttgart

Opaschowski HW (1997) Deutschland 2010. Wie wir morgen leben. Voraussagen der Wissen-schaft zur Zukunft unserer Gesellschaft. Germa-Press-Verlag, Hamburg

Rüegg-Sturm J (2005) The new St. Gallen management model. Palgrave Macmillan, Basingstoke

Schein EH (1965) Organizational psychology. Jossey-Bass, San Francisco

Steinert C, Halstrup D (2011) Schlechte Führung wird toleriert. Personalführung 7:38–41

Sudbrack J (1966) Vom Geheimnis christlicher Spiritualität: Einheit und Vielfalt. Geist und Leben 39:24–44

Tough AM (1979) The adult's learning projects: a fresh approach to theory and practice in adult learning, 2nd edn. OISE, Toronto

Tough AM (2002) The iceberg of informal adult learning. NALL Working Paper 49

von Balthasar HU (1960) Verbum Caro: Skizzen zur Theologie I, 2nd edn. Johannes Verlag, Einsiedeln

von Balthasar HU (1965) Das Evangelium als Norm und Kritik aller Spiritualität in der Kirche. Concilium 1:715–722

von Rosenstiel L (1995) Führung von Mitarbeitern. Schäfer-Poeschel, Stuttgart

Waaijman K (2005) Handbuch der Spiritualität. Formen – Grundlagen – Methoden, vol 2. Grünewald, Mainz

Weismayer J (1990) Spiritualität. In: Gasper H, Müller J, Valentin F (eds) Lexikon der Sekten, Sondergruppen und Weltanschauungen. Herder, Freiburg

Wunderer R (2007) Führung und Zusammenarbeit: Eine unternehmerische Führungslehre. Luchterhand, Munich

Being and Doing: How Virtue Shapes Work

Wolfgang Grassl

Contents

Abstract

According to an influential tradition in philosophy, human action follows from being, which in turn is significantly constituted by the virtues and vices that make up individual character. Thus virtue shapes action and by implication its institutionalized form that is called work. Individual virtue may again be either facilitated by or condense into a spiritual attitude. This insight allows for many applications in management, from the selection and development of personnel to product quality enhancement and personal selling. The quintessential question for organizational success is to which extent businesses can foster the development of virtue.

W. Grassl (✉)
Business Administration, St. Norbert College, De Pere, WI, USA
e-mail: wolfgang.grassl@snc.edu

Introduction

At its core, virtue ethics claims that how we live our lives, or how we act in the workplace and in our private sphere, depends on who we are. Being has primacy in the conceptualization of the human person, not thinking (as Descartes would have it), perceiving (as Berkeley would have it), consciousness (as Hegel would have it), or doing (as pragmatists would have it). Conversely, our actions are an indicator of our being, as indeed Jesus Christ is reported to have preached: "You will know them by their fruits. Are grapes gathered from thorns, or figs from thistles? So, every sound tree bears good fruit, but the bad tree bears evil fruit. A sound tree cannot bear evil fruit, nor can a bad tree bear good fruit" (Matthew 7:16–18). Experience with human actions confirms this rule but points to apparent exceptions, for sinners have surely also done good, and saints have clearly sinned. Therefore, if a person with a flawed character takes an exceptionally honorable action or a person with a good character performs a detestable one, some virtue must be present or absent that allowed him to do so. St. Thomas Aquinas knew that doing flows from being — *agere sequitur esse* (*Summa theolo-giae* I q. 75 a. 3 co.; III q. 34 a. 2 ad 1). The work we do therefore crucially depends on who we are in an ontological sense and — that much must be conceded to subjectivism — how we understand this mode of being. Virtue ethics ever since Aristotle has claimed that our being, in turn, is a function of the virtues we have cultivated however much our self-concept may contribute to it. Thus, if doing follows from being, virtue shapes work as understood as an institutionalized and routinized form of action. This is a fundamental insight for management, which deals with the planning, oversight, and evaluation of activities we call work.

These thoughts unite the contributions to this section on "Virtues and Workplace Spirituality." Their authors approach the topic from the disciplines of psychology (Sandelands 2014), management theory (Dyck 2014), and theology (Naughton and Monge 2014), but they all — together with a case study on how taking spirituality seriously can inform organizational management and management education (Dienberg and Warode 2014) — demonstrate that virtue is an indispensable ingredient in work. "Ingredient" is of course a vague term the content of which needs to be clarified, and the four papers provide such clarification based on the literature in their respective areas. One question to be addressed is the direction of causality: is the impact of virtue on work outcomes mediated by spirituality, or does spirituality itself engender virtues that influence attitudes toward work? The following reflections serve to set the stage for these papers, to tease out convergent and divergent elements, and to highlight the importance of workplace spirituality both for successful management and for virtue ethics to prove its practical applicability.

Doing as Work

In societies based on an extensive division of labor and on markets to coordinate consumption and production, persons are typically defined by their work. They are not primarily, and sometimes not at all, seen as who they are but as what they do,

which then substitutes for who they are. Doing has come to overgrow being, and this may be one of the most disturbing characteristics of contemporary society. It has led to persons being appreciated for their utility rather than their intrinsic worth. It has also resulted in deep divisions many persons make between their personal and their professional existences, with the demands of the work sphere often displacing family, social, and religious life (Naughton and Monge 2014). But it has also opened opportunities, more than in the past, for workers to contribute more of their skills, knowledge, and abilities to the workplace and thus to interlock being with work.

The Western tradition has harbored a tendency toward defining man by what he does. He has often been described as *homo faber* (or "man as doer") who seeks his fulfillment in the work he achieves, which is seen as an expression of his creativity. It has been noted, however, that this understanding would not make man substantially different from animals, and that creativity may lie more in reflection than in actual activity (Scheler 2009; Simon 1986). Following in the footsteps of (neo-)Platonism with its emphasis on contemplation, the Christian tradition has long held out an objection to the reduction of man to his work. Aquinas argued that the "active life is nothing but a disposition for the contemplative life" (*Scriptum super Sententiis* III d. 35 q. 1 a. 3 qc. 3). In this he mirrored not only Plato but also Aristotle, who in several of his works taught that leisure is the wellspring for every other activity and thought (*Metaphysics* I, 1, 931b; *Nicomachean Ethics* X, 7, 1177b; *Politics* VIII, 3, 1337b). In truth every activity tends toward rest and calmness as the primary state that allows for leisure (*scholē*) and reflection, which in turn are necessary for man to be in tune with himself, with his environment, and with God (Pieper 1952). In this light, the world of "total work" that was characteristic of most of the history — and certainly during feudal servitude, early capitalism, plantation slavery, and communism — and that still dominates in certain places was unhuman and thus inhumane. One of the true civilizational achievements has been the emancipation of man from his role as worker, much as work may contribute to human flourishing.

Aristotle himself emphasized that work, albeit not being constitutive of humanity, is natural to man. In the *Nicomachean Ethics* and the *Politics*, he wrote that, for human beings, activity takes the form of work. Such work is the principal mode of actualizing and perfecting individual form insofar as "making has an end other than itself" (*Nicomachean Ethics* VI, 5, 1140b5-7). Yet work was mostly "making" or "production" (*poiēsis*) and thus the accomplishment of something for someone. Aristotle regarded it as an inferior form of activity, because it was subservient to an external end, that of the product's consumer rather than its producer. "True" action (*praxis*), on the other hand, is that virtuous political and ethical life contributes directly to the actor's own happiness, rather than serving ends determined by others. Throughout the history of thought, the meaning of "work" has vacillated between these two concepts, action and production. It was then especially the Christian tradition with its deep understanding of contemplation that accentuated the positive contribution work may make to human and social development, thus rehabilitating production from the disapproval it had received by Greek philosophy. Rather than being opposed to contemplation, work can actually enhance and perfect spirituality, just as a rightly understood religiosity may, vice versa, improve attitudes toward

work. Pope John Paul II emphasized that work is more than just an activity or a tradable service, but an essential part of human nature: "As a person, man is therefore the subject of work" (John Paul II 1981, § 6). As such, work must serve the person and be ordered toward his flourishing — an idea that again places action before "mere" production. We work to live — or, rather, to be — but we do not live in order just to work. The role of work is thus both subservient and yet also dispositive (as Aquinas has noted): it gives us the means to live and at the same time defines how we live. If it also incorporates in its own characteristics our being, it may indeed attain a meaning and a spiritual dimension that transcend mere activity. How work is organized then reflects man's spiritual nature and may at the same time support his personal development (Dyck 2014; Sandelands 2014). In the most positive case, drawing on "spiritual capital" makes an enterprise more successful, which again augments, in a literally virtuous circle, the virtues of its participants (Malloch 2011).

Understanding work as having a transcendent and spiritual dimension, and being of service to others as also serving God, is deeply rooted in the Judeo-Christian tradition (and arguably less so in other cultural and religious heritages). It is contained in the semantic field of the Hebrew *avodah*, which has three distinct yet intertwined meanings: work, worship, and service to God (such as the rites performed by the high priest). The church fathers have always understood *opus* as also implying *opus Dei*, or service to God, and the monastic tradition came to use this term for the Liturgy of the Hours, which is the central work of the religious. The Benedictine maxim of *ora et labora* — pray and work — sought to establish just this equilibrium between contemplation and action, with work ultimately allowing monks the freedom of prayer. It did not imply that work was equal to spirituality, which is a precept that was developed by the twentieth-century Catholic lay movement Opus Dei, which preaches sanctification through finding God in "daily life" and especially in work (Murphy 2013). Its founder presented work as a "path to holiness": "Let us work. Let us work a lot and work well, without forgetting that prayer is our best weapon. That is why I will never tire of repeating that we have to be contemplative souls in the middle of the world, who try to convert their work into prayer" (Escrivá 1987, n. 497). Although the spiritual prescriptions may sound similar, this is not the Protestant ethics described by Max Weber (Dyck 2014). Where the Protestant ascetics saw prosperity stemming from success in work as a sign of possible election, Opus Dei counsels to use any work one does as a means to advance one's spiritual development, by excelling at it and offering it up to God.

Being as Virtues

Various traditions in philosophy, psychology, and social thought have pointed to the dangers of separating doing from being. They have given priority to who — more so than what — persons are and have derived activity from personality.

Personalism in theology and philosophy, Christian social teaching, and humanistic psychology, economics, and management, count among these. They all emphasize the inviolable dignity and irreducible worth of persons not as isolated individuals but as beings who stand in multiple — horizontal and vertical — relations to other beings and are defined by them.

Platonist philosophers have often held that being is always *for* something (Adams 2006: 15 ff.), and on this point the Aristotelians agree. Being then enjoys an ontological and ethical priority before doing. The Christian tradition is second to none in emphasizing this. Persons are created in the image of God, which gives them an inalienable dignity, or intrinsic worth; but this also means that their actions must reflect their origin and nature and always be for some good. Aquinas' thought that acting follows from being was built on this foundation. So was John Paul II's major philosophical work, which developed a theory of the person whose actions were fully dependent on and guided by his nature (Wojtyła 1979). This nature comprises, in its essence, its divine likeness, but also those other properties that are constitutive of a person — his character or the ensemble of his virtues and vices, talents and flaws, and strengths and weaknesses, which together define what he will do with and in his life.

Dependence of acting on being does not imply passivity or fatalism, and it does not absolve persons from responsibility. Since virtue is a habit, Aristotle taught, it can be developed through practice. But having a virtue is different from having a skill (such as woodworking or violin playing) because what counts is not just the external product but the fixed intention with which the action is done and the habit from which it originates. It is incumbent on men to practice exactly that: acts of courage build fortitude, prudent decisions develop wisdom, judgments of moderation strengthen temperance, etc. Virtue ethics emphasizes the choice between alternative courses of action. Aquinas pointed out that this is not a temporal sequence as if we first made a mental choice and then acted on it. Rather, human action reflects a choice (*electio*) that is itself determined by deliberation (*consilium*), which is guided by our dispositions and not least by our virtues (*Summa theologiae* I–II q. 14 a. 1.; see also Grassl 2010). We are responsible both for the acts of reason and of the will that drive our decision-making, and the appropriate set of virtues facilitates the process (Ingarden 1983). Since the latter are part of who we are, our being again drives our actions.

How Virtue Shapes Work

One of the open questions in the debate about virtue, spirituality, and work concerns the direction of causality and the nature of the intervening variable: Does spirituality form virtues which influence work, or do virtues rather shape a particular spirituality that determines attitudes toward and the organization and outcome of

work? In the latter case, is spirituality a necessary link that has explanatory power? The impact of virtues on work can then be configured in two alternative models:

(A) SPIRITUAL ATTITUDE → VIRTUE → ATTITUDE TO WORK ⟩WORK OUTCOME
(B) VIRTUE → SPIRITUAL ATTITUDE → ATTITUDE TO WORK ⟩

Model A locates the real generative power in a spiritual attitude, whether of a religious type or not, which will foster certain virtues; this is the case of true believers, gurus, and religious virtuosi. The question remains of whether one and the same spirituality by necessity generates the same virtues and keeps the same vices at bay, and which spiritual attitude supports which virtues. Model B assumes that practice in certain virtues lets a particular spirituality emerge, where the causal power lies with the person who, through his determination or reception of grace, summons the power to do so. In a sense, A reflects the Platonic view (at least according to Book X of the *Laws*), for which piety trumps all other virtues, whereas B represents the Aristotelian view, which places the virtues, which are habits and as such need training, as primordial. The choice between the two is of importance for management practice, for businesses can support the spiritual development of their employees, or can at least provide favorable conditions for workers to practice the virtues, through incentives and recognition.

Yet it appears that the virtue ethics literature is largely agnostic on this question. It argues that the virtue of workers, and thus their being, influences their product, at all levels of management. Virtue ethics centers on the agent rather than his acts. It differs from consequentialism and deontology also by not providing a decision procedure (Hursthouse 1999). Therefore, not only can the relevance of virtue ethics to work easily be disputed; spirituality may not be regarded as a variable that contributes much toward explaining differences in behavior at the workplace. Parts of the management literature perpetuates this divorce between virtue and work, for example, by pointing out that successful people have no human characteristics in common apart from a systematic approach to what they are doing (Malik 2009, Chap. 1).

Empirical research suggests a more nuanced picture. It is a recognized insight in the disciplines of management and of organizational psychology that virtue shapes work and that it explains much of what makes for good decisions (Dyck 2014; Sandelands 2014). Managers who are prudent persons as a rule make more prudent decisions. To solve the apparent disharmony between virtue not producing clear rules for action and yet being highly correlated with good and successful work, the focus must be placed on how exactly the transmission functions. This has been the topic of many studies (Ferrero and Sison 2014). They point out, for example, that certain virtues allow managers to develop mental models that are then reflected in practices of planning, decision-making, supervising, budgeting, or mentoring. According to much of the empirical literature, rather along model (B), spirituality has a significant influence on work, mostly as an intervening variable that is nourished by virtue and helps transform dispositions into concrete action (Biberman and Whitty 2000; Sandelands 2014; Dyck 2014). But there are also studies that start, according to model A, with spirituality and understand virtues as

its indicators or by-products without themselves making a causal contribution to organizational outcomes (Delbecq 2001; Cavanagh and Bandsuch 2002; Vasconcelos 2011; Malloch 2011). Empirical evidence suggests, for example, that prayer as the quintessential spiritual practice has by itself positive outcomes, particularly in situations of conflict at the workplace (Adams 2008; Munson and Degelman 2010; Vasconcelos 2010).

As with every human institution, there is a right and a wrong order of work. John Paul II pointed out that work itself enjoys dignity no matter what it may be. Cleaning streets, harvesting grapes, driving trucks, assembling automobiles, and serving guests in restaurants are just as dignified occupations as those of teachers, engineers, or managers. However, the problem lies in how work is being organized and executed. Its disorder may degrade its dignity as the values we attribute to it become confused. This happens, for example, when work is treated as a mere product to be sold; when workers are considered as an impersonal "workforce"; when persons are underemployed, inadequately paid, or forced to work; and thus when humans are being treated as instruments rather than as the subjects of work. If work, on the other hand, is rightly ordered and fulfills the needs of man, industriousness manifests its own virtue (John Paul II 1981, §§ 7–9). The right ordering of work depends on virtuous managers in whose oversight it falls. It includes the communication of purpose, the subordination of operations to tactics and of tactics to strategy, the balancing between expediency and justice in the choice of means, the allocation of resources to where they make the best contribution to good ends, etc. If motivated by their spirituality, managers will in all this "manage as if faith mattered" (Alford and Naughton 2001). But the virtue of workers, too, is necessary for establishing a right order of work. Total quality management or Six Sigma programs are hardly possible without the total commitment of workers, who again must be able to draw on their virtues. They are also called upon in their parallel role as consumers, for knowing when to say "enough," which is an indispensable ability for living well in a consumerist culture (Handy 1999), requires nothing but temperance, which is one of the four cardinal virtues.

Conclusion: Applications in Management

Virtue ethics teaches that successful management consists, first and foremost, in the guidance and development of persons including the managers themselves. Beneficial change in the work sphere always depends on the intellectual and moral virtues of everybody concerned, by workers committing themselves more actively, by managers detecting areas of improvement, and by entrepreneurs finding new forms of organization and areas of business. Attention to the spiritual dimension of work may encourage entrepreneurs to develop new forms of enterprise that transcend the traditional divisions between for-profit and nonprofit, private and public, producers and consumers, goods and services, etc. Pope Benedict XVI has advocated such hybrid forms of business as opportunities to "civilize" the economy,

and by this he meant its scaling to human needs (Benedict XVI 2009). This implies new forms of business models and with them innovations in corporate governance, production, finance, marketing, and the organization of work (Grassl 2011). Acceptance of change itself requires particular virtues and is supported by a spirituality that places managerial dispositions under divine guidance while focusing on human potentials and limitations (Dienberg and Warode 2014).

Marketing may be chosen as an area of work that may not easily suggest itself for the application of virtue. Some critics, and particularly those who are committed to Christian social teaching, reject marketing activity as such because it reduces persons to their roles as consumers and instills in them desires they normally would not have (Cavanaugh 2008; Beabout and Echeverria 2002). But a complex system of social practices must not be reduced to one type of agent nor to a single function. Benedict XVI reminded us that the consumer, too, "has a specific social responsibility" in parallel with that of businesses and that a better marketing of their products is often the only economic hope for least developed countries (Benedict XVI 2009, §§ 58, 66). The virtues, knowledge, and abilities — or the being — of both consumers and marketers must be engaged in order to develop new and better business models — a process which is long under way (Grassl 2011, 2012).

Personal selling may serve as an example. It is no longer about negotiation strategies, persuasive communication, closing techniques, and inducement gimmicks (let alone about bribery). In a world of transparent information and greater skepticism, it is much more about creating the right emotions, adding services, being truthful, having a sense of purpose, and instilling trust in customers, which all depend on inner strengths (Willingham 2006). The character qualities of sellers surpass their skills and activities as factors of success — being once more trumps doing as character is foundational for effective decision-making (Pink 2012). Much evidence demonstrates that the virtue of salespeople directly supports sales success through leading to greater customer orientation, adaptability, trust, service orientation, and ethical selling behavior. By facilitating the transcendence of self-interest and strengthening the practice of virtue among the sales force, workplace spirituality may then be a causal precursor to relationship-oriented selling or an intervening variable that helps to explain it (Chawla and Guda 2013).

Work today is hardly seen as action in the sense of Aristotle. Much of it is production for consumers from which the worker derives wages but rarely a feeling of accomplishment, pride, and happiness. Contrary to Aristotle, who emphasized that "life is action and not production" (*Politics* I, 2, 1254a8-9), most workers are still caught in a divided life between their workplace and their personal and higher aspirations. One crucial task for management is to make more work reflect the character of action and thus to overcome what already Karl Marx deplored — the alienation of the worker from work, i.e., from the product of his labor. The transition of developed societies to knowledge economies requires exactly such broadening and deepening of work, by partially rescinding the excessive specialization that was the hallmark of the machine age and that was celebrated by "scientific management." Job enrichment, intrapreneurship, gainsharing, decentralization, and employee participation are only some means toward the end of making

the being of workers count in what is best understood as a "community of persons" (John Paul II 1981). But management, too, largely does not conform to human action as Aristotle understood it, as it is driven by short-term pragmatism reacting to circumstances rather than following a path determined by the nature of the task and the virtue of the agent. The question has indeed been raised, and has led to an ongoing debate, whether management is a practice comparable to those of medicine, engineering, or the law (MacIntyre 2007, Chap. 6, 8, 14). However this may be, turning it into a profession requires a harnessing of intellectual and moral virtues and their institutionalization in social life (Harris et al. 2013). Sometimes the culture of institutions, and notably of businesses, itself undermines the development of virtues among managers upon which the professional status and commercial success of these institutions crucially depend.

Virtue ethics suggests a very different view of work itself from how it is commonly seen in social science. Understanding being, and with it the virtues and vices of acting persons, as directly influencing work stands in opposition to seeing work as, by and large, socially conditioned. Aquinas attributed belonging to a particular social class or having received a particular education as mere circumstances (*Summa theologiae* I–II, q. 7). Virtue ethics does not see such contingencies as justifying but at most as explaining human action, and on this it contradicts much of social science. But the view here presented also precludes other relativist (and subjectivist) accounts such as social constructivism (and constructionism) (Noble and McIlveen 2012). It does not make human perception, knowledge, or reflexivity the arbiter of attitudes toward work. Rather, the virtues and vices that constitute our being account for our lives, and since these dispositions are up to us, we are also responsible for our work.

For virtue ethics, work is thus not one of many playgrounds on which people live their lives; it is an essential forum that tells us and others who we are. Living a life divided between a private and a professional sphere is always problematic, for in our being as persons we are one (Naughton and Monge 2014). It not only negatively affects spirituality, which is built on unification rather than division (Dienberg and Warode 2014); it also impairs workplace performance (Sandelands 2014) and efficiency in managerial functions (Dyck 2014). The greater complexity, compartmentalization, and instability of work itself today requires for its coherence and effectiveness workers that bring their undivided being to the workplace. This again requires management that recognizes this wholeness as a competitive advantage and therefore invests into the integral human development of the firm as a community of persons, the doing of these persons crucially depending on their being.

References

Adams RM (2006) A theory of virtue: excellence in being for the good. Oxford University Press, Oxford

Adams T (2008) Impact of prayer on the relationship between supervisory support and employee's perception of workplace equity. Emerg Leadersh Journeys 1(2):3–13

Alford Sr HJ, Naughton MJ (2001) Managing as if faith mattered: Christian social principles in the modern organization. University of Notre Dame Press, Notre Dame

Beabout GR, Echeverria EJ (2002) The culture of consumerism: a Catholic and personalist critique. J Mark Moral 5(2):339–383

Benedict XVI (2009) Caritas in Veritate. Editrice Libreria Vaticana, Rome

Biberman J, Whitty MD (eds) (2000) Work and spirit: a reader of new spiritual paradigms for organizations. University of Scranton Press, Scranton

Cavanagh GF, Bandsuch MR (2002) Virtue as a benchmark for spirituality in business. J Bus Ethics 38(1–2):109–117

Cavanaugh WT (2008) Being consumed: economics and Christian desire. Wm. B. Eerdmans, Grand Rapids

Chawla V, Guda S (2013) Workplace spirituality as a precursor to relationship-oriented selling characteristics. J Bus Ethics 115(1):63–73

Delbecq AL (ed) (2001) Bridging the gap: between spirituality and business. In: Proceedings from the Santa Clara conference, 9–11 Mar 2001, Leavey School of Business, Santa Clara University. http://business.scu.edu/ISOL/proceedings.htm

Dienberg T, Warode M (2014) Spirituality in organizational management: cases and experience

Dyck B (2014) Spirituality, virtue, and management: theory and evidence

Escrivá de Balaguer J (1987) The furrow. Scepter, London (original: Surco, Rialp, Madrid, 1986)

Ferrero I, Sison AJG (2014) A quantitative analysis of authors, schools and themes in virtue ethics articles in business ethics and management journals (1980–2011). Business ethics: A European review 23(4):375–400

Grassl W (2010) Aquinas on management and its development. J Manag Dev 29(7/8):706–715

Grassl W (2011) Hybrid forms of business: the logic of gift in the commercial world. J Bus Ethics 100(Suppl 1):109–123

Grassl W (2012) Pluris Valere: toward Trinitarian rationality in social life. In: Beretta S, Maggioni MA (eds) The whole breadth of reason: rethinking economics and politics. Marcianum Press, Venice, pp 313–348

Handy C (1999) The hungry spirit. Broadway Books, New York

Harris H, Wijesinghe G, McKenzie S (eds) (2013) The heart of the good institution: virtue ethics as a framework for responsible management. Springer, Dordrecht

Hursthouse R (1999) On virtue ethics. Oxford University Press, Oxford

Ingarden R (1983) On responsibility: its ontic foundations. In: Man and value (trans: Szylewicz A). Philosophia Verlag, Munich, pp 53–117 (original: Über die Verantwortung. Ihre ontischen Fundamente, Reclam, Stuttgart, 1970)

John Paul II (1981) Laborem Exercens. Editrice Libreria Vaticana, Rome

MacIntyre A (2007) After virtue: a study in moral theory, 3rd edn. University of Notre Dame Press, Notre Dame

Malik F (2009) Managing, performing, living: effective management for a new era. Campus, Frankfurt

Malloch TR (2011) Doing virtuous business: the remarkable success of spiritual enterprise. Thomas Nelson, San Francisco

Moore G (2008) Reimagining the morality of management: a modern virtue ethics approach. Bus Ethics Q 18(4):483–511

Munson LM, Degelman D (2010) Distant intercessory prayer and task performance. Working paper, Vanguard University, Costa Mesa

Murphy JB (2013) Opus Dei: prayer or labor? The spirituality of work in Saints Benedict and Escrivá. In: Bruni L, Sena B (eds) The charismatic principle in social life. Routledge, London, pp 94–111

Naughton MJ, Monge R (2014) The divided life: a serious challenge to virtuous work

Noble K, McIlveen P (2012) Being, knowing, and doing: a model for reflexivity in social constructionist practices. In: McIlveen P, Schultheiss DE (eds) Social constructionism in

vocational psychology and career development, vol 4. Sense Publishers, Rotterdam, pp 105–113

Pieper J (1952) Leisure, the basis of culture (trans: Dru A). Faber and Faber, London (original: Muße und Kult, Kösel-Verlag, Munich, 1948)

Pink DH (2012) To sell is human: the surprising truth about moving others. Riverhead Books, New York

Sandelands L (2014) The psychology of work and spirituality

Scheler M (2009) The human place in the Cosmos (trans: Frings M). Northwestern University Press, Evanston (original: Die Stellung des Menschen im Kosmos, Reichl, Darmstadt, 1928)

Simon Y (1986) Work, society, and culture. Fordham University Press, New York

Vasconcelos AF (2010) The effects of prayer on organizational life: a phenomenological study. J Manag Organ 16:369–381

Vasconcelos AF (2011) Societal marketing concept and spirituality in the workplace theory: finding the common ground. Cad EBAPEBR 9(1):96–115

Williams OF (ed) (2003) Business religion and spirituality. University of Notre Dame Press, Notre Dame

Willingham R (2006) The inner game of selling: mastering the hidden forces that determine your success. Free Press, New York

Wojtyła K (1979) The acting person (trans: Potocki A). Reidel, Dordrecht (original: Osoba i czyn, Cracow, Polskie Towarzystwo Teologiczne, 1969)

The Psychology of Work and Spirituality

Lloyd Sandelands

Contents

Abstract

Work and spirit are not separate as we think of them, but are one together, of a piece. This chapter briefly reviews the largely separate research literatures on the psychology of work and the spirituality of work to note that the latter raises a doubt about scientific naturalism of the former. The chapter seeks a bridge between the two literatures by showing how the most prominent scientific theory of work – the Job Characteristics Model – opens upon the human spirit. The chapter concludes that the psychology of work and the spirituality of work must unite on metaphysical grounds other than those of natural science.

Keywords

Work • Naturalism • Spirituality • Metaphysics • God

L. Sandelands (✉)
Stephen M. Ross School of Business, University of Michigan, Ann Arbor, MI, USA
e-mail: lsandel@umich.edu

Introduction

The title of this chapter epitomizes how we think about work today: There is work and there is spirit, each unto its own. With this chapter I observe that work and spirit are not separate, but are of a piece, that the life of the one is the life of the other. I conclude that a true study of work must be a study of the human spirit.

The chapter is organized as follows. Upon brief reviews of the separate research literatures on the psychology of work and the spirituality of work, I note how the latter impugns the former by suggesting that the former's metaphysic of natural science keeps it from the supernatural truth that people are "spiritual" beings. I then try to bridge the two literatures by showing how the most prominent theory of work psychology – the Job Characteristics Model (Hackman and Oldham 1980) – opens upon the human spirit. I conclude that the psychology and spirituality of work must unite on metaphysical grounds other than those of natural science.

Research on Work and Spirit

The research literatures on work and spirit differ in a way that troubles the paradox that although we have but one life we are called upon to live two; one of work, the other of spirit; one in a factory or office, the other in a mosque, synagogue, or church; one on weekdays, the other on the Sabbath.

Research on the psychology of work explains work by its causes and effects; where the causes typically consist of workers' psychological states (e.g., instincts, drives, needs, values, attitudes, beliefs, skills, abilities, etc....) and their personal, social, economic, and cultural circumstances (e.g., work design, social support, human factors, opportunities, constraints, roles, norms, ethnic and religious affiliations, responsibilities, etc....) and the effects typically consist of personal and business outcomes (e.g., job satisfaction, motivation, absenteeism, turnover, job performance, creativity, innovation, absenteeism, turnover, morale, etc....) [for comprehensive reviews see (Locke 1976; Ambrose and Kulik 1999; Humphrey et al. 2007; Fried et al. 2008)]. For the better part of the nineteenth and twentieth centuries, much of this research focused on the deficiencies and ills of work that dissatisfy and dispirit (Mayo 1933; Trist and Bamforth 1951; Whyte 1956; Argyris 1957; Blauner 1964), but with the human potential movement in American psychology founded by Abraham Maslow (1968) and led lately by students of positive organization studies (POS), this researched turned to the positive qualities of work that enable self-actualization and personal fulfillment (Turner and Lawrence 1965; Hackman and Lawler 1971; Griffin 1987; Kahn 1992; Grant 2007; Macey and Schneider 2008; Rothbard and Patil 2012).

Perhaps surprisingly, in view of its great volume and reach, this research is often criticized for its impoverished idea of the human person. Critics complain that there is more to life at work than a science of psychology can say. There remain crucial emotional, aesthetic, moral, and spiritual dimensions of work that are infrequently

studied because they cannot easily be objectively measured and put to scientific test (Fineman 2003; Sandelands 1988; Sandelands and Buckner 1989; Sandelands and Boudens 2000; Dik and Duffy 2009; Bunderson and Thompson 2009; Wrzesniewski 2012; Myers 2013).

In a largely separate and parallel development, research interest has lately gathered about the spirituality of work. This research interest is surely motivated in part by the idea just noted that there is more to work than psychological theories can say, but it may be motivated in larger part by a longing to find in work some of the same spiritual possibilities that are loved and savored elsewhere in life (for reviews, see Paloutzian 1996; Mitroff and Denton 1999; Fry 2003; Giacalone and Jurkievicz 2003; Rosso et al. 2010; Sandelands 2012). Whereas the research on the psychology of work can be catalogued by the cause and effect relations established among its independent and dependent variables, the research on the spirituality of work is perhaps best catalogued by its contending ideas of spirit. On one side are *immanent spiritualities* which contend that spirit inheres in being and is to discern by the enlightenments of meditation or contemplation. These spiritualities divide between those that focus on the self and those that focus on the whole of existence. Among the former, the most familiar has to be Maslow's (1968) idea of "self-actualization" which locates spirit at the peak reaches of personal experience:

> Human beings strive perpetually toward ultimate humanness ... Achieving basic-need gratification gives us many peak-experiences, each of which are absolute delights, perfect in themselves, and needing no more than themselves to validate life. (p. 154)

Among the latter are the ideas of writers influenced by philosophers such as Wilber (1985) and Peck (1988) who locate spirit in the whole of cosmic being. Nodding to Wilber, Steingard (2005) develops a spiritually informed theory of business upon a holism that finds spirit in all things, while Mitroff (2003) idealizes spirituality as a feeling of being "totally integrated and connected with the entire universe such that there are no boundaries between where one starts and where one leaves off" (p. 378). And nodding to Peck, Mirvis (1997) speaks of the spiritual unity of organizations as the "company as community."

On the other side are *transcendent spiritualities* which contend that spirit lies neither in the self alone nor in the totality of the cosmos but in the person's relationship to a superior force or power and is to discern both by experience and special revelation. These spiritualities divide between those that conceive this superior force indistinctly as a "beyond" and those that conceive this superior force distinctly as a "personal God." Among proponents of the former, Paloutzian et al. (2003, p. 124) identify spirituality with "the tendency to guide thoughts, feelings, and behavior by the gist or idea of whatever is beyond and seen as ultimately important, which can be expressed religiously and non-religiously," while McCormick (1994, p. 22) characterizes spirituality as "...the inner experience of the individual when he senses a Beyond, especially as evidenced by the effect of this experience on his behavior when he actively attempts to harmonize his life with the Beyond." Among proponents of the latter are the innumerable

adherents of the personal God professed by the world's great monotheistic religions: Judaism, Christianity, and Islam. In these religions spirituality inheres in a person's relationship to God who creates and sustains all being, including his/her human person and communion with others. In view of the global dominance of the three great world religions, it is surprising that work-related examples of this God-centered transcendent spirituality are few (Cavanaugh 1999; Delbecq 1999; Ali et al. 2000; Zaman 2008; Sandelands 2009, 2014).

For being new on the scene and still inchoately formed, it is no surprise that the spirituality of work comes in for criticisms of its own. Many complain that its central concept of spirit is underdeveloped, observing that it is often described abstractly (Giacalone and Jurkievicz 2003; Ashforth and Pratt 2003), if not vaguely, so to not offend anyone committed to a specific and certain idea of it (Sandelands 2012). Indeed, a number of writers insist that spirit be whatever one wants it to be just so that it is not restricted to any religious dogma (Mitroff and Denton 1999; Giacalone and Jurkievicz 2003). *Spirituality*, they insist, is one thing and *religion* is another. In light of these and other equivocations, more scientifically minded observers question whether the idea of spirit is articulated well-enough to permit its objective measurement and scientific study (Giacalone and Jurkievicz 2003; Dean and Fornicari 2003).

Nevertheless, what is most important and intriguing about the research on the spirituality of work is that its very existence exposes a metaphysical problem for the research on the psychology of work – namely, that if people are supernatural spirits, then they cannot be described by a natural science of causes and effects. What is "above" nature cannot be explained by what is "of" nature. "Nature," as C.S. Lewis (2001) astutely observed, "is a word of varying meanings, which can best be understood if we consider its various opposites. The Natural is opposite of the Artificial, the Civil, the Human, the Spiritual, and the Supernatural" (pp. 68–69). "Nature," he continues,

> . . . seems to be the spatial and temporal, as distinct from what is less fully so or not so at all. She seems to be the world of quantity, as against the world of quality; of objects as against consciousness; of the bound, as against the wholly or partially autonomous; of that which knows no values as against that which both has and perceives value; of efficient causes (or, in some modern systems, of no causality at all) as against final causes. (p. 69)

What if, as Aristotle originally proposed and St. Thomas Aquinas later confirmed, the human person is not only or truly of nature? What if, as these giants of metaphysics maintained, the human person has a finite material body like that of animals that can be described in material terms and located in time and space, but is absolutely set apart from animals by an infinite spirit that is above and beyond nature, a spirit that is literally "supernatural"? Then for want of metaphysical awareness and vocabulary, the scientific psychology of work can say nothing of the human spirit at work. While it can locate the finite human body in coordinates of time and space so to model its causes and effects, it cannot locate the infinite human spirit in either time or space and so cannot model its causes and effects. Between the

metaphysical realms of animal and man yawns an abyss that scientific psychology cannot bridge and the paradox with which we started, that our one life looks to be two.

The Job Characteristics Model

To comprehend the infinite spirit that is our human essence, the study of work must set out anew, with fresh eyes and a revised vocabulary attuned to spiritual being. Most likely such a revised outlook will not come easily, but it might come more easily if it began upon familiar ground. Perhaps the most familiar ground of all is the theory of work called the "Job Characteristics Model" (JCM) outlined by Hackman and Oldham (1980) – about which there have been hundreds of empirical studies (Fried and Ferris 1987; Humphrey et al. 2007) and to which there have been several attempts at modification and enlargement (Griffin 1987; Parker et al. 2001; Morgeson and Campion 2003; Morgeson and Humphrey 2006; Grant 2007; Grant and Parker 2009; Oldham 2012. If we are to unite the study of work with the study of its spirit, we would do well to begin here.

At the heart of the Job Characteristics Model is a notion of how people experience their work consisting of three "critical psychological states": experienced meaningfulness, experienced responsibility, and knowledge of results. These experiences are said to mediate the effects of objective job characteristics of skill variety, task identity, task significance, autonomy, and feedback on personal and organizational outcomes of job satisfaction, intrinsic motivation, absenteeism, and turnover. However, while the JCM is advertized as a scientific theory, as an objective and deterministic theory of work, its inner workings – the three critical psychological states – are anything but objective and deterministic. This indeed was the argument of a well-known critique of the model by Salancik and Pfeffer (1978). For our purpose the key point is that the three critical psychological states are not finite material things of the kind that a natural science of psychology can model as caused effects of finite material job characteristics. To the contrary, they are immaterial ideas – infinite spiritual things without duration or place – that a human person who stands apart from and over their job can discern or read into it. Indeed, to press on these ideas, even just a little, is to enter into profound metaphysical questions such as "What is the meaning of meaning?" and "How can meaning exist?" or "What is it to be responsible?" and "What is the nature of the freedom that responsibility implies?" and, finally, "What can one know about results?" and "What is to say that a given result is 'good' or 'evil'?" These are questions of human spirit, questions that are beyond the science of psychology to answer because they come even before psychology itself.

Thus the Job Characteristics Model whispers what its scientific pretense cannot admit, namely, that work is not material and natural, but is spiritual and even supernatural. While the model's proponents may overlook or minimize the spiritual and supernatural aspects of work to defend the model's scientific bona fides, they do

so at the expense of the human truth and good of work. When we look into the heart of the model we glimpse its metaphysical assumptions about human essence and existence. We see that in spite of its clunky scientism, the model manages to ask and to answer basic questions about spirit at work. For one, it asks: "whose work is it?" Its concern for the psychological experience of responsibility is a concern for whether man is the subject or object of work. For another, it asks: "Does work bring man into being as Man?" – as the only being on earth (so far as we know) able to know the truth and act for the good. Its concern for the psychological experience of "meaningfulness" is a concern for whether work is true and good. And for another still, it asks "What is work for?" Here its concern again for the psychological experiences of "responsibility" and "meaningfulness" is also a concern for the reason why people work (what Aristotle would call its "final cause"). These are not scientific questions about man's finite nature; they are metaphysical questions about man's infinite spirit.

The Spirit of Work

What is the Connection Between a Man's Work and His Spirit?

As we have just seen, work is spiritual. Ours is a single human being, one aspect of which is a finite body, another aspect of which is an infinite spirit. These two aspects are sides of a coin, united as an "embodied spirit" and a "spirited body." Our human spirit thus is not a nicety added to our work, but is its essence. As we have also just seen, the estrangement of spirit from work is a legacy of the scientific naturalism of psychology. While the origin of this estrangement is to trace all the way back to the Enlightenment (and particularly to its overthrow of Aristotelian and Thomist metaphysics) (Feser 2008), its nearer history in thinking about business is to chart in the schism between the finite materialism of Fredrick Taylor's (1911) "scientific management" movement on the one hand and the infinite spiritualism of Elton Mayo's (1933) "human relations" countermovement on the other. As philosopher Matthew Stewart (2010) observes, today's thinking about business replays the old: "According to my scientific sampling you can save yourself from reading about 99 % of all the management literature once you master this dialectic between rationalists and humanists. The Taylorite rationalist says: Be efficient! The Mayoist humanist replies: Hey these are people we're talking about! And the debate goes on." It may be well to add that if at this late date we have not escaped this schism, then perhaps our thinking about work and spirit has gotten off on the wrong foot.

It is therefore of considerable interest that a clear statement of the integral relationship between work and spirit exists and that it is to find in the Old Testament of the Bible, the one spiritual text that joins the world's three great monotheistic religions – Judaism, Christianity, and Islam. Let us heed this statement, if not as a revealed truth of God, then at least as a working hypothesis to try on for size. According to the Book of Genesis, human work is spiritual in the precise and absolute sense that it is a means by which we come into being with God. As related

by Pope John Paul II: "Man is made to be in the visible universe an image and likeness of God Himself, and he is placed in it to subdue the earth" (1981, p. 5). From the beginning he is called to work and by his work to be the image of God. This means that no matter what the work happens to be – no matter its objective contents – the subject of work and its fundamental purpose is man himself. By God's design, if not always realized by man, work is for man rather than man for work. Thus the true human good of work is to judge by "the measure of dignity of . . . the individual who carries it out." (1981, p. 17).

Moreover, to see that work and spirit are of a piece – that work is meant for spirit and spirit is meant for work – is to see that they cannot be separated without doing violence to both. Work without spirit is a grim slavery of perspiration without inspiration. It is the alienation in talk of work as "labor," or of persons as "workers" or "employees," and not least of people as "factors of production" or as "human resources." Spirit without work is a cheap and insipid inspiration without perspiration. It is the hollowness in talk of charismatic or "transformational" leadership that is not grounded in the real work of getting things done. Once work and spirit are separated, there is the Humpty-Dumpty problem of putting them back together, something that not even all the king's horses and all the king's men can do.

Conclusion

We cannot but be drawn to the idea that work is spiritual by being an image of God. Indeed, it is an idea that we can hardly escape when even our most scientific theories of work – such as the Job Characteristics Model – cannot evade the spirit that unites us with the Divine. It seems then that the study of work must the study of spirit. Whatever the portentous vocabulary of finite science, the infinite spirit of work will out.

Returning finally to psychology, we are reminded of the wisdom of Aristotle and Aquinas whose metaphysical understanding of human being is more truthful than our scientific understanding of human being today. Ironically, psychology is a word of Greek provenance. Its root – psyche – means spirit, the breath of life. We would do well to understand the study of work today as the study of the spirit and the breath of life.

Cross-References

▶ Being and Doing: How Virtue Shapes Work
▶ Spirituality in Organizational Management: Cases and Experience
▶ The Virtue of Human Being in Organizations
▶ Work and Happiness

References

Ali AJ, Camp RC, Gibbs M (2000) The ten commandments perspective on power and authority in organizations. J Bus Ethics 26:351–361

Ambrose MI, Kulik CT (1999) Old friends, new faces: motivation research in the 1990's. J Manag 25:231–292

Argyris C (1957) Personality and organization. Harper & Brothers, New York

Ashforth BF, Pratt MG (2003) Institutionalized spirituality: an oxymoron? In: Giacalone RA, Jurkiewicz CL (eds) Handbook of workplace spirituality and organizational performance. ME Sharpe, Armonk, pp 93–107

Blauner R (1964) Alienation and freedom. University of Chicago Press, Chicago

Bunderson JS, Thompson JA (2009) The call of the wild: zookeepers, callings, and the dual edges of deeply meaningful work. Adm Sci Q 54:32–57

Cavanaugh GF (1999) Spirituality for managers: context and critique. J Organ Chang Manag 12 (3):186–199

Dean KL, Fornicari CJ (2003) Research in spirituality, religion, and work: walking the line between relevance and legitimacy. J Organ Chang Manag 16(4):378–395

Delbecq A (1999) Christian spirituality and contemporary business leadership. J Organ Chang Manag 12(4):345–354

Dik BJ, Duffy RD (2009) Calling and vocation at work. Couns Psychol 27(3):424–450

Feser E (2008) The last superstition. St. Augustine's Press, South Bend

Fineman S (2003) Understanding emotion at work. Sage, London

Fried Y, Ferris GR (1987) The validity of the job characteristics model: a review and meta-analysis. Pers Psychol 40:287–322

Fried Y, Levi AS, Laurence G (2008) Motivation and job design in the new world of work. In: Cooper C, Cartwright S (eds) The Oxford handbook of personnel psychology. Oxford University Press, Oxford, pp 586–611

Fry LW (2003) Toward a theory of spiritual leadership. Leadersh Q 14:693–727

Giacalone R, Jurkievicz CL (2003) Towards a science of workplace spirituality. In: Jurkievicz CL, Giacaone R (eds) Handbook of workplace spirituality and organizational performance. ME Sharpe, Armonk

Grant A (2007) Relational job design and the motivation to make a prosocial difference. Acad Manage Rev 32:393–417

Grant AM, Parker SK (2009) Redesigning work design theories: the rise of relational and proactive perspectives. Acad Manag Ann 3(1):317–375

Griffin RW (1987) Toward and integrated theory of task design. In: Staw BM (ed) Research in organizational behavior, Greenwich, CT: JAI Press vol 9. JAI Press, Greenwich, pp 79–120

Hackman JR, Lawler EE (1971) Employee reactions to job characteristics. J Appl Psychol Monogr 55:259–286

Hackman JR, Oldham GR (1980) Work redesign. Addison-Wesley, Reading

Humphrey SE, Nahrgang JD, Morgeson FP (2007) Integrating motivational, social, and contextual work design features: a meta-analytic summary and theoretical extension of the work design literature. J Appl Psychol 92:1332–1356

John Paul II (1981) On human work. Pauline Books, Boston

Kahn WA (1992) To be fully there: psychological presence at work. Hum Relat 45(4):321–349

Lewis CS (2001) The abolition of man. Harper Collins, San Francisco

Locke E (1976) The nature and causes of job satisfaction. In: Dunnette M (ed) Handbook of industrial and organizational psychology. Rand McNally, Chicago

Macey WH, Schneider B (2008) The meaning of employee engagement. Ind Organ Psychol 1:3–30

Maslow A (1968) Toward a psychology of being, 2nd edn. Van Nostrand Reinhold, New York

Mayo E (1933) Human problems of industrial civilization. Macmillan, New York

McCormick DW (1994) Spirituality and management. J Manag Psychol 9(6):5–8

Mirvis PH (1997) 'Soul work' in organizations. Organ Sci 8:193–206

Mitroff II (2003) Do not promote religion under the guise of spirituality. Organization 10 (2):375–382

Mitroff II, Denton EA (1999) A spiritual audit of corporate America. Jossey-Bass, San Francisco

Morgeson FP, Campion MA (2003) Work design. In: Borman W, Klimoski R, Ilgen D (eds) Handbook of psychology, vol 12, Industrial and organizational psychology. Wiley, New York, pp 423–452

Morgeson FP, Humphrey SE (2006) The work design questionnaire (WDQ): developing and validating a comprehensive measure for assessing job design and the nature of work. J Appl Psychol 91:1321–1339

Myers VL (2013) Conversations about calling: advancing management perspectives. Routledge, New York

Oldham G (2012) The design of jobs: a strategy for enhance the positive outcomes of individuals at work. In: Cameron KS, Spreitzer GM (eds) The Oxford handbook of positive organizational scholarship. Oxford University, New York, pp 651–663

Paloutzian RF (1996) Invitation to the psychology of religion. Allen & Bacon, Boston

Paloutzian RF, Emmons RA, Keortge SC (2003) Spiritual well-being, spiritual intelligence, and healthy workplace policy. In: Giacolone RA, Jurkiewicz CL (eds) Handbook of workplace spirituality and organizational performance. ME Sharpe, New York, pp 73–92

Parker SK, Wall TD, Cordery JL (2001) Future work design research and practice: towards an elaborated model of work design. J Occup Organ Psychol 74:413–440

Peck MS (1988) The road less traveled: a new psychology of love, traditional values and spiritual growth. Touchstone, New York

Rosso BR, Dekas KH, Wrzesniewski A (2010) On the meaning of work: a review. In: Staw BM, Brief AP (eds) Research in organizational behavior, Greenwich, CT: JAI Press vol 30. JAI Press, Greenwich, pp 91–127

Rothbard NP, Patil SV (2012) Being there: work engagement and positive organizational scholarship. In: Cameron KS, Spreitzer GM (eds) The Oxford handbook of positive organizational scholarship. Oxford University, New York, pp 56–68

Salancik GR, Pfeffer J (1978) A social information processing approach to job attitudes and task design. Adm Sci Q 23:224–253

Sandelands LE (1988) The concept of work feeling. J Theory Soc Behav 18(4):437–457

Sandelands LE (2009) The business of business is the human person: lessons from the Catholic Social Tradition. J Bus Ethics 85:93–101

Sandelands LE (2012) In God we trust: a comparison of spiritualities at work. In: Cameron KS, Spreitzer GM (eds) The Oxford handbook of positive organizational scholarship. Oxford University, New York, pp 1001–1013

Sandelands LE (2014) Being at work. University Press of America, Lanham

Sandelands LE, Boudens CJ (2000) Feelings at work. In: Fineman S (ed) Emotions in organizations. Sage, London

Sandelands LE, Buckner GC (1989) Of art and work: aesthetic experience and the concept of job satisfaction. In: Staw BM, Cummings LL (eds) Research in organizational behavior, vol 1. JAI Press, Greenwich, pp 105–132

Steingard DS (2005) Spiritually-informed management theory: two profound possibilities for inquiry and transformation. J Manag Inq 14(3):227–241

Stewart M (2010) The management myth. The Atlantic Online, June 2006, p 6. http://www.theatlantic.com/doc/print/200606/stewart-business

Taylor FW (1911) Principles of scientific management. WW Norton, New York

Trist E, Bamforth W (1951) Some social and psychological consequences of the long wall method of coal-getting. Hum Relat 4:3–38

Turner AN, Lawrence PR (1965) Industrial jobs and the worker. Harvard Graduate School of Business, Boston

Whyte WH (1956) The organization man. Simon & Schuster, New York

Wilber K (1985) No boundary: eastern and western approaches to personal growth. Shambhala, Boston

Wrzesniewski A (2012) Callings. In: Cameron KS, Spreitzer GM (eds) The Oxford handbook of positive organizational scholarship. Oxford University, New York, pp 45–55

Zaman A (2008) Islamic economics: a survey of the literature. University of Birmingham, Religions, and Development Research Programme, working paper no. 22. Available at SSRN http://ssrn.com/abstract=128786

Spirituality, Virtue, and Management: Theory and Evidence

Bruno Dyck

Contents

Abstract

This chapter presents an overview of the conceptual and empirical literature examining the interrelationships between spirituality, virtue, and management. Against the background of a Weberian conceptual framework, it will examine what the term spirituality refers to, how it is related to virtue, and what this means for management. As speculated by Weber, the literature suggests that there is a strong link between spirituality and virtue and also that spirituality often gives rise to an alternative form of management that may enable escape from the materialist-individualist type. This "radical" form of management is typically associated with virtue ethics and counterposes the utilitarian assumptions of "conventional" management. Management guided by spirituality is often presented as pointing to a new paradigm in business.

B. Dyck (✉)
Asper School of Business, University of Manitoba, Winnipeg, MB, Canada
e-mail: bruno.dyck@ad.umanitoba.ca

Introduction

Max Weber remains one of the most-cited and influential scholars in the organiza-
tional sciences (Dyck 2013; Miner 2003) and is still considered to be a leading
moral philosopher of management (Clegg 1996). Though himself agnostic, Weber
is also the most-cited classic scholar in the faith at work literature (e.g., Gundolf and
Filser 2013). Thus, it is appropriate that the discussion in this chapter follows a
conceptual framework drawn from Weber (see Fig. 1). In his most famous book,
The Protestant Ethic and the Spirit of Capitalism, Weber (1958, original
1904–1905) describes at some length how a specific religious spirit and its related
virtues give rise to and inform the organizational and management practices
associated with capitalism. We will look at each of these three dimensions.

Spirituality

According to Weber, the spirit of modern capitalism was born out of a spirit of
religious asceticism, which he associates with a specific Protestant ethic character-
ized by its dual emphasis on materialism and individualism related to its idea of
"calling" (Dyck and Schroeder 2005; see also Novak 1996; Wiersma 2011). First,
individuals are called to be *personally* responsible for their salvation, a marked
contrast to the previously dominant Catholic emphasis on salvation being achieved
via the sacraments of the larger Church (e.g., by confession to a Priest). Second, this
calling is linked to the *material* world, because the "*only* way of living acceptably to
God was . . . through the fulfillment of the obligations imposed on the *individual* by
his *position in the world*" (Weber 1958, p. 80, emphasis added here).
Foreshadowing the next two elements in Fig. 1, Weber goes on to argue that
when "the spirit of Christian asceticism . . . was carried out of monastic cells into
everyday life, and began to dominate worldly morality [virtues], it did its part in
building the tremendous cosmos of the modern economic order [including man-
agement]" (Weber 1958, p. 180 f.; bracketed expressions added).

Fig. 1 Weber's explanatory
model
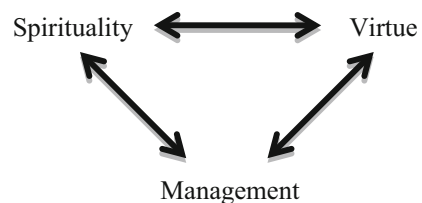
Virtues

Weber identifies four (religious) virtues associated with the Protestant ethic that are of particular importance for understanding the (secular) virtues associated with modern management (Dyck and Schroeder 2005). First, *brotherly love → specialization:* Weber argues that the Protestant ethic virtue of brotherly love justified the idea of specialization because it recognized the division of labor and occupations as a direct consequence of the divine scheme of things where individuals fulfilled their daily tasks in the interests of their organizations (Weber 1958, pp. 108 f., 160). Second, *submission → centralization:* Weber argues that the Protestant ethic virtue of submission supported the idea that it was part of the divine will for people to be divided into separate classes (e.g., employee versus employer) (Weber 1958, pp. 160, 178). Third, *obedience → formalization:* Weber argues that the Protestant ethic virtue of obedience emphasized passages in the Old Testament that praised formal legality as being a sign of conduct pleasing to God (Weber 1958, pp. 165, 123). And fourth, *non-worldliness → standardization:* Weber argues that the Protestant ethic virtue of non-worldliness, which emphasized the repudiation of the flesh, served as an ideal foundation for people's tendency toward uniformity in life that aids in the standardization of production (Weber 1958, p. 169).

Management

For Weber, the spirit associated with the Protestant ethic, coupled with its accompanying virtues, gave rise to the peculiar understanding of management that is associated with capitalism, which is an "ideal type" of management that emphasizes productivity and efficiency and thus cannot help but result in material wealth. This material wealth in turn became a sign of effective salvation. Despite the resulting unprecedented economic growth, Weber nonetheless laments that this management approach has captured humankind in an "iron cage." Moreover, he notes that the spirit of capitalism had already been secularized a century earlier, and that its proponents had rebuffed any religious or spiritual challenges to the dominant materialist-individualist type of management. He famously writes of the modern management paradigm: "Specialists without spirit, sensualists without heart; this nullity imagines that it has attained a level of civilization never before achieved" (Weber 1958, p. 182).

In sum, though Weber acknowledges that the three elements in Fig. 1 influence each other (thus the two-headed arrows), his analysis actually describes the following implication: a particular spirit → associated virtues → corresponding management practices. Moreover, he concludes by asserting that spirituality represents the most likely way of developing new ways of managing that can successfully challenge shortcomings of the dominant materialist-individualist paradigm. In particular, Weber welcomes "new prophets" (e.g., spiritual messengers) and a "great rebirth of old ideas and ideals" (e.g., virtues), arguing that religious or

spiritual ideas may be able to overcome the dominant status quo precisely because they "contain a law of development and a compelling force entirely their own" (Weber 1958, pp. 182, 278). The remainder of the chapter will examine the literature around each of the three elements in Fig. 1, emphasizing empirical findings associated with their interrelationships.

Literature on Spirituality

The scholarly study of spirituality in the workplace has a relatively short history, but the past few years have seen the publication of several literature reviews of this growing field (e.g., Geigle 2012; Hackett and Wang 2012; Karakas 2010). In addition to Max Weber's work, key books in the field include monographs by Denton and Mitroff (1999) and Hicks (2003) and edited volumes by Giacalone and Jurkiewicz (2003), Bouckaert and Zsolnai (2011), and Neal (2013). An ongoing theme in the literature concerns developing a consensus about a definition of spirituality. For example, Giacalone and Jurkiewicz (2003, p. 7) provide a list of 14 definitions, and Karakas (2010) observes that there are at least 70 definitions of spirituality. There are two recurring issues in the discussions of how to define spirituality. The first issue, which will be dealt with in the next section, is that many definitions conflate, on the one hand, spirituality and, on the other, virtues or values. The second issue concerns whether one can be spiritual without being religious, though arguably this debate has more to do with how one defines religion. If religion is defined broadly and inclusively – for example, by referring to *how* people manifest their spiritual life, including what practices or virtues are associated with their spirituality – then there would be few who argue that spirituality has nothing to do with religion. However, if religion is defined very narrowly and exclusively – for example, genuine spirituality is only possible via a particular religion – then most people would agree that one can be spiritual without being religious. Closely related to this debate about religion and spirituality is whether spirituality demands a belief in some sort of God or Higher Power or Creator (e.g., Dent et al. 2005). One study of over 100 books related to spirituality in the workplace found that fewer than 20 refer to some higher power like God (Marcic 2000, p. 629).

Fortunately, there seems to be some emerging consensus that spirituality has three often interrelated dimensions: (1) an interconnectedness with a transcendent or sacred "Other" (for many, this is related to some understanding of God, while for others it is linked to ideas associated to mindfulness), (2) an interconnectedness with others, and (3) an interconnectedness with the natural world. This threefold understanding of spirituality is evident in a wide variety of places, including the aboriginal cultures in Canada (Bell 2011) and the *kaitiakitanga* management practices evident in the Māori economy in New Zealand (Spiller et al. 2011), in the definition used by the European "Spirituality in Economics and Society" Forum, and in the recent edited volume by Bouckaert and Zsolnai (2011). The threefold definition is also consistent with the only developed spirituality scale that has been

shown to demonstrate face, content, discriminant, and convergent validity, as well as structural reliability (Liu and Robertson 2011). The 65 different scales that have been used in 29 earlier empirical articles (Fornaciari et al. 2005) focus mainly on ethics, religion and faith, values and beliefs, and virtues, rather than on "spirituality" itself (Liu and Robertson 2011; see also Geigle 2012, who notes a lack of transcendence and interconnectedness in the previously popular scales). Liu and Robertson (2011, p. 37) describe a "spirituality continuum" that moves from *low* to *high* forms of spirituality as a person's self-identity moves from "individual" (self as independent and separate from others; see also "self-interested spirituality" described in Moberg and Calkins 2001, p. 264) to "relational" (emphasizes personalized relationships with significant others), to "collective" (emphasizes identification with a social group, even without personal relationships), and lastly to "transcendental" (as "characterized by self-expansiveness that transcends the boundary demarcating the self from non-self; expands self-boundaries intrapersonally, interpersonally, and transpersonally; and demonstrates a sense of interconnection with human beings, nature, all living things, and a higher power"). Whereas most spirituality research focuses on interconnectedness with others (Karakas and Sarigollu 2013; Kasser 2011; Pavlovich and Krahnke 2012), some research focuses on interconnectedness with the sacred (Dyck and Weber 2006; Dyck 2014) and some on interconnectedness with nature (Allevato and Marques 2011; Driscoll et al. 2012; Ims 2011; Stead and Stead 2013; Verbos et al. 2011).

Spirituality and Virtue

There are two types of studies which are relevant here. First, as mentioned earlier in this chapter, many studies essentially define or operationalize spirituality in terms of values and virtues, treating them essentially as synonymous with spirituality. For example, Reave (2005) reviews 150 studies that examine leadership practices that have been emphasized in many spiritual teachings – including honesty, integrity, humility, respecting others, justice, compassion, listening, recognizing other's contributions, and engaging in reflective practices – and shows how these are linked to leadership effectiveness, noting however for her purposes "Spiritual individuals are perhaps more likely to demonstrate spiritual leadership, but a person does not have to be spiritual or religious to provide spiritual leadership" (Reave 2005, p. 663). In their recent review of the literature, Hackett and Wang (2012) identify 23 virtues and traits that have been positively associated with spiritual leadership, including a caring nature, forgiveness, honesty, hope, humility, integrity, patience, perseverance, justice, self-control, wisdom, and courage. Taken together, these studies are premised on the idea that spirituality and virtues are deeply linked but also that people with low spirituality can nevertheless exhibit virtues (which is consistent with Weber's observation that people who exhibit the virtues associated with capitalism may be "without spirit"; cf. Hudson 2013, p. 12).

Second, of particular interest are the relatively few studies that treat spirituality and virtues as separate ideas and go to some lengths to describe possible

interrelationships. While some studies note that virtues may inform spirituality, most focus on spirituality leading to virtues (Frisdiantara and Sahertian 2012; Karakas 2010; Osman-Gani et al. 2010). Cavanagh and Bandsuch (2002) suggest that spirituality is appropriate for the workplace when it gives rise to virtues, but not when it gives rise to discrimination. With regard to the character of the virtues related to spirituality, strikingly many studies are consistent with Weber's (1958) suggestion that spirituality is particularly well suited to ushering virtues that challenge the "iron cage" (Bouckaert and Zsolnai 2012, p. 490). Spirituality is especially important for challenging the twin hallmarks of materialism and individualism which for Weber are characteristic for management under capitalism (Calás and Smircich 2003; Kasser 2011; Pruzan 2011; Zamagni 2011). Dyck and Weber's (2006) empirical study found that the more emphasis that (religious) managers place on their spiritual connectedness with the sacred (via prayer and being mindful of God in the workplace), the less likely they are to be "conventional managers" (who place relatively high emphasis on materialism and individualism and on the virtues of specialization, centralization, formalization, and standardization) and the more likely they are to be "radical managers" (who place relatively low emphasis on materialism and individualism and relatively high emphasis on values like sensitization, dignification, participation, and experimentation).

Spirituality and Management

There are two basic themes in the literature that describe the effects of spirituality on management and organizational practices. First, numerous scholars have attempted to make the "business case" that spirituality is related to improved organizational profitability (Frisdiantara and Sahertian 2012; Poole 2009). In some sense, this is counterintuitive and goes against earlier research demonstrating that instrumental approaches to spirituality are self-defeating (Althauser 1990). In any case, there is little empirical support for the contention that spirituality – measured as interconnectedness with the sacred, with others, or with nature – helps to improve organizational profitability. To illustrate the thinness of this argument, consider that the empirical support Garcia-Zamor (2003) uses to defend his argument that spirituality improves profits is a Harvard Business School study that demonstrates that ten companies with strong corporate cultures (which he equates to "spirited workplaces") outperformed ten firms with weak cultures. That said, empirical studies do suggest that spirituality is related to organizational outcomes other than profits. For example, Osman-Gani et al. (2013) found that spirituality has a positive relationship with "performance" (measured as ability to learn, dependability, industry and application, initiative, judgment and common sense, knowledge of work, quality of work, or quantity of work; Sarmiento et al. 2007). Similarly, Petchsawang and Duchon (2012) found that spirituality was associated with overall higher scores of organizational outcomes including employees' competency, creativity, human relation skills, learning and development skills, and quality and quantity of work.

And third, Green et al. (2012) show that leaders' spirituality is related to their effectiveness measured in terms of their inspirational motivation, intellectual stimulation, and individual consideration. Moreover, this study shows that leaders' virtues (prudence, fortitude, temperance, and justice) are also related to their effectiveness, but the data do not support the argument that spirituality implies virtues, which in turn imply effective leadership. In sum, rather than improved profits, empirical studies are more likely to link spirituality to outcomes like treating others with dignity and common sense. In this light, consider Senger (1970), perhaps the earliest study related to this topic in a top management journal, who found that the more religious or spiritual managers are (1) the more likely they are to emphasize being a constructive force in their community versus maximizing their personal satisfaction (low individualism), (2) the less emphasis they place on making a lot of money and on maximizing long-term profits (low materialism), and (3) the higher the competency ratings they are given by their superiors.

This paradox, namely, that spirituality is associated with low individualism and low materialism, yet with high approval from managers, points to the second theme in the literature regarding management outcomes associated with spirituality. It is striking how frequently these studies point to an alternative approach to management that enables escaping the iron cage associated with traditional management (e.g., Parameshwar 2005; Waddock and Steckler 2013). In particular, the spirituality literature has many studies that contrast and compare, for example, conventional management versus radical management (Dyck and Schroeder 2005; Dyck and Weber 2006), Traditional Management Principles (TMP) versus Management by Virtues (Nur 2003), "old paradigm" versus "new paradigm" management (Ashar and Lane-Maher 2004), Mainstream versus Multistream Management (Dyck and Wong 2010), and even Management 1.0 versus Management 2.0 (Hamel 2009, who mentions theology as a source for scholars to draw upon to develop Management 2.0). Similarly, a recent review of management research drawing from the world's five leading world religions found that *all* the empirical studies of managers who put into practice the spiritual teachings of their religion were manifesting radical management (Dyck 2014). This lends support to Weber's contention that spiritual practices based on the ideas and ideals of prophets result in escaping from the "iron cage."

Perhaps, the most developed process model in the literature that focuses on the three dimensions in Fig. 1 presents a virtuous cycle that links them together (Dyck and Wong 2010; see also the virtue circle in Verbos et al. 2011). First, spirituality is linked with virtue insofar as spirituality is facilitated by practicing spiritual disciplines (which resemble virtues) and insofar as it enhances timeless virtues. In particular, Dyck and Wong describe how Foster's (1978) four classic corporate spiritual disciplines can form a virtuous cycle as they unfold over time and how these in turn are loosely associated with the four cardinal virtues. Dyck and Wong then go on to describe how the four spiritual disciplines give rise to an alternative (iron cage liberating) way of conceiving Fayol's (1930) four classic management functions.

Conclusion

Using the three-dimensional conceptual framework shown in Fig. 1 to examine the literature related to spirituality, virtue, and management lends strong support to the general thrust of Weber's argument. Both the theoretical and empirical literatures point to a strong link between spirituality and virtue, and particularly the empirical research suggests that spirituality does indeed give rise to an alternative form of management that can enable escape from the materialist-individualist "iron cage" (which is again consistent with Weber's speculation). Taken together, there are at least two important implications relevant for organizational research. First, there appears to be a qualitative difference between the virtues associated with conventional management (which is often based upon utilitarian consequentialist philosophy) and radical management (which is often based on virtue theory) (Dyck and Neubert 2010, Chap. 5). Second, people who are spiritual – that is, who feel a deep interconnectedness with the sacred, with others, or with nature – are more likely to practice radical management.

References

Allevato E, Marques J (2011) Systemic thinking from a scientific and spiritual perspective: toward a new paradigm and eco world order. J Glob Responsib 2(1):23–45

Althauser RP (1990) Paradox in popular religion: the limits of instrumental faith. Soc Forces 69 (2):585–602

Ashar H, Lane-Maher M (2004) Success and spirituality in the new business paradigm. J Manag Inq 13(3):249–260

Bell M (2011) Teaching of the elders. In: Bouckaert L, Zsolnai L (eds) The Palgrave handbook of spirituality and business. Palgrave Macmillan, Houndmills, pp 187–196

Bouckaert L, Zsolnai L (eds) (2011) The Palgrave handbook of spirituality and business. Palgrave Macmillan, Houndmills

Bouckaert L, Zsolnai L (2012) Spirituality and business: an interdisciplinary overview. Soc Econ 34(3):489–514

Calás M, Smircich L (2003) Introduction: spirituality, management and organization. Organization 10(2):327–328

Cavanagh GF, Bandsuch MR (2002) Virtue as a benchmark for spirituality in business. J Bus Ethics 38(1–2):109–117

Clegg S (1996) The moral philosophy of management: book review. Acad Manage Rev 21:867–871

Dent EB, Higgins ME, Wharff DM (2006) Spirituality and leadership: an empirical review of definitions, distinctions, and embedded assumptions. Leadersh Q 16(5):625–653

Denton EA, Mitroff II (1999) A spiritual audit of corporate America: a hard look at spirituality, religion, and values in the workplace. Jossey-Bass, San Francisco

Driscoll CA, Wiebe E, Dyck B (2012) Nature is prior to us: applying catholic social thought and Anabaptist-Mennonite theology to the ethics of stakeholder prioritization for the natural environment. J Relig Bus Ethics 3(1):art. 3

Dyck B (2013) Management and the Gospel: Luke's radical message for the first and twenty-first centuries. Palgrave-Macmillan, New York

Dyck B (2014) God on management: the world's five largest religions, the 'theological turn', and organizational and management theory and practice. Res Sociol Organ 41:23–62

Dyck B, Neubert M (2010) Management: current practices and new directions. Cengage/Houghton Mifflin, Boston

Dyck B, Schroeder D (2005) Management, theology and moral points of view: towards an alternative to the conventional materialist-individualist ideal-type of management. J Manag Stud 42(4):705–735

Dyck B, Weber JM (2006) Conventional and radical moral agents: an exploratory look at Weber's moral-points-of-view and virtues. Organ Stud 27(3):429–450

Dyck B, Wong K (2010) Corporate spiritual disciplines and the quest for organizational virtue. J Manag Spiritual Relig 7(1):7–29

Fayol H (1930) Industrial and general administration (trans: Coubrough JA). Sir Isaac Pitman & Sons, London

Fornaciari CJ, Sherlock JJ, Ritchie WJ, Dean KL (2005) Scale development practices in the measurement of spirituality. Int J Organ Anal 13(1):28–49

Foster RJ (1978) Celebration of discipline: the path to spiritual growth. Harper & Row, San Francisco

Frisdiantara C, Sahertian P (2012) The spiritual leadership dimension in relation to other value-based leadership in organization. Int J Humanit Soc Sci 2(15):284–290

Garcia-Zamor JC (2003) Workplace spirituality and organizational performance. Public Adm Rev 63(3):355–363

Geigle D (2012) Workplace spirituality empirical research: a literature review. Bus Manag Rev 2 (10):14–27

Giacalone RA, Jurkiewicz CL (eds) (2003) Handbook of workplace spirituality and organizational performance. ME Sharpe, Armonk

Green M, Wheeler CA, Hodgson MN (2012) Leader spirituality and leader virtues as predictors of effective leadership. Spiritual Leadersh Manag 6(1):35–47

Gundolf K, Filser M (2013) Management research and religion: a citation analysis. J Bus Ethics 112(1):177–185

Hackett RD, Wang G (2012) Virtues and leadership: an integrating conceptual framework founded in Aristotelian and Confucian perspectives on virtues. Manag Decis 50(5):868–899

Hamel GP (2009) Moon shots for management. Harv Bus Rev 87(2):91–98

Hicks DA (2003) Religion and the workplace: pluralism, spirituality, leadership. Cambridge University Press, Cambridge, 11(1):27–44

Hudson R (2013) The question of theoretical foundations for the spirituality at work movement. J Manag Spiritual Relig 11(1):27–44

Ims KJ (2011) Deep ecology. In: Bouckaert L, Zsolnai L (eds) The Palgrave handbook of spirituality and business. Palgrave Macmillan, Houndmills, pp 227–235

Karakas F (2010) Spirituality and performance in organizations: a literature review. J Bus Ethics 94(1):89–106

Karakas F, Sarigollu E (2013) The role of leadership in creating virtuous and compassionate organizations: narratives of benevolent leadership in an Anatolian tiger. J Bus Ethics 13 (4):663–678

Kasser T (2011) Materialistic value orientation. In: Bouckaert L, Zsolnai L (eds) The Palgrave handbook of spirituality and business. Palgrave Macmillan, Houndmills, pp 204–211

Liu CH, Robertson PJ (2011) Spirituality in the workplace: theory and measurement. J Manag Inq 20(1):35–50

Marcic D (2000) God, faith and management education. J Manag Educ 44(5):628–649

Miner JJ (2003) The rated importance, scientific validity, and practical usefulness of organizational behavior theories: a quantitative review. Acad Manag Learn Educ 2(3):250–268

Moberg DJ, Calkins M (2001) Reflection in business ethics: insights from St. Ignatius' spiritual exercises. J Bus Ethics 33(3):257–270

Neal J (ed) (2013) Handbook of faith and spirituality in the workplace: emerging research and practice. Springer, New York

Novak M (1996) Business as a calling: work and the examined life. The Free Press, New York

Nur YA (2003) Management-by-virtues: a comparative study of spirituality in the workplace and its impact on selected organizational outcomes. Doctoral dissertation, Indiana University, Kuala Lumpur, Malaysia

Osman-Gani AM, Hashim J, Ismail Y (2010) Effects of religiosity, spirituality, and personal values on employee performance: a conceptual analysis. In: Proceedings of 9th international conference of the Academy of HRD (Asia Chapter), Kuala Lumpur, Malaysia pp 11–14

Osman-Gani AM, Hashim J, Ismail Y (2013) Establishing linkages between religiosity and spirituality on employee performance. Employ Relat 35(4):360–376

Parameshwar S (2005) Spiritual leadership through ego-transcendence: exceptional responses to challenging circumstances. Leadersh Q 16(5):689–722

Pavlovich K, Krahnke K (2012) Empathy, connectedness and organization. J Bus Ethics 105 (1):131–137

Petchsawang P, Duchon D (2012) Workplace spirituality, meditation, and work performance. J Manag Spiritual Relig 9(2):189–208

Poole E (2009) Organisational spirituality – a literature review. J Bus Ethics 84(4):577–588

Pruzan P (2011) Spiritual-based leadership. In: Bouckaert L, Zsolnai L (eds) The Palgrave handbook of spirituality and business. Palgrave Macmillan, Houndmills, pp 287–294

Reave L (2005) Spiritual values and practices related to leadership effectiveness. Leadersh Q 16 (5):655–687

Sarmiento R, Beale J, Knowles G (2007) Determinants of performance amongst shop-floor employees: a preliminary investigation. Manag Res News 30(12):915–927

Senger J (1970) The religious manager. Acad Manage J 13:179–188

Spiller C, Pio E, Erakovic L, Henare M (2011) Wise up: creating organizational wisdom through an ethic of kaitiakitanga. J Bus Ethics 104(2):223–235

Stead WE, Stead JG (2013) Green man rising: spirituality and sustainable strategic management. In: Neal J (ed) Handbook of faith and spirituality in the workplace: emerging research and practice. Springer, New York, pp 271–284

Verbos AK, Gladstone JS, Kennedy DM (2011) Native American values and management education: envisioning an inclusive virtuous circle. J Manag Educ 35(1):10–26

Waddock S, Steckler E (2013) Wisdom, spirituality, social entrepreneurs, and self-sustaining practices: what can we learn from difference makers? In: Neal J (ed) Handbook of faith and spirituality in the workplace: emerging research and practice. Springer, New York, pp 285–302

Weber M (1958, original 1904–1905) The Protestant ethic and the spirit of capitalism (trans: Parsons T). Scribner's, New York

Wiersma J (2011) Protestant economic principles and practices. In: Bouckaert L, Zsolnai L (eds) The Palgrave handbook of spirituality and business. Palgrave Macmillan, Houndmills, pp 129–137

Zamagni S (2011) Avarice. In: Bouckaert L, Zsolnai L (eds) The Palgrave handbook of spirituality and business. Palgrave Macmillan, Houndmills, pp 212–218

The Divided Life: A Serious Challenge to Virtuous Work

Rosemarie Monge and Michael Naughton

Contents

Abstract

"It's not personal, it's business." The divided life, or compartmentalization, poses a serious threat to virtuous work in business. When one's identity is split into distinct spheres of values, the authenticity and integrity of the person comes into question. In order to understand the intricate nature of this phenomenon, a theological explanation, a historical and institutional exploration, along with observational and practical elucidations are presented. According to Christian tradition, the divided life finds its origins in the inherent state of original sin, preventing the individual from becoming the person he or she was created to be. This interior fragmentation has undoubtedly found an expression in the modern compartmentalization of social roles, across which moral codes are no longer consistent. The proposed antidote to the disintegration and impurity of the divided life is the pursuit of the virtue of integrity.

R. Monge (✉)
Department of Ethics and Business Law, University of St. Thomas, Minneapolis, MN, USA
e-mail: rmonge@stthomas.edu

M. Naughton
Department of Catholic Studies, University of St. Thomas, Saint Paul, MN, USA
e-mail: mjnaughton@stthomas.edu

> *No man, for any period, can wear one face to himself and*
> *another to the multitude without finally getting bewildered as*
> *to which may be true.*
> *Nathaniel Hawthorne*

Introduction

In the movie *Cinderella Man*, the divided life is captured with wonderful clarity in a
dialogue between Joe Gould, a onetime boxer who is making a comeback, and his
promoter, Jimmy Johnston. Gould tells Johnston that he is "all heart" for promoting
his comeback fight. Johnston sharply responds: "My heart's for my family, Joe, my
brains . . . are for business, and this is business. You got me?" Gould responds
"Gotcha." Johnston's response represents one of the most significant expressions of
the modern life: a personal value system, represented by the "heart," and a separate
one for one's workplace persona. This phenomenon is referred to as the divided life,
defined as the separation of one's identity or role into distinct spheres of values,
such that certain behaviors may be considered impermissible in one realm but
permissible in the other. For example, deception or a failure of charity might be
seen as morally "off-limits" in one's personal life but permissible in one's profes-
sional life. The divided life can also be understood through the lens of Alasdair
MacIntyre's "compartmentalization," defined as follows (MacIntyre 2006, p. 117):

> By compartmentalization I mean that division of contemporary social life into distinct
> spheres, each with its own highly specific standards of success and failure, each presenting
> to those initiated into its particular activities its own highly specific normative expectations,
> each requiring the inculcation of habits designed to make one effective in satisfying those
> particular expectations and conforming to those particular standards. So what is accounted
> effectiveness in the roles of the home is not at all the same as what is so accounted in the
> roles of the workplace. What is accounted effectiveness in the role of a consumer is not so
> accounted in the role of a citizen. The detailed specificity in the multiplicity of roles is
> matched by the lack of anything remotely like adequate prescriptions for the self which is
> required to inhabit each of these roles in turn, but which is itself to be fully identified with
> none of them. Yet it is this now attenuated core self, which in the compartmentalization of
> the distinctively modern self has become a ghost.

In a similar fashion, *Gaudium et spes*, a constitution issued by the Second
Vatican Council, declared that "the split between the faith which many profess
and their daily lives deserves to be counted among the more serious errors of our
age" (Paul VI 1965, p. 43). While it does not use MacIntyre's language of
compartmentalization, it explains that too often people operate according to distinct
value systems depending on their role, which eventually causes a lack of integrity.

Both MacIntyre and Pope Paul VI make clear that today's culture not only fails to challenge this compartmentalization but that it works particularly hard at avoiding its confrontation. The principal challenge in addressing the role of the virtues in business and their ability to humanize corporate life is that business, family, faith, and morality have become compartmentalized without seriously recognizing the damage this has done.

This chapter offers a theological explanation of the cause of the divided life, an exploration of some of the institutional factors that have exacerbated its effects, and a brief overview of how the phenomenon is expressed in the business world. The chapter ends with a discussion of the virtue of integrity as an antidote to the divided life.

Theological Roots of the Divided Life

While there are many accounts for the causes of the divided life (psychological, sociological, economic, etc.), a theological, and in particular Christian, explanation finds its origin in the human condition. *Gaudium et spes,* for example, explains that the troubles of the modern age can be traced back to the fact that "man is split within himself" (Paul VI 1965, p. 13). Therefore, according to the Christian tradition, the compartmentalization between the personal and the professional is a symptom of a much larger anthropological problem of the human condition – what it calls the fall, or original sin. This internal fallen condition is explained by the Apostle Paul and by St. Augustine, who were both profoundly conscious of their own interior division. In the Book of Romans, St. Paul writes: "What I do, I do not understand. For I do not do what I want, but I do what I hate. . . . The willing is ready at hand, but doing the good is not. For I do not do the good I want, but I do the evil I do not want" (Romans 7:15–19). Augustine calls this internal conflict and division a "monstrous fact," and in the *Confessions* he locates this split not in our nature but in our will. Aquinas will later develop Augustine's thought by distinguishing between will and passions, which illumines the conflict, rather than between two wills in conflict. Augustine explains in first-hand terms his own suffering from two wills, neither of which are complete, "and what is present in the one is lacking to the other" (Augustine 1992, Book VIII, p. 148). Referring back to Paul's quote above, he confesses (Augustine 1992, Book VIII, p. 149):

> In my own case, as I deliberated about serving my Lord God (Jer. 30:9), which I had long been disposed to do, the self which willed to serve was identical with the self which was unwilling. It was I. I was neither wholly willing nor wholly unwilling. So I was in conflict with myself and was dissociated from myself. The dissociation came about against my will. Yet this was not a manifestation of the nature of an alien mind but the punishment suffered in my own mind. And so it was 'not I' that brought this about 'but sin which dwelt in me' (Rom. 7:17, 20), sin resulting from the punishment of a more freely chosen sin, because I was a son of Adam.

Paul's and Augustine's internal conflicts are not mere descriptions of their own particular stories; rather, they see their experiences as expressions of the fallen condition of all of humanity and of struggles that reveal the gap between what they are and what they are created to be. This condition of division is found in the etymology of the word "diabolic," which stems from the Greek *diaballein*, meaning to scatter, break apart, or rupture (West 2003).

The internal human condition of the fall, described as a divide or split within oneself, transposes itself externally into a modern form of compartmentalization between multiple social roles, each with its own moral code. Although much more could be said about the theological dimensions of the fall, it is also important to consider modern expressions of compartmentalization. *Gaudium et spes* states this "split" or divide is a "more serious error of our age." What is it about the modern age that fosters this split, as opposed to resisting it? The subsequent section describes the significant institutional changes that have occurred since the Industrial Revolution and the accompanying recategorization of human life that has exacerbated the divided life in business.

Exacerbating the Divided Life: An Institutional Analysis

The radical institutional changes presented by the Industrial Revolution have exacerbated the division between one's faith or personal life and one's professional life. Prior to the 1800s, the economy of production and consumption was embedded in the household and in the family, where production, consumption, procreation, love, faith, and education formed community (see Dawson 1957; Thornton 1985; Berry 1987; Bruni and Zamagni 2007). The Greek word for economy, *oikonomia,* means management or rules of a household (*oikos* = "house, home" and *nomos* = "custom, law"). While they were not without their own disorder and struggle, the proximity of work and family encouraged more natural and organic relationships. Since the 1800s, this structure has been largely, though not completely (e.g., family businesses), replaced by an economy that removed economic production from the family. This new, growing, and independent institution leaves the family to be the principal place in which consumption, religion, and private morality are embedded.

The separation of work out of the family household has created significant benefits: division of labor, which allowed for specialization to increase productivity and efficiency, and accelerated technological advances for a growing and dynamic economy. These new forms of commerce and manufacturing have made products affordable to the masses that were once available only to the elite. Yet, these modern developments have also created what Wendell Berry describes as "a movement of consciousness away from home" (Berry 1987) and what others have identified as a cosmopolitan detachment of personal, religious, and familial life with global business. David Schindler has also described this detachment as a kind of "homelessness" (Schindler 2000; see also Benedict XVI 2009, §§ 53, 55). As the industrial economy uprooted the household economy, the operative principle

that the household and economic units are designed to be one and the same was jettisoned.

The further removed business becomes from home, religion, and morality, the more it becomes viewed as a mechanical operation of inputs and outputs that need to be engineered for maximum efficiency. This mechanistic pattern of thinking and producing severs the businessperson from any morally or spiritually created order where "he assumes that there is nothing that he *can* do that he should not do, nothing that he *can* use that he should not use" (Schindler 2000, p. 39). Wolfgang Grassl explains: "the Industrial Revolution has increasingly loosened the embeddedness of economic behavior in society and culture by moving it into a formal and calculative space" (Grassl 2011, p. 112). As the business economy begins to inhabit its own space within the global economic system, it not only disconnects business from the larger culture but also capital from community, employee from consumer, and production from consumption (Gates 1999).

This division has not only changed our experience of work, but even more significantly, it has also changed how we value the family. If work has become more mechanical, more calculative, and more functional, the family has become more sentimental, more emotional, and more therapeutic (Bellah et al. 1984). With the economic reality shifted to productive organizations, the family comes to be seen as an emotional safe haven in the heartless world of work, where (largely) men could retreat from the cold competitive world of business to the domicile life of affirmation and consumption found in the home (Hauerwas 1981). Increasingly, the family is viewed less as a social institution and more as a private enclave, where individuals live according to their personal moral code. The view of family as a private domain is thought to have little influence on the public world of business and politics. This has led to expecting both too much out of the family in the form of emotional elation and too little in the form of familial bonds necessary to keep society together. Along with religion, the family is relegated to a private and subjective sphere, thereby extracting its humanizing influence on the culture.

Symptoms of the Divided Life in Business

The theological and institutional analyses help to uncover the underlying logics that perpetuate a divided life and prevent a unifying life of virtue. While the divided life is part of the human condition, modernity has exacerbated the internal divide of the human condition through increased compartmentalization between, on the one hand, family and faith and, on the other hand, work or between the private and the public sphere. A symptom of the divided life can be found in the dominant narrative of business, which maintains that "business" and "ethics" are two conceptually distinct spheres. Ed Freeman has named this belief or assumption about the mutual exclusion of business and ethics the "separation thesis," and he formulates it in the following way: "The discourse of business and the discourse of ethics can be separated so that sentences like, 'x is a business decision' have no moral content, and 'x is a moral decision' have no business content" (Freeman 1994,

p. 412). Given this separation, "rationality" in business refers exclusively to "economic rationality," based on a calculative assessment of efficiency to obtain a certain goal, using a cost-benefit analysis as the principle indicator. Behind this separation thesis is an "absolute dichotomy between 'facts' and 'values'" (Putnam 2002; see also Harris and Freeman 2008). This dichotomy is foundational to economic positivism, which treats normative values as *ought* expressions of personal preferences (Simon 1976). Thus only empirically verifiable facts can claim to be objectively true or false, whereas values are purely subjective.

Within this narrative, business organizations are viewed as machines in need only of the correct technical skills, sufficient knowledge, and raw materials in order to run well. This thinking is predicated on the assumption that business is not located within a larger cultural reality that informs it. When the firm is seen merely as a collection of individuals with sufficient legal and economic skills to function well, moral decision-making quickly becomes technical decision-making, relying on law, technology, and sufficient knowledge of the market as its ethical bellwethers (see Pieper 1998, Chap. 2). These constructs are heavily depended upon since it is assumed that common ethical or spiritual visions to address business problems are inconclusive. Questions of the larger culture, the role of the family, religious faith, and moral character are largely discounted from the conversations and debates about illegal and reckless behavior in business (Bruni and Zamagni 2007). There is little confidence that "private" notions such as family, faith, and virtue can provide any real solutions to business problems. Business ethics then becomes more about social contracts and enlightened self-interest than about virtue, culture, and religion, thereby further perpetuating the divided life.

The institutional, theological, and social scientific analyses bring forth the multifaceted dimension of the divided life and raise a serious concern for the modern person: Do contemporary institutional structures, the lack of theological discourse, and intellectual and academic distinctions (e.g., fact vs. value) prevent us from fully comprehending and taking responsibility for our moral agency (MacIntyre 2010)? These analyses also bring into focus the "serious error of our age" and the difficulty of the modern person to confront his or her own inherent division. Having shed light on some of the symptoms of the divided life in business, the discussion below explores the virtue of integrity as an antidote.

The Antidote to the Divided Life: Unifying Virtue and a Life of Integrity

If business ethics as social contracts and enlightened self-interest exacerbates the divided life, then the solution must be found in that which can bring unity both internally and externally. The most promising antidote is the pursuit of virtue, particularly the virtue of integrity, which fosters the capacity to see human life as a whole rather than only discrete and disconnect parts. There are two etymological meanings of *integrity* that we must consider in offering a solution to the divided life (see Koehn and Naughton unpublished).

In the first meaning, integrity comes from the Latin *integritas,* from which the word "integer," a whole number, is derived. As an abstract noun, "integrity" thus signifies the condition of being one or whole. The term applies to a range of entities – e.g., a whole number (integer), a whole person (a person of integrity), or a whole institution. Therefore, cultivating integrity is an exercise in integrating that which has experienced prior fragmentation. MacIntyre explains that this experience of fragmentation stems from living without "an overriding conception of the *telos* of a whole human life" that enables the individual to conceive life as a unity (MacIntyre 1984, p. 202). One's ability to be a wholly consistent person depends upon an overarching *telos* or end that gives meaning to and makes sense of all spheres of their existence. Without this *telos*, one's life dissolves into the multiplicity of discrete unconnected roles, thus fragmenting one's identity.

To have integrity, then, "is to refuse to be, to have educated oneself so that one is no longer able to be, one kind of person in one social context, while quite another in other contexts. It is to have set inflexible limits to one's adaptability to the roles that one may be called upon to play" (MacIntyre 1999, p. 317). Therefore, a person of integrity resists the divided life by refusing to let the whole self be subsumed into one or more social roles.

What is needed is a shared conception of a *telos* that articulates what it means "to be a good human being that focuses upon those qualities which individuals possess or fail to possess *qua* individuals, independently of their roles, and which are exemplified in part by their capacity or their lack of capacity to stand back from and reconsider their engagement with the established role-structures" (MacIntyre ibid.). This *telos* takes shape in claims to universal principles regarding what good relationships should look like in society as a whole. These universal principles both transcend and include particular institutions, so that one sphere is not isolated from others.

The nature of this overarching *telos* is the subject of significant debate, and the purpose here is not to rehash it but to propose that this *telos* may be understood by examining the second sense of integrity, which relates to being untouched, innocent, or pure. The word integrity is also derived from the negating prefix *in-* combined with the verb *tangere* (to touch) to convey the idea that a person of integrity is someone who is untouched, unimpaired, or unblemished (Mohrmann 2004). The previous discussion of the fall reveals the corrupt nature and divided condition of humanity. Integrity, then, is about becoming untouched or detached from the world. At the heart of this understanding of integrity is its gifted character, which entails receptivity, not achievement, since wholeness and innocence themselves come as gifts. Integrity therefore requires leisure, which Pieper defines as "the disposition of receptive understanding, of contemplative beholding, and immersion – in the real" (Pieper 1998, p. 31). The ability to be still and contemplate truth enables the individual to receive the gifts of innocence and wholeness.

By retrieving these two etymological roots of integrity (*integritas* = wholeness and *in-tangere* = untouched, innocence), a more substantive notion of integrity can be understood as an invitation into an exploration of the *being* of the person. What is presupposed in this essay is that social institutions must develop and support a

human ecology of integrity, or else moral development will always be frustrated by their incoherence. Furthermore, production and consumption cannot be properly understood apart from the larger context of culture. Likewise, the person is revealed in a more complete way when he or she is embedded within a culture in which work and fundamental events of life – birth, death, love, family, and God – are integrated in a way that reflect a more complete picture of the person (John Paul II 1991, §§ 24, 43). In contrast, the relegation of the cultural sphere to the category of private values and subjective opinions creates a decapitated culture that is no longer able to foster deep unity in people's lives.

Conclusion

Most people in advanced economies are, willingly or not, forced to live a life that is divided between their professional pursuits and their private and family concerns. As one of its unfortunate implications, any spiritual life is confined to the private sphere, whereas the workplace is to be ruled by the maxims of productivity and efficiency, which purportedly do not square with workplace spirituality. Not only are there empirical reasons to doubt the effectiveness of this model itself; it also stands in the way of living a life of virtue. The antidote is, for managers at all levels, to recover the virtue of integrity, which requires the reunification of split identities.

Cross-References

▶ Virtue Ethics in the Catholic Tradition

References

Augustine Saint (1992) Confessions (trans: Chadwick H). Oxford University Press, Oxford
Bellah RN, Madsen R, Sullivan WM, Swidler A, Tipton SM (1984) Habits of the heart: individualism and commitment in American life. University of California Press, Berkeley
Benedict XVI (2009) Caritas in Veritate. Editrice Libreria Vaticana, Rome
Berry W (1987) Home economics: fourteen essays. North Point Press, San Francisco
Bruni L, Zamagni S (2007) Civil economy: efficiency, equity, public happiness. Peter Lang, Berne (original: Economia civile. Efficienza, equità, felicità pubblica, Il Mulino, Bologna, 2004)
Dawson C (1957) Religion and the rise of western culture. Image Books, New York
Freeman RE (1994) The politics of stakeholder theory: some future directions. Bus Ethics Q 4 (4):409–421
Gates J (1999) The ownership solution. Basic Books, New York
Grassl W (2011) Hybrid forms of business: the logic of gift in the commercial world. J Bus Ethics 100(Suppl 1):109–123
Harris JD, Freeman RE (2008) The impossibility of the separation thesis. Bus Ethics Q 18(4):541–548
Hauerwas S (1981) A community of character. University of Notre Dame Press, Notre Dame
John Paul II (1991) Centesimus Annus. Editrice Libreria Vaticana, Rome

Koehn D, Naughton M (unpublished) Looking for integrity in all the wrong places: why we've lost our sense of integrity and how to retrieve it

MacIntyre A (1984) After virtue. University of Notre Dame Press, Notre Dame

MacIntyre A (1999) Social structures and their threats to moral agency. Philosophy 74(289):311–329

MacIntyre A (2006) Moral philosophy and contemporary social practice: what holds them apart? In: The tasks of philosophy. Selected essays, vol 1. Cambridge University Press, Cambridge, pp 104–122

MacIntyre A (2010) The very idea of a university: Aristotle, Newman and Us. New Blackfriars 91:4–19

Mohrmann ME (2004) Integrity: Integritas, Innocentia, Simplicitas. J Soc Christ Ethics 24(2):25–37

Paul VI (1965) Gaudium et spes. Editrice Libreria Vaticana, Rome

Pieper J (1998) Leisure, the basis of culture (trans: Malsbary G). St.Augustine's Press, South Bend (original: Muße und Kult, Kösel-Verlag, Munich, 1948)

Putnam H (2002) The collapse of the fact/value dichotomy and other essays. Harvard University Press, Cambridge, MA

Schindler D (2000) Homelessness and the modern condition: the family, evangelization, and the global economy. Logos 3(4):34–56

Simon HA (1976) Administrative behavior: a study of decision-making processes in administrative organization, 3rd edn. Free Press, New York

Thornton A (1985) Reciprocal influences of family and religion in a changing world. J Marriage Fam 47(2):381–394

West C (2003) The theology of the body explained. Pauline Books and Media, Boston

Part XIX

Virtues and Leadership

Leadership, Virtue, and Morality in the Miniature

Joanne B. Ciulla

Contents

Abstract

Since virtues are habits, they are on display in the things we do every day. This paper argues that virtue ethics not only offers us a lens for analyzing morality and immorality writ large but also for understanding what I will call "morality in the miniature." Morality in the miniature consists of the mundane behaviors that may constitute and reinforce the virtues that people practice or fail to practice when they act in novel situations. We often find the genesis of larger problems in organizations and societies in the everyday practices of leaders and followers. Hence, when we study virtue in leaders, it makes sense to pay attention to the everyday things that they do as well as the complex decisions that they make.

Keywords

Leadership • Virtue ethics • Organizational ethics • Morality in the miniature

J.B. Ciulla (✉)
Jepson School of Leadership Studies, University of Richmond, Richmond, VA, USA
e-mail: jciulla@richmond.edu

Introduction

Like other areas of applied ethics, business ethics tends to focus on moral problems. Business ethics textbooks examine the potential areas for unethical behavior in business, such as polluting the environment, discrimination, selling unsafe products, exploiting labor, etc. Case studies in business ethics often involve illegal behavior or blatant harm done in or by a business. Classic case studies about the Ford Pinto's exploding gas tank (Goodpaster and Davidson 1983) and the sale of Nestlé infant formula to mothers who cannot afford it (Sethi 1994) are about issues that usually involve a lot of people, money, and media attention. We rarely see cases about the commonplace dishonesty of people in organizations such as Sarah who sometimes predates and postdates invoices or John who occasionally lies to callers by telling them that his boss is not in. These look more like human resource or low-level management issues than questions about leadership in organizations. In leadership studies, scholars find it more interesting to study leaders in terms of power, vision, and charisma than how they treat the server at lunch or whether a CEO takes pens home from work. Yet, if we take virtue ethics seriously and apply it to the study of leadership in organizations, we discover that the small things actually do matter.

In this paper, I show how virtue ethics not only offers us a lens for analyzing morality and immorality writ large in cases like Enron, but also for understanding what I will call "morality in the miniature." Morality in the miniature consists of the ordinary behaviors that constitute and reinforce the virtues that people practice or fail to practice when they make difficult moral decisions. When confronted with an ethical problem in business, morality in the miniature offers insight into the transcendental question: "What made this behavior, incident, or event possible?" We often find the genesis of larger problems in organizations in the routine things that leaders and followers do every day. This does not obscure the agency or responsibility of leaders and followers; it helps us better understand their moral behavior.

Before I discuss the implications of morality in the miniature for leaders, I will offer a brief overview of how leadership scholars study the ethics of leaders. Then I will go on to examine aspects of virtue ethics in Aristotle and in contemporary philosophy that allow us to study morality in the miniature.

Virtues and Leadership Studies

Most of the leadership literature produced by social scientists looks at leadership along two major axes. The first axis includes things like traits and style, and the second consists of historical, organizational, and cultural contexts. Studies of leadership usually aim at understanding good leadership, which I have argued means leadership that is not simply effective but also ethical (Ciulla 1995). Researchers have yet to discover a universal set of traits that leaders make leaders effective in all contexts (Bass 1990). For instance, some leaders have traits that are

effective in a business context but not in a political one. Leadership scholars and practitioners have long enjoyed creating lists of traits and behaviors, some of which involve virtues, and make normative assumptions about an ideal model of a leader. A disproportionate amount of the leadership literature consists of research on transformational leadership (Bass 1985), transforming leadership (Burns 1978), servant leadership (Greenleaf 1977), authentic leadership (Luthans and Avolio 2003), and a construct with a somewhat misleading name called "ethical leadership" (Brown et al. 2005).

The attraction of enumerating the traits or behaviors of leaders is that you can measure them. Hence, the most discussed theories or constructs are the ones that have questionnaires, such as transformational, authentic, and ethical leadership. All three of these theories have implicit or explicit normative assumptions. Transformational leadership assumes that the leader changes and improves followers (Bass 1985). In Burn's theory of transforming leadership, leaders and followers engage each other a dialogue about values, and through this process, leaders and followers become morally better. Bass begs the question of ethics by asserting that only ethical leaders are *real* transformational leaders, whereas he calls the unethical leaders *pseudo-transformational* (Bass and Steidlmeier 1999; Price 2003). From a philosophic perspective, the ethical leadership construct tests a somewhat peculiar grab bag of things. Some of the questions are about managerial behaviors, such as the leader "listens to what employees have to say," while others are personal moral assessments such as "conducts his/her his personal life in an ethical manner," and others look like virtues such as "makes fair and balanced decisions." Given the propensity of leadership scholars to study traits and behaviors, it is somewhat surprising that they have not done many empirical studies of virtues, especially since virtues are both behaviors and characteristics of people.

Character Traits and Context in Virtue Ethics

There are two similarities between the way scholars study leadership and Aristotle's (1962) concept of a virtue. First, both the ancient and contemporary literature on virtue ethics regards moral behavior as both a characteristic of a person (character) and determined by context or as something that groups, organizations, or society shapes. Aristotle's notion of a virtue has the following aspects:

1. A virtue is something that we learn from parents, role models, interactions with others, laws, and society. For example, the goal of lawmakers (and leaders too) is to make citizens good by "inculcating good habits in them" (Aristotle 1962 1103b3, p. 34).
2. We learn virtues by practicing them, for example, we become "just by performing just acts and self-controlled by performing acts of self-control" (Aristotle 1962 1105b9, p. 39).
3. Virtues are habits; however, they are not mindless habits. When a person performs a virtue, "he must know what he is doing; secondly, he must choose

to act the way that he does, and he must choose it for its own sake; and in the third place, the act must spring from a firm and unchangeable character" (Aristotle 1962 1105a32, p. 39).

The second similarity is that for Aristotle, the practice of virtue requires a person to be both ethical and competent as a human being (at a minimum to reason well) and in a specific role. He says "every virtue or excellence (1) renders good the thing itself of which it is the excellence, and (2) causes it to perform its function well (Aristotle 1962 1106a16, p. 41)." So it is from an Aristotelian perspective that I have argued good leadership is both ethical and effective and that a leader would not be virtuous if she were not also effective in her role as a leader (Ciulla 2011). When we apply the conditions stipulated in Aristotle's notion of virtue to leadership in organizations, we see that the process of learning and practicing virtues or virtuous habits can take place in activities that are commonplace as well as those of great import.

Some business ethics scholars have embraced MacIntyre's (1981) way of thinking about virtues in practices because it offers very useful insights into managerial ethics (Moore 2008). MacIntyre says a practice is a "coherent and complex form of socially established cooperative activity" (1981, p. 175). For him a virtue is "an acquired human quality the possession and exercise of which tends to enable us to achieve those goods which are internal to practices and lack of which effectively prevents us from achieving any such goods" (p. 178).

One bone of contention about virtue ethics concerns whether virtues are unwavering character traits or whether the practice of virtue depends more on the social context than a person's character (Walker and Ivenhoe 2007). Some scholars claim that character is not a stable part of human behavior (Doris 2002; Harman 1999). They argue that people cannot rely on virtues to resist behaving badly when others around them are. In a similar vein, Machiavelli (1988) offers this "nice guys finish last" argument about leaders: "If a ruler who wants always to act honorably is surrounded by many unscrupulous men his downfall is inevitable (p. 54)." In other words, leaders cannot be effective by being ethical in this context, but they also cannot be ethical as leaders unless they are able to be effective. Yet, by not practicing virtues, they risk losing them, which of course is another way of thinking about the dirty hands problem (Walzer 1973; Sartre 1989). The larger practical question for leaders and followers is: What happens to a person's virtues when you put a good person in a bad organization or a bad person in a good organization?

In the case of leaders, we often assume that a virtuous leader can reform an unethical organization because people often attribute more agency to leaders than they actually have (Meindl et al. 1985). As Anscombe (1958) argued, cultivating individual virtue also cultivates social virtue; however, whether the virtue of leaders is enough to develop virtue in an organization remains to be seen. We might also consider the ways in which followers in an organization or a democracy might influence leaders. As Garrett (1996) notes "It would be an optimistic person

indeed (maybe a foolhardy one) who would assume that the morals of the 'people' are always such that they constitute pressure on their leaders to behave in exemplary ways" (p. 10). We rarely read about organizations that corrupt their leaders, but such a scenario is not implausible.

Solomon (2003) offers a nuanced way of understanding the relationship between virtue as a personal quality and as behavior that is influenced by context. He says emotions are part of virtues, and since emotions are reactive to other people and situations, it is foolish to deny that virtues depend on the environment. Yet this does not preclude virtue from being part of the individual too. In Solomon's discussion of the Milgram (1963) experiments (which tested whether people would obey orders to administer electric shocks to a subject), he argues that the experiment did not show that those who were willing to shock subjects "lacked character." Instead it demonstrated what happens when "*practiced* virtues confront an unusual situation in which unpracticed efforts are required" (p. 53). He notes that in the Milgram experiment, the practice of virtues such as obedience is quite stable. Solomon says the fact that obedience "(like all virtues) is not always a virtue is no argument against its status [as a virtue]. . . The rest of the explanation involves not just the incremental but also the disorienting nature of the situation" (p. 55).

In novel situations, people may act on a virtue but apply the wrong virtue for the situation – e.g., in the Milgram case where some acted on obedience rather than compassion. So when we consider leaders, the question is not simply about which virtues they possess but which ones they will practice in unusual situations. We can apply Solomon's idea of novel situations to another well-known business ethics case, "The Parable of the Sadhu" (McCoy 1983). In this case, a banker goes climbing in the Himalayas and discovers an unconscious sadhu. His group and other groups on the mountain help the sadhu, but none of the groups, including McCoy's, take measures to ensure the survival of the sadhu because they are worried about getting to the top of the mountain. McCracken et al. (1998) argue that this case is about the failure of personal excellence, but it is also about people who were exercising the right virtues for the getting over the mountain safely but the wrong ones for making sure that the sadhu lived. This was not a case of lacking the virtue of compassion but not practicing it the right way or of practicing other virtues more. As Aristotle tells us, to practice a virtue, we have to apply it "at the right time, toward the right objects, toward the right people, for the right reason and in the right manner" (1962 1106b p. 43). In other words, quite a bit can go wrong when you try to act on a virtue in an unprecedented and sometimes emotional situation. So one might wonder, is it fair to judge a person's character by how they behave in this sort of situation? Some would say "yes" and "absolutely yes" in the case of leaders. While I do not discount the significance of a leader's behavior in difficult situations, I argue that we can also size up their character by how they act in commonplace situations.

Morality in the Miniature

Another objection to virtue theory is that virtues only tell us what we should be like but not what we should do (Axtell and Olson 2012). While virtue ethics does not offer a categorical imperative or a utilitarian principle to tell us *what* to do, it does tell us *how* to do things. Since we acquire virtues by practicing them, we are what we do and, more importantly, we are *how* we do things. The virtues that we exercise depend on how we assess what is required in various contexts and, according to MacIntyre, how we understand the goods inherent in as well as external to various practices. Hence, virtues are about engaging in a practice in an ethical and effective way.

As I said in the beginning, virtues may apply to any practice, including how to answer the telephone or fill out an invoice. There is a morally and technically right and wrong way to do both of these things. When we look at leaders and followers in organizations, it is useful to look at how people engage in the routine tasks of work and life because it is here, not in the big decisions people make, that they most clearly exercise virtues as habits. The way that people apply virtue to the tasks at hand every day may or may not indicate how they will behave when confronted with a novel problem because as Solomon argues, a person may either fail to exercise the right virtue because of emotions and other stressful aspects of the situation.

When we apply the idea of morality in the miniature to leadership, it has some practical implications. First, leaders in organizations need to be careful not to break their followers' moral habits. For example, when a CEO asks an assistant to tell a caller that she is not in, she should think about the fact that she is breaking the assistant's habit of telling the truth. An accumulation of such small breaks may erode the assistant's honesty. This can be corrupting to the leader as well as the follower as the habit of truth begins to fade.

Leaders and followers are joined at the hip – it makes no sense to talk about the ethics of one without the other. Good followers usually possess some of the same qualities of good leaders (Kelly 1992). Even when engaged in mundane tasks, they too must practice virtues and have some appreciation of the task's intrinsic and extrinsic goods. When Arendt (1964) coined the phrase the "banality of evil," she used it to describe the nature of the boring bureaucratic work such as record keeping and train schedules that facilitated the holocaust. Office workers might have been virtuous in doing their jobs well, but not virtuous if they actually understood the purpose or extrinsic goods (in this case evils) of their work Hillberg (1973).

When we make judgments about people, we sometimes find that the little things they do count almost as much as the big things. I wrote a case called "Sleazy or Stupid" based on a story that was told to me by a manager of a large Wall Street bank (Ciulla et al. 2013). Bank executives had invested a great deal of time trying to hire a "superstar" broker away from a competitor to lead a new division of their company. After several interviews and conversations with the broker, he agreed to join the bank. On the way out of the office after the final interview, the broker was very rude to the receptionist when he asked her to call him a taxi. The interviewers

witnessed his behavior and started to feel uneasy about him, despite his stellar track record as a broker, his academic credentials, and the fact that they thought he would make a lot of money for the bank. The question on their minds was a question about virtue: "Is he in the habit of behaving this way?" They not only wondered about how he treated women and subordinates but how he did other things. The incident made them take a closer look into the broker's background. They discovered that there were indeed problems, not about how he treated women or subordinates but about how he did business. The managers decided not to hire him because they worried that he had "risky habits." This case nicely illustrates how morality in the miniature may offer important insights into a person's character. One might object that perhaps lapses like the broker's might be a one-off and it would be unfair to judge a person by it. Yet the case shows sometimes the failure to practice virtue in ordinary activities indicates why someone might fail to practice virtue in complex or extraordinary situations.

Conclusion

As Solomon argues, in contexts such as the Milgram experiments, people under stress may practice the wrong virtue (obedience), which in the context may not be a virtue at all. Whereas in every day life, whether we are answering phones, filling out forms, or ordering food from a server, we are more likely to demonstrate the virtues that we really possess or fail to possess as habitual ways of doing familiar activities. Morality in the miniature has three implications for the study of leadership in organizations. The first is that leaders and followers need to reinforce each other's virtues as good habits and they should take care not to disrupt each other's good habits. Organizational problems sometimes occur because leaders cultivate bad habits in subordinates or fail to break their bad habits. One of those bad habits is failing to care. It is interesting to note that contrary to popular belief, the vice of sloth is not about laziness. It is about not caring about how you do something (Ciulla 2000). In organizations, getting leaders and followers to care about how things are done every day is essential for fostering and protecting a variety of virtues necessary for an organization to thrive.

The second implication for the study of leadership is that it is really useful to look at the everyday behaviors of leaders and potential leaders. For example, some organizations size up a job candidate's character by taking him out to lunch to see how he treats the server. One might object that looking at the morality in the miniature of leaders potentially opens a can of worms about their public and private behavior. For instance, would you hire a man who kicks his dog? Maybe you would, but you might also find yourself feeling uneasy about him (especially if you are a dog lover). Most of us are naturally inclined to ask virtue ethics questions about the things like this. Is the dog kicking a habit? If so, is it related to how this person does other things? Such considerations are especially important in the case of leaders because they are supposed to be role models and more importantly, their directives have the potential to support or erode the virtues of their followers.

Lastly, virtue ethics and morality in the miniature offer a promising approach to studying leaders and followers. Since virtues are practices and habits, they lend themselves to empirical investigation. Instead of assessing a leader's personality, it might be interesting to look at how she engages the virtues in routine practices and interactions. The idea of morality in the miniature also raises a number of questions about moral character. Is a person's moral character the sum of her morality in the miniature or is it something more? How do we decide which lapses in virtue in everyday life are significant and which ones are not? The idea of a virtue as a habit is important. You might hire someone who only kicked his dog once, but it could become more difficult to hire someone who does it all the time. If virtues are habits that constitute character, then we might expect leaders to exercise them in crises and in unprecedented situations. I have suggested that this may not always be the case. Having certain virtues does not mean that a person is morally perfect because so many things can go wrong if he or she tries to act on it. This is especially true in unusual situations that require acting on the right virtue at the right time and in the right way.

Since virtues are habits, they are on display in a variety of things that we do both great and small. Virtue ethics tells us that moral character is both stable because it is practiced as a habit *and* malleable because it can be intentionally or unintentionally taught, changed, or learned from others and the social environment. Knowing how to practice a virtue or knowing what virtue to practice can be difficult in novel situations, and good people sometimes make bad mistakes. Hence, when we study, develop, and choose leaders, it makes sense to pay attention to their everyday moral behavior or what I have called morality in the miniature. Morality in the miniature may offer as good if not a better insight into leaders' virtues than their behavior in extraordinary situations. I leave this thought about morality in the miniature as a hypothesis that can be verified or falsified through future empirical research or historical analysis.

Cross-References

References

Anscombe GEM (1958) Modern moral philosophy. Philosophy 33(124):1–19
Arendt H (1964) Eichmann in Jerusalem: a report on the banality of evil. Viking, New York
Aristotle (1962) Nichomachean ethics (trans: Ostwald M). Library of Liberal Arts, Indianapolis
Axtell G, Olson P (2012) Recent work in virtue ethics. Philos Q 49(3):183–203
Bass BM (1985) Leadership and performance beyond expectations. Free Press, New York

Bass B (1990) Bass and Stogdill's handbook of leadership: theory, research and managerial applications, 3rd edn. Free Press, New York

Bass BM, Steidlmeier P (1999) Ethics, character, and authentic transformational leadership behavior. Leadersh Q 10(2):181–217

Brown ME, Treviño LK, Harrison DA (2005) Ethical leadership: a social learning perspective for construct development and testing. Organ Behav Hum Decis Process 97:117–134

Burns JM (1978) Leadership. Harper & Row Publishers, New York

Ciulla JB (1995) Leadership ethics: mapping the territory. Bus Ethics Q 5(1):5–24

Ciulla JB (2000) The working life: the promise and betrayal of modern work. Times Books, New York

Ciulla JB (2011) Ethics and effectiveness: the nature of good leadership. In: Day DV, Antonakis J (eds) The nature of leadership, 2nd edn. Sage, Thousand Oaks, pp 508–540

Ciulla JB, Martin C, Solomon RC (eds) (2013) Honest work: a business ethics reader, 3rd edn. Oxford University Press, New York

Doris J (2002) Lack of character: personality and moral behavior. Cambridge University Press, Cambridge

Garrett SA (1996) Conscience and power: an examination of dirty hands and political leadership. St. Martins, New York

Goodpaster K, Davidson D (1983) Managing product safety: the Ford Pinto. Harvard Business School Press, Boston, MA

Greenleaf RK (1977) Servant leadership: a journey into the nature of legitimate power and greatness. Paulist Press, Ramsey

Harman G (1999) Moral philosophy meets social psychology: virtue ethics and the fundamental attribution error. Proc Aristot Soc 99:315–331

Hillberg R (1973) The destruction of the European Jews. New Viewpoints, New York

Ivanhoe, PJ, Walker, RL eds. (2007) Working virtue: virtue ethics and contemporary moral problems. New York: Oxford University Press

Kelly R (1992) The power of followership. Doubleday, New York

Luthans F, Avolio BJ (2003) Authentic leadership development. In: Cameron KS, Dutton JE, Quinn RE (eds) Positive organizational scholarship. Berrett-Koehler, San Francisco, pp 241–261

Machiavelli N (1988) The prince. Cambridge University Press, Cambridge

MacIntyre A (1981) After virtue: a study in moral theory. University of Notre Dame Press, West Bend

McCoy B (1983) The parable of the sadhu. Harv Bus Rev 61(5):103–108

McCracken J, Martin W, Shaw B (1998) Virtue ethics and the parable of the sadhu. J Bus Ethics 1(17):25–38

Meindl JR, Ehrlich SB, Dukerich JM (1985) The romance of leadership. Adm Sci Q 30(1):78–102

Milgram S (1963) Behavioral study of obedience. J Abnorm Soc Psychol 67(4):371–378

Moore G (2008) Re-imaging the morality of management: a modern virtue ethics approach. Bus Ethics Q 18(4):483–511

Price TL (2003) The ethics of authentic transformational leadership. Leadersh Q 14(1):67–81

Sartre JP (1989) No exit and three other plays. Vintage, New York

Sethi P (1994) Multinational corporations and the impact of public advocacy on corporate strategy: Nestlé and the infant formula controversy. Springer, New York

Solomon RC (2003) Victims of circumstances?: a defense of virtue ethics in business. Bus Ethics Q 13(1):43–62

Walzer M (1973) The problem of dirty hands. Philos Public Aff 2(2):160–180

Leadership and the Virtue of Loyalty

Javier Hidalgo

Contents

Abstract

Is loyalty a virtue for business leaders? I argue that the answer to this question depends on the background institutional context in which leaders operate, particularly the institutional relationship between businesses and the state. On the view that I defend, it is generally virtuous for leaders in business to be loyal to their shareholders and employees. Yet loyalty is a morally problematic disposition in an institutional context that encourages corporations and other private organizations to induce governments to provide them with special benefits at the public's expense. This is so because leaders' duties of loyalty fail to override moral constraints that prohibit coercion and, furthermore, states are coercive entities. Loyalty as a generalized disposition for leaders to promote the goals of their group can cause them to attempt to influence state power and violate moral constraints against coercing others. In this context, loyalty can be a vice.

Keywords

Leadership • Loyalty • Institutions • Partiality • Negative duties

J. Hidalgo (✉)
Jepson School of Leadership Studies, University of Richmond, Richmond, VA, USA
e-mail: jciulla@richmond.edu; jhidalgo@richmond.edu

Introduction

In *The Prince*, Niccolò Machiavelli famously argued that the virtues of political leaders are different than the virtues of ordinary people. Machiavelli (1994) claimed: "A ruler, and particularly a ruler who is new to power, cannot conform to all those rules that men who are thought good are expected to respect, for he is often obliged, in order to hold on to power, to break his word, to be uncharitable, inhumane, and irreligious." Machiavelli's point is that virtue depends on context and the role that a person occupies. In private life, people should be charitable and humane. But political leaders might need to cultivate other dispositions, such as the dispositions to be inhumane and irreligious, in order to satisfy their distinctive responsibilities as leaders.

Regardless of what we should think about Machiavelli's particular views on political virtue, his general point is correct: what counts as a virtue depends on context. I will argue that it is generally virtuous for business leaders, such as corporate managers and officers, to be partial to their shareholders and employees. But I will also argue that loyalty and partiality are vices when business leaders have close ties to political power. When business leaders influence political power, they must set aside their loyalties and attachments and cultivate a disposition to be impartial. Loyalty may be a virtuous disposition in private life. But these dispositions are objectionable when business leaders influence the state.

Loyalty as a Virtue

Virtues are praiseworthy character traits. According to a standard conception of virtue, a virtue is a stable disposition to do the right thing for the right reasons and feel the right way about it (Annas 2000; Hursthouse 1999). Loyalty is often thought to be a virtue (MacIntyre 1984; Fletcher 1993; Sandel 2009), although some philosophers disagree with this claim (Ewin 1992, 1993; Keller 2007). John Kleinig (2013) defines loyalty as "a practical disposition to persist in an intrinsically valued (though not necessarily valuable) associational attachment, where that involves a potentially costly commitment to secure or at least not to jeopardize the interests or well-being of the object of loyalty." A manager's disposition to be loyal to her shareholders, employees, or customers can lead this manager to do the right thing for the right reasons. If this is the case, then loyalty can be a virtue for business leaders.

According to a common view, managers of corporations have special fiduciary duties to shareholders (Friedman 1970; Marcoux 2003). Fiduciaries have special duties to principals because these principals have vested their trust in fiduciaries and authorized their fiduciaries to act on their behalf. Fiduciary duties are duties of loyalty and care. That is, fiduciaries are legally and morally required to act in the best interests of their principals. Fiduciary duties are grounded in two facts: (1) the fiduciary has either explicitly or tacitly agreed to protect the interests of a principal and (2) the principal is dependent on the fiduciary in some sense. Lawyers,

stockbrokers, trustees, and guardians are commonly thought to have fiduciary duties to principals. The managers of publicly traded corporations also have fiduciary duties to shareholders. Shareholders are dependent on managers because managers control shareholders' investments in firms and managers have access to information about the day-to-day operations of the firm that shareholders lack. Furthermore, managers and corporate officers agree to take on fiduciary duties that require them to protect the investments of shareholders. So, it is plausible that managers have fiduciary duties to shareholders.

Other kinds of relationships can also justify duties of loyalty besides fiduciary relationships. Most people believe that we have special obligations to our friends and family members. We have obligations to benefit our friends and family that we lack with respect to strangers. These kinds of obligations are associative duties. Associative duties are not contractual or promissory obligations. You can have an associative duty to your parents even if you never consented to this obligation or promised them anything. On one influential analysis of special duties, valuable relationships justify special associative duties between the participants in these relationships, including duties of loyalty (Hurka 1997; Scanlon 2000; Scheffler 2003; Lazar 2013). Some of our relationships have valuable properties. To respond to the value of our relationships in the right way, we should recognize that we have reasons to honor our relationships, to preserve them, and to protect the interests of our associates.

Consider an example. Suppose that Dan and Samantha are friends. Dan and Samantha's relationship is characterized by mutual altruism, intimacy, and affection. Dan and Samantha's relationship is valuable. So, Dan and Samantha have moral reasons to protect and preserve their relationship. These reasons flow from the fact that their relationship has valuable properties. But these moral reasons are just associative duties. In other words, associative duties are fitting responses to the value of relationships. The philosopher Samuel Sheffler articulates this view. Scheffler says:

> We human beings are social creatures, and creatures with values. Among the things that we value are our relationships with each other. But to value (non-instrumentally) one's relationships with another person is to see it as a source of reasons for action of a distinctive kind. It is, in effect, to see oneself as having special responsibilities to the person with whom one has the relationship. Thus, in so far as we have good reasons to value our interpersonal relationships, we have good reasons to see ourselves as having special responsibilities. (Scheffler 2003)

On Scheffler's view, we have associative duties to one another just in case our relationships are valuable ones.

Business leaders can have associative duties to their employees and other groups. The relationship between employers and employees may have the right properties to ground associative duties (Snyder 2008). For instance, the relationships between managers and employers can conceivably be non-instrumentally valuable. Managers and employees may have good reason to value their relationships with one another for their own sakes because their relationships embody

valuable properties of trust, friendship, gratitude, and so on. If the relationship between managers and employees is valuable in the right way, then these relationships can justify associative duties. Thus, managers can have special moral reasons to protect the interests of their employees.

So, it is plausible that managers and corporate officers generally have special obligations of loyalty to their shareholders, employees, and perhaps other stakeholders as well, such as the community in which a business operates. For this reason, loyalty is, in this respect, a virtuous disposition for managers and corporate officers. If managers have the disposition to be loyal to their shareholders and employers, then they are more likely to act rightly and for the right reasons. More precisely, managers are more likely to see their special obligations as sources of moral reasons insofar as these managers are loyal.

To illustrate, let's consider the following example. Aaron Feuerstein owned and managed "Malden Mills," a textile business in Lawrence, Massachusetts. In December 1995, the plant exploded. Malden Mills employed many members of the local community, and the destruction of the plant endangered their jobs. Feuerstein immediately decided to continue to pay his workers while he rebuilt the plant. In explaining his company's philosophy, Feuerstein said that loyalty and reciprocity are core values. In an interview, Feuerstein claimed that once "you treat [your workers] like a cuttable expense, instead of your most important asset, you won't recover. I am firmly convinced the degree of loyalty our people have extended Malden Mills is equal to or greater than what we have done for them." Feuerstein also noted: "the corporation has a responsibility to all its people" (Seeger and Ulmer 2001). Observers praised Feuerstein's loyalty to his employees and community. The United States labor secretary Robert Reich remarked about Feurestein that "[l]oyalty is a very rare commodity in the American economy right now" and yet "here is a major employer who decided to forgo the fast buck and rebuild" (Collidge 1997). Feuerstein's loyalty to his workers is a virtuous disposition at first glance. Feuerstein's loyalty caused him to act rightly and for the right reasons. He was moved to help his employees out of recognition of the special relationship that he had with them. This seems to be a clear example of a case where loyalty is a virtue for a business leader. At least, this is how many business ethicists have interpreted Feuerstein's case (Gini and Marcoux 2014).

Loyalty and the State

Even if loyalty is usually a virtue for business leaders, it does not follow that it is always appropriate for leaders to be loyal. Desirable character traits, such as charity or honesty, do not qualify as virtues if people exercise them in the wrong way. Aristotle (1999) famously observed that virtue involves having the right feelings and actions "on the right occasions, about the right things, toward the right people, for the right end and in the right way." He noted that "anyone can get angry or give and spend money – these are easy; but doing them in relation to the right person, in the right amount, on the right occasion, with the right end and in the right way – that

is not something anyone can do, nor is it easy." A disposition to be loyal to our associates can also lead us to act in the wrong way.

In particular, the moral reasons to be loyal to our associates cannot in general justify harming or coercion other people. In other words, our special obligations of loyalty do not justify the violation of *negative duties*. Negative duties are duties to refrain from harming or coercing other people, whereas positive duties are duties to provide other people with assistance or some benefit. To explain why duties of loyalty do not override negative duties, let's return to the case of Dan and Samantha. Dan and Samantha are close friends, but Samantha has fallen on hard times. Samantha has lost her job and lives in poverty. Dan is doing better than Samantha, although Dan lacks sufficient funds to lift Samantha out of poverty. Dan decides to mug people on the street to get more money. In this manner, Dan secures enough money to provide Samantha with a decent income. Dan's actions are wrong. It seems clear that it would be wrong for Dan to coerce innocent people to help his friend, even if Dan has genuine moral reason to be loyal to Samantha. Here is another case. Imagine that Jon is a member of a large, close-knit family. Jon's family owns a successful casino. But another company wants to open a new casino nearby. If the new company opens this casino, the company would attract customers from Jon's casino, lower its profits, and cause members of Jon's family to lose their jobs. Jon hires several thugs to threaten his competitors with violence if they open a casino. To avoid this, Jon's competitors decide to refrain from opening a new casino. Jon has reasons to be loyal to the members of his family. But it is clearly wrong for Jon to threaten his competitors with physical force even if this is necessary to help his family.

So, the moral reasons to be loyal to the people with whom we stand in special relationships usually fail to justify coercing or harming other people (Hidalgo 2013). This point suggests that the permissible scope of loyalty is sharply constrained in certain domains, such as political life. This is so because states are coercive entities. States issue threats of physical force and apply physical force to people when these people disobey states' commands (Huemer 2012). Consider the actions of political leaders such as legislators or heads of state. If a leader authorizes a new law or policy, then this leader contributes to the violation of negative duties. Leaders who authorize state action in effect command other state employees to issue credible threats of physical force against citizens. So, political leaders routinely authorize the violation of negative duties. Although state coercion violates negative duties, this coercion may nonetheless be permissible if officials' negative duties to refrain from coercing citizens are overridden by other considerations. Yet, as the above interpersonal examples suggest, the moral reasons against using coercion against other people seem to typically defeat special obligations. If so, then our obligations of loyalty to other people cannot justify state action, as state activity involves the systematic violation of negative duties.

Thomas Pogge (2002) observes that "acceptable concern for even close relatives is…thought to be quite strictly circumscribed in public life. It is, for instance, not merely illegal, but also deemed highly immoral for a state official to favor her son's firm in the application of regulations or the awarding of government contracts."

Pogge notes that this view is somewhat puzzling. The state official has a duty of loyalty to the state and other citizens. But official also owes loyalty to her family. Pogge asks: "Why...should [the state official] not balance these two loyalties and help her son in cases where this benefits him at no great cost to the state?" We can now explain why state officials cannot use public power to satisfy their private loyalties. The explanation goes like this: (1) state action is coercive, (2) coercion violates negative duties, (3) negative duties generally defeat special obligations, and, so, (4) it would be wrong for officials to use state power to satisfy their special obligations.

Pogge (2012) argues along these lines that:

> All adults are supposed to be impartial in certain domains – when we serve as jurors, certainly, and also when we speak, act or vote as citizens. Thus, no matter how much a mother may love her children and no matter how committed she may be to their having the very best educational opportunities and employment prospects, we (normatively) expect her citizen's judgment on affirmative action in the education system not to be influenced by her children's gender or skin colour.... Insofar as citizens speak, vote and act *as citizens,* we are expected to be impartially guided by justice and the common good without regard to our personal projects and loyalties.

When a person wields political power, this person must set aside her personal loyalties and act impartially because duties of loyalty cannot justify coercive state action (Goodin 1995). For this reason, impartiality rather than personal loyalty is the cardinal virtue in political life. Citizens who wield political influence ought to exhibit civic virtue instead of personal loyalty to their associates. That is, citizens should be disposed to promote the common good rather than their private ends when they exercise political power (Brennan 2011).

We can extend this analysis to the moral obligations and virtues of leaders in businesses. It is virtuous for managers and officers to be loyal to their stakeholders. But it does not express virtue if managers and officers use political connections and influence to benefit their stakeholders. If business leaders use political connections to influence the application of state power, then their actions would contribute, in a significant way, to the violation of negative duties. After all, their actions would facilitate the use of state coercion. But, as we have seen, we cannot justify the violation of negative duties by citing our special obligations. Consider an illustration. Archer Daniel Midland (ADM) is the largest processor of corn commodities in the United States. A large fraction of ADM's profits are tied to products that are subsidized or protected by the United States government (Zingales 2012). Dwayne Andreas served as the CEO of ADM, and many of Andreas' family work for the company. During Andreas' tenure as CEO, Andreas contributed large sums of money to political campaigns. Andreas gave more than $1.4 million to party organizations and $345,650 to congressional and senatorial candidates during the 1992 election (Bovard 1995). In fact, the Andreas family has given more than four million dollars to political candidates and parties. Andreas also has personal connections to politicians. For example, Andreas bought Jimmy Carter's peanut warehouse and sold Bob Dole an apartment. There is some evidence that politicians

have implemented subsidies and regulations with the aim of benefiting ADM in particular (Bovard 1995).

Suppose Andreas justified his political contributions on the grounds that he is merely attempting to demonstrate loyalty to the shareholders of ADM and his family members (many of whom work for ADM). After all, if loyalty is a virtue, then why can't loyalty justify Andreas' actions? Michael Debow (1992) raises this question. Debow asks us to assume that, in some cases, businesses can maximize their profits by engaging in "rent-seeking" – that is, businesses can increase their profits in some circumstances by encouraging politicians to give them special favors, such as public subsidies. Debow asks: are "managers in this situation compelled by their fiduciary duty to the corporation and its shareholders to engage in rent-seeking?" The answer to this question is "no." Business leaders that engage in rent-seeking are unable to justify their behavior by citing their duties of loyalty. For example, public subsidies to businesses are financed through taxes that are coercively extracted from citizens. Thus, business leaders that try to get the state to subsidize their businesses are attempting to induce the state to coercively extract benefits from citizens and distribute these benefits to their businesses. But, like Dan's actions in the above interpersonal case, it seems wrong for leaders to coercively extract benefits from innocent people in order to satisfy their duties of loyalty. So, if Andreas' loyalty to employees and shareholders disposes him to engage in rent-seeking, then his loyalty is a kind of vice.

These observations suggest that whether personal loyalty is a virtue or vice in business depends on the background institutional context. Under crony capitalism, loyalty is often a vice. Crony capitalism is a pejorative term that refers to economic and political institutions that permit corporations and other private organizations to induce governments to provide them with special benefits at the public's expense (Brennan 2013). Private businesses under crony capitalism are enmeshed in the activities of the state. It is consequently inappropriate for business leaders to act on their personal loyalties to their shareholders, employees, or local communities in a context where businesses have close connections to state activities (Jaworski 2013). Of course, it is possible for a leader to be loyal to her shareholders, workers, or communities without securing special benefits for her company that are coercively extracted from taxpayers. But the worry is that loyalty as a kind of generalized disposition to favor the interests of one's associates encourages leaders to participate in rent-seeking behavior when crony capitalism is the norm. More generally, it appears that leaders often violate moral constraints because they exaggerate the importance of their group's goals (Price 2006; Hoyt et al. 2013). If leaders operate in an institutional environment where they can easily contribute to the violation of negative duties, then a generalized disposition to favor the goals of a leader's group can cause them to violate the rights of others. Crony capitalism may be one such environment.

Consider the relationship between businesses and the government in the United States. Businesses often influence politics because a kind of crony capitalism is, to some degree, entrenched in the United States (Zingales 2012). It is common practice for businesses to lobby political leaders for special favors and exemptions.

Firms increase their profits through government favors, and these firms provide support for politicians in exchange for these favors. Although estimates vary, it appears that crony capitalism generates serious economic costs in the United States (Mueller 2003). Loyalty can be a morally problematic disposition in this institutional context. To illustrate, let's return to the case of Aaron Feuerstein. As I noted in the section "Loyalty as a Virtue," many people consider Feurestein to be the model of a virtuous leader in business in part because Feurestein exhibited the virtue of loyalty. But Feurestein's story is more complex. Although Feurestein ultimately rebuilt his textile facility, his company ran into financial trouble. To stave off bankruptcy, Feurestein apparently began to use his political influence. According to *Forbes Magazine*:

> As his business started failing, Feuerstein tapped big guns in Washington, D.C. to bail him out. In October 2000 a congressional delegation led by Massachusetts Senator Edward Kennedy lobbied the defense appropriations committee for a $17 million increase over three years for cold-weather military clothing made of Polartec [a type of fleece that Feuerstein's company produce]. A year later he and fellow Massachusetts Democrat John Kerry made phone calls to pressure GE Capital, Malden's biggest creditor, to secure $20 million debtor-in-possession financing to keep Malden operating. (Moreno 2003)

If this narrative is correct, then perhaps Feuerstein's loyalty to his company and community led him to attempt to influence political power in order to secure subsidies and loans for his company. If so, then the Feuerstein's famed loyalty may be, at best, morally ambiguous.

Conclusion

In this essay, I have examined the question of whether loyalty is a virtue for leaders in business. I have argued that the answer to this question depends on the background institutional context. Personal loyalty is admirable in private life. In other words, loyalty is a praiseworthy trait when it involves benefiting our associates when we stand in valuable relationships with them or have fiduciary duties to them. But loyalty is morally problematic when loyalty disposes us to use political power to benefit our associates. In an institutional context that encourages people to use political power in this way, loyalty is a vice.

References

Annas J (2000) Virtue ethics. In: Copp D (ed) The oxford companion to ethical theory, 1st edn. Oxford University Press, New York

Aristotle (1999) Nicomachean ethics (trans: Irwin T), 2nd edn. Hackett, Indianapolis

Bovard J (1995) Archer Daniels Midland: a case study in corporate welfare. Cato policy Anal 241:1–27

Brennan J (2011) The ethics of voting. Princeton University Press, Princeton

Brennan J (2013) The right to good faith: how crony capitalism delegitimizes the administrative state. Georgetown J Law Public Policy 11:317–334

Collidge S (1997) Loyalty pays off for owner of burned mill. Christ Sci Monit 89:8

Debow M (1992) The ethics of rent-seeking: a new perspective on corporate social responsibility. J Law Commer 12:1–21

Ewin R (1992) Loyalty and virtues. Philos Q 42:403–419

Ewin R (1993) Corporate loyalty: its objects and grounds. J Bus Ethics 12:387–396

Fletcher G (1993) Loyalty: an essay on the morality of relationships. Oxford University Press, New York

Friedman M (1970) The social responsibility of business is to increase its profits. N Y Times 32 (September 13):122–125

Gini A, Marcoux A (2014) When being a good company isn't good enough: the Malden Mills case. In: Okonkwo B (ed) Christian ethics and corporate culture: a critical view on corporate responsibilities. Springer, New York

Goodin R (1995) Utilitarianism as a public philosophy. Cambridge University Press, New York

Hidalgo J (2013) Associative duties and immigration 10:697–722

Hoyt C, Price T, Poatsy L (2013) The social role theory of unethical leadership. Leadersh Q 24:712–723.3

Huemer M (2012) The problem of political authority: an examination of the right to coerce and the duty to obey. Palgrave Macmillian, New York

Hurka T (1997) The justification of national partiality. In: McKim R, McMahan J (eds) The morality of nationalism. Oxford University Press, New York

Hursthouse R (1999) On virtue ethics. Oxford University Press, New York

Jaworski P (2013) An absurd tax on our fellow citizens: the ethics of rent seeking in the market failures (or self-regulation) approach. J Bus Ethics 121:467–476

Keller S (2007) The limits of loyalty. Cambridge University Press, New York

Kleinig J (2013) Loyalty. Stanford Encyclopedia of Philosophy, Stanford http://plato.stanford.edu/entries/loyalty/

Lazar S (2013) Associative duties and the ethics of killing in war. J Pract Ethics 1:3–48

Machiavelli N (1994) Selected political writings (trans: Wootton D). Hackett, Indianapolis

MacIntyre A (1984) Is patriotism a virtue? University of Kansas Press, Lawrence

Marcoux A (2003) A fiduciary argument against stakeholder theory. Bus Ethics Q 13:1–24

Moreno K (2003) Trial by fire. Forbes, Available online at: http://www.forbes.com/forbes/2003/0414/092.html

Mueller D (2003) Public choice III. Cambridge University Press, New York

Pogge T (2002) World poverty and human rights. Polity Press, Maldon

Pogge T (2012) Cosmopolitanism. In: Goodin G, Pettit P, Pogge T (eds) A companion to contemporary political philosophy, 2nd edn. Blackwell, New York

Price T (2006) Understanding ethical failures in leadership. Cambridge University Press, New York

Sandel M (2009) Justice: what's the right thing to do? Farrar, Straus, and Giroux, New York

Scanlon T (2000) What we owe to each other. Harvard University Press, Cambridge, MA

Scheffler S (2003) Boundaries and allegiances: problems of justice and responsibility in liberal thought. Oxford University Press, New York

Seeger M, Ulmer R (2001) Virtuous responses to organizational crises: Aaron Feurestein and Milt Cole. J Bus Ethics 31:369–376

Snyder J (2008) Needs exploitation. Ethical Theory Moral Pract 11:389–405

Zingales L (2012) A capitalism for the people: recapturing the lost genius of American prosperity. Basic Books, New York

The Drive to Virtue: A Virtue Ethics Account of Leadership Motivation

David C. Bauman

Contents

Abstract

The virtues identified by Aristotle in the *Nichomachean Ethics* offer an important foundation for developing virtuous leaders. Justice, courage, temperance, and practical wisdom can also lead to a fulfilled life. Business leaders in particular need these virtues because of the power they exert over resources and stakeholders. Aristotle argues that humans tend to attract to pleasure, advantage for oneself, and actions or circumstances that are fine, beautiful, and noble. A leader who is motivated by one or more of these objects is naturally drawn to act in line with it, and the resulting actions may or may not fulfill the leader's responsibility to others. This article describes Aristotle's theory of virtuous motivation and applies it to business leaders who must lead and compete in a capitalist system. Business leaders must understand the virtues and their corresponding motivations if they are to ethically guide their followers.

D.C. Bauman (✉)
Regis University, Denver, CO, USA
e-mail: dbauman001@regis.edu

Introduction

The virtues or excellences identified by Aristotle in the *Nichomachean Ethics* represent an important foundation for becoming a virtuous person. Justice, courage, temperance, and practical wisdom or prudence can also lead to a happier and fulfilled life. Business leaders in particular need these virtues because they are held to a higher ethical standard because of the power they exert. Ciulla notes that, "In leadership, we see morality and immorality magnified, which is why the study of ethics is fundamental to the study of leadership" (2011, p. 233). The study of *virtue ethics* offers concepts that assist us in evaluating leadership behavior and virtue. Often overlooked in discussions of leadership and virtue, however, is the link Aristotle drew between acting virtuously and the motivation to act or not act from virtue.

Aristotle argues that humans tend to attract to three objects and that we act in accordance with our attractions. The three objects are pleasure, advantage for oneself, and actions that are fine, beautiful, and noble. A leader motivated by one or more of these objects may or may not fulfill the leader's responsibilities. As Ciulla explains, "The practice of leadership is to guide and look after the goals, missions, and aspirations of groups, organizations, countries, or causes. When leaders do this, they are doing their job; when they do not do this, they are not doing their job" (2011, p. 250). Leader success or failure not only hinges on ethical behavior but also on the leaders' motivation.

This article describes Aristotle's theory of motivation and applies it to leaders today. Understanding virtue *and* motivation is critically important for business leaders who are expected to ethically guide their followers in highly competitive situations. And on a global economic scale, we must eradicate the vices of greed and deception that have produced mistrust and economic collapse. The change starts when business leaders turn a "motivational" corner in their hearts and decide to lead companies and economies to greater prosperity. Unfortunately, the pressure to achieve short-term goals for the sake of pleasure-based incentives can tempt leaders to avoid virtue.

A Case of Three Leaders

BP's mismanagement of the oil rig Deepwater Horizon produced the largest environmental oil disaster in United States history on April 21, 2010. The oil rig explosion made headlines because of its extensive environmental impact, the loss of 11 lives, and the injuring of 17 others. But 5 years earlier, BP was responsible for an accident with a higher fatality and injury count. On March 23, 2005, an explosion at BP's Texas City, Texas, refinery killed 15 people and sent 180 employees to the hospital (Lustgarten 2012, pp. xv & xiii). Examining the leadership character and business decisions that produced this deadly explosion highlights the virtues and motivations that Aristotle identified as being critical for living a virtuous life.

The Texas City disaster involved three BP leaders: John Browne (BP CEO), John Manzoni (Head of Refining), and Don Parus (manager of the Texas City facility). Longtime CEO John Browne set high targets for BP revenue when he required yearly 25 % across-the-board cuts from several operations. While Browne wanted to increase profits, his edicts resulted in cutting maintenance and safety budgets. Browne himself was well paid and lived a life of luxury. He was known to buy $4,000 bottles of claret and dine with royalty and movie stars, all while boarding his male-lover in an "extravagant Chelsea flat" in London (Lustgarten 2012, pp. 204–205). Browne did not comprehend how his cost-cutting edicts impacted safety, but he did understand that higher profits led to personal wealth.

In 2002, Browne delegated the oversight of all United States refineries to John Manzoni, a manager who could make tight budgets stick. Browne personally selected Manzoni to oversee the refineries that included Texas City. Browne had promoted Manzoni quickly, and he was considered arrogant by some of his colleagues. He successfully cut costs from BP's Alaska operations in the 1990s, which resulted in serious maintenance problems and an oil spill. He then turned his focus to refining. In the same year, BP promoted Don Parus to manage all of BP's south Houston facilities, the main one being Texas City. Texas City is a sprawling 1,200 acre complex that in 2005 produced 3-percent of all United States gasoline. Parus was a 20-year oil-business veteran and understood refining well.

When Parus first visited Texas City, he immediately noted its rundown condition. He commissioned a status report that revealed serious maintenance problems because of past budget cuts. He requested $235 million in increased maintenance spending to bring the refinery up to standards (Lustgarten 2012, p. 139). Unfortunately, the bureaucracy stopped him. Parus did not have budget authority, and Browne and his lieutenant Manzoni seemed more interested in achieving financial objectives than supporting operational safety. Of course Browne and Manzoni demanded high safety standards, but they would not allocate the money to meet these standards.

In early 2004, Parus was distressed by the weekly accident reports and requested a historical list of fatalities. He discovered that over the last 30 years, 23 workers had died which amounted to a death every 16 months. In October 2004, Parus flew to London and presented Manzoni with the fatality statistics along with an impassioned request for more funding. Parus' presentation included a slide that stated, "Texas City is not a safe place to work" (Lustgarten 2012, p. 134). He also included fatality and injury statistics along with pictures and family stories of the men who had died. He believed he had delivered the message and that Manzoni had got it. However, in the Spring of 2005, Parus was told to cut another 25 % from his budget. He told investigators after the loss of 15 lives on March 23, 2005, "I exhausted every avenue I had to get the funds, and it remained a 'no'" (Lustgarten 2012, p. 138). In a deposition regarding Texas City, Manzoni claimed that he believed safety was important but did not recall any requests for additional funds. Eventually BP required Browne to resign because he had lied to a judge about his lover in an attempt to stop a newspaper article about his affair.

Analyzing the Texas City case from a virtue ethics perspective requires considering what virtues (or lack of virtues) the leaders displayed. In other words, *What virtues did the leaders successfully or unsuccessfully demonstrate?* Using the commonly recognized virtues of justice, courage, temperance, and practical wisdom, we can evaluate the leaders' behaviors to determine if they have these virtues. But what does it mean to actually *have* a virtue? Williams defines *virtues* as excellences of character, "which are internalized dispositions of action, desire, and feeling" (1985, p. 35). He explains that to have a virtue is to have a disposition or tendency to perform a virtuous action from one's character. Audi states that a person "cannot act *from* a trait [virtue] without having it" though a person could act *in accordance with* a virtue without acting *from* the virtue (Audi 2012, p. 281). For example, a leader with the virtue of courage would be disposed to act courageously rather than shrinking back as a coward. A leader without the virtue of courage may act similarly, but for other reasons such as the desire for fame or to avoid failure. When evaluating a leader's virtue, therefore, we use behaviors and dispositions as indicators that they are acting *from* that virtue. The more virtuous actions we observe over time, the more we can ascribe a virtue to the leader. The specific motivations behind virtuous actions will be discussed later in the article.

Another important aspect of acting virtuously is how the leader integrates the virtue of practical wisdom or prudence (Gk. *phronesis*) into deliberations and actions. Practical wisdom predisposes the courageous leader to not only act courageously but to *deliberate correctly* so that the action is done at the right time, in the right way, and in the right amount. Aristotle explains that a person with practical wisdom will make the best decisions regarding acting for noble objectives. He states, "The unqualifiedly good deliberator is the one whose aim accords with rational calculation in pursuit of the best good for a human being that is achievable in action" (1999 1141b 13–14). A virtuous leader must have practical wisdom because it guides the leader to do the specific things required to achieve the objectives of the other virtues (Aristotle 1999 1145a5-6). In other words, if the virtue of justice seeks to treat people equally in similar circumstances, practical wisdom directs the leader to demonstrate justice in the right way, at the right time, and in the right amount.

The following is a brief evaluation of the three BP leaders based on their behaviors, predispositions, and practical wisdom. Because of his extravagant and luxurious lifestyle, John Browne appears to lack the virtue of temperance, which is defined as a moderate appetite toward pleasures. He also does not demonstrate the virtue of justice, which would predispose him to treat people fairly in like circumstances. His willingness to cut safety budgets while rewarding himself, his friends, and BP shareholders demonstrates a lack of justice.

Manzoni also appears to lack the virtue of temperance. His inaction in the face of continual requests for basic maintenance and repair funds demonstrates an unbalanced appetite for the pleasure of achieving short-term financial goals at the expense of employee safety. Goodpaster has labeled this ethical problem *teleopathy*, which he defines as an unbalanced commitment to short-term goals over long-term goals and the moral consideration of others (1989). Manzoni also

lacks justice when he conveniently forgets Parus' London presentation that highlighted the faces and stories of dead employees. To lie about his complicity is unfair and unjust. Browne and Manzoni do not appear to have the virtues of temperance or justice.

Parus, on the other hand, demonstrates temperance as he attempts to meet long-term objectives while protecting employees. He is not overcome by an appetite to meet short-term targets, but instead uses practical wisdom to balance financial goals with moral considerations. Parus fought for justice in working conditions by surveying his workers and then courageously confronting his superiors with the fatality statistics. He also demonstrated practical wisdom by choosing the right information and presenting it at the right time to the right people in the most persuasive format. Parus appears to have the virtues of temperance, justice, and practical wisdom.

We could leave this virtue evaluation at the point of identifying virtues or the lack thereof, but the question arises, *What motivated the leaders to act or not act virtuously?* The media often raise this question after a business scandal erupts and business ethics classes discuss the corrupting influence of money and power on executives. From a virtue perspective, the question has not been discussed in great detail, but its importance is obvious. Leaders need to understand that a truly virtuous leader does not behave virtuously merely from random motives or desires. Aristotle's theory of virtuous motivation explains how one can develop and evaluate the motivations of leaders.

An Aristotelian Account of Virtuous Motivation

Aristotle recognized that sometimes people only act virtuously to receive external rewards or for selfish motives such as fame, wealth, or revenge. A virtuous leader, however, has different motives. Aristotle begins his account of motives by explaining how virtues of character such as courage create pleasure or pain within a person. For example, a courageous person experiences pleasure, or at least a lack of pain, in dangerous situations while a coward experiences pain (Aristotle 1999 1104 b5-10). He argues that those who pursue the wrong pleasures or avoid the right pains at the wrong time or in the wrong ways become base individuals (Aristotle 1999 1104b 19–21). To avoid this result, the virtuous person must be taught early in life to find pleasure in the right things (e.g., courage) and pain in the wrong things (e.g., cowardice). Aristotle concludes that, "We assume, then, that virtue is the sort of state that does the best actions concerning pleasures and pains, and that vice is the contrary state" (1999 1104b 28–30).

Aristotle continues his discussion of virtue and motives by identifying six objects that humans attract to or avoid, though the impulse varies based on one's experience of pleasure and pain. He states, "For there are three objects of choice – fine, expedient, and pleasant – and three objects of avoidance – their contraries, shameful, harmful and painful. About all these, then, the good person is correct and the bad person is in error, and especially about pleasure. For pleasure is shared with

animals, and implied by every object of choice, since what is fine and what is expedient appear pleasant as well" (1999 1104b 30–35 to 1105a 1).

In the quote above, Aristotle explains that the motivation for virtuous actions arises from our attraction to or avoidance of particular objects and the specific pleasure or pain that we experience from each. The first and most basic objects are those that are pleasant or painful in themselves. They are most basic because even animals and infants find some things pleasurable and others painful. The motivation battle is fought on the field of pleasure and pain, and business leaders must choose sides. Consider that Manzoni may have experienced pleasure in unjust actions like increasing profits at the expense of employee safety or experienced pain in just actions like cutting profits in order to increase employee safety. As Aristotle observed: "For pleasure causes us to do base actions, and pain causes us to abstain from fine ones" (Aristotle 1999 1104b10). Browne's luxurious lifestyle at the expense of employee safety is a clear example.

The second object of choice is the expedient or advantageous, or those actions that benefit personal progress. As we develop a character that contains both virtues and vices, we may adjust our experience of pleasure and pain to those actions that move us ahead in life. Long hours at the office may be painful at one stage in our career, but then we may find them enjoyable because of an expected promotion. We also tend to avoid actions that are harmful to our pursuits. Being motivated by advantage, however, can produce a dark side when we experience pleasure and pain for nonvirtuous actions. Manzoni's draconian budget cuts may have produced pleasure in the pursuit of his advantage, but the vice demonstrated is injustice. Similarly, telling a superior the truth about dangerous working conditions may harm one's relationships and produce pain for a nonvirtuous person. A virtuous person like Parus, however, would feel pleasure in telling the truth even though it could harm his advantage. The reason he feels pleasure in acting virtuously is because he is motivated by the third object of choice and not advantage.

The third object of choice is "the fine," a word that is difficult to translate into English. The Greek word *kalon* describes objects that are beautiful, admirable, and noble (Aristotle 1999, p. 328). There is a sense of them being both beautiful and morally good (Lännström 2006, p. 12). Examples of "fine" actions would include a bystander rushing into a burning building to save a child or a manager sacrificing her career to protect consumers from an unsafe product. The virtuous person desires fine (beautiful and morally good) objects for their own sake and does what is right because it is the right thing to do. According to Lännström's interpretation of Aristotle's view, a virtuous person finds both pleasure and advantage in doing what is fine because they have correctly aligned their experience of pleasure and pain with the virtues. Parus' passionate pursuit of more maintenance funding seems to fit this model of doing what is fine without experiencing pain or loss of advantage.

Aristotle gives the example of a courageous person who stands firm against frightening things "in the right way, as reason prescribes, for the sake of the fine (*kalon*), since this is the end aimed at by virtue. . .. The brave person, then, aims at the fine when he stands firm and acts in accord with bravery" (Aristotle 1999 1115b

12–14, 23–24). He explains that the virtue of courage *itself* aims at what is fine, noble, and morally good, and therefore a courageous person is aiming at what is fine by being courageous.

It may seem that Aristotle is splitting motivational hairs, but he is making an important distinction between (1) actions that appear virtuous and (2) actions of a virtuous person. If a person does not *have* the virtue of courage, they could still act courageously from other objects of choice. A mercenary may appear to have the virtue of courage, but his object of choice is the pleasure money can buy. A city's citizens may fight courageously to avoid defeat and slavery, but their object of choice is their advantage. A general with the virtue of courage, however, will consider what is best in the situation and will then demonstrate courageous behavior because that is the behavior that aims at the fine and noble – the virtue of courage. The truly courageous choose to stand firm in the face of what is frightening because "that is fine or because anything else is shameful" (Aristotle 1999 1116a 12). Fine actions, therefore, "are not only simply performed *by* a virtuous person, they are *characteristic of* a virtuous person in that they reveal his character" (Lear 2006, pp. 127–128).

Desiring the fine and aiming at virtue is not an easy quest. Aristotle recognized that some people may not develop the proper pleasures and pains regarding the fine, and therefore they only practice virtue because they believe it is the right thing to do. He labels these people "continent" because they have *mastery* over their appetites and practice virtue, but they do not deeply desire the fine. Lännström explains that the continent person understands that the fine is the highest motive, but does not yet experience it as pleasant and advantageous (2006, p. 14). Other people also reason that practicing a virtue is the right thing to do, but they *do not* master their appetites and therefore they do not practice virtue. Aristotle labels these people "incontinent." Aristotle explains that, "The incontinent person knows that his actions are base, but does them because of his feelings, whereas the continent person knows that his appetites are base, but because of reason does not follow them" (Aristotle 1999, 1145b12-15). Most people fit the continent or incontinent profile in Aristotle's estimation, but the highest ideal remains becoming a virtuous person.

Informed by Aristotle's explanation of the three objects of choice (the pleasant, advantage, and the fine) and their contraries (the painful, harmful, and shameful), we can answer the question about what motivated the BP leaders to act or not act virtuously. Based on the observed behaviors of Browne, it appears that he was not acting from any of the virtues discussed in this article. It seems that later in his career his primary objects of choice were pleasure and advantage. As CEO, Browne set the goal of making BP a world leading company, and one commentator stated that, "Arguably he has taken them [BP] from a mid-playing oil company to one of the greatest" (Lustgarten 2012, p. 207). However, his drive for corporate and personal advantage eventually harmed others and wrecked his career. If he demonstrated virtuous behaviors, they were most likely motivated by the pleasure of advantage. At the end of his career, Aristotle's definition of the incontinent person describes Browne.

Manzoni appears to act from a desire for advantage and not from virtue or for the fine. His laser-focus on corporate financial goals to the exclusion of justice and practical wisdom reveals a lack of motivation for doing what is fine. Instead, he does what is advantageous because this brings him a certain pleasure. It could be argued, however, that Manzoni felt pain when he cut maintenance budgets to please his superiors. If this is the case, then Manzoni would still be classified as incontinent because he knows what actions are fine, but does not follow through on them like a continent person.

Parus' courageous efforts to save employee lives while meeting company financial targets reveal an attraction to the fine. He acts from the virtues of justice, courage, and practical wisdom because he is aiming at the noble ends of justice, courage, and practical wisdom. In other words, it appears that Parus is acting *from* the virtues that he has developed, and his motivation is toward what is fine, noble, beautiful, and moral. It could be the case that Parus is merely continent if he is merely doing what reason suggests is the fine action in this case. But given his consistent effort and passion, something deeper seems to drive his virtuous actions. These deeper motivations that spring from having virtues that aim at the fine are what business leaders must develop if they are to fulfill their jobs confidently and ethically.

Business, Incentives, and the Virtuous Leader

Can business leaders today develop the desire for the fine that Aristotle describes, or are the enticements of pleasure and pressures for advantage insurmountable? A brief review of the dynamics of capitalism, business, and employee motivation reveals that while challenges exist, business leaders are uniquely positioned to develop virtues that aim at the fine.

The main dynamic of business is the creation of value for others in exchange for some payment. In 1776, Adam Smith explained that bakers do not give away their bread for free, but exchange it for money so that they can also exchange money for items that will bring them value. The resulting system of self-interested exchanges would eventually benefit the entire society as if it were being guided by an "invisible hand." While Smith describes the capitalist system as a beneficial system for all, he also criticized the wealthy leaders who use the system to pursue their own pleasure and advantage at the expense of others. He stated, "Our merchants and masters complain much of the bad effects of high wages in raising the price and lessening the sale of goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people" (Smith 1776 Book 1, Ch. 9, Para. 24).

The business culture of exchange, competition, and wealth accumulation presents two challenges to a leader who would develop virtue and virtuous motivations. The two challenges arise from a business culture that too often glorifies pleasure and advantage while ignoring the fine. The first challenge is teleopathy or

the unbalanced pursuit of short-term goals to the exclusion of long-term and moral considerations (Goodpaster 1989). As discussed above, Manzoni most likely fell victim to teleopathy when he regularly prioritized budget cuts over employee safety. Ethical failures in business leadership are often symptoms of teleopathy. In some cases, the leader tries to please shareholders at the expense of employees or deceives customers or regulators to gain a short-term advantage. Johnson and Johnson, Inc.'s leadership demonstrated teleopathy when they repositioned a drug designed to treat schizophrenia and vigorously marketed it to nursing home pharmacies to treat dementia. Company leaders pursued the short-term goal of increased revenue while ignoring patient health. In 2013 the United States Department of Justice fined Johnson and Johnson a record $2.2 billion for their ethical failure (US Department of Justice 2013). A virtuous leader would have avoided this marketing scheme because the fine and noble ends of justice would have overruled, harming the elderly for profit. Short-term business goals can promise leaders pleasure and advantage, but the virtuous leader recognizes these base motivations and instead chooses virtues that aim at what is fine.

The second challenge to a virtuous leader's choice of the fine is incentive programs. Companies often build performance systems around bonuses, raises, stock options, commissions, titles, and other pleasure-/advantage-based incentives. These incentives create a corporate culture that focuses employee aspirations solely on attaining pleasure (or the money that can buy it) and advantage. The fine is left out of performance incentives. Employee satisfaction research, however, demonstrates that the most satisfied workers are motivated by objects closer to the fine (like generosity) than to pleasure and advantage (Grant 2013).

Herzberg's research proves that motivating employees involves reducing their *job dissatisfaction* while increasing their *job satisfaction* (1987). His extensive employee surveys revealed that the items that dissatisfy and de-motivate an employee are distinct from those items that satisfy and motivate an employee. A leader reduces job dissatisfaction by improving working conditions, removing inequality, and creating a respectful work environment. Pay is one of these *extrinsic motivators* because it only motivates for a short time and because it is tied to feelings of job dissatisfaction when it is perceived to be unfair. The extrinsic motivators roughly track Aristotle's pleasure and advantage objects because (1) they are connected to the employee seeking pleasure and avoiding pain (lower dissatisfaction) and (2) they are tied to advantages such as temporary pay increases. Extrinsic motivators are important for reducing job dissatisfaction, but they do not typically motivate employees.

Once the extrinsic motivators are in place, the result is low job dissatisfaction (i.e., "I'm not upset") but not high job satisfaction (i.e., "I love my job"). Herzberg found that *intrinsic motivators* produce high job satisfaction. These include achieving something, enjoying the work itself, receiving recognition, and gaining more responsibility. He labels these *intrinsic* motivators because they are tied to the person's interaction with the job itself, much like Aristotle's contention that actions done *from* virtue are done for themselves and for the pleasure of living them out. The connection between intrinsic motivators and pursuing the fine is the deep

human drive to use one's whole being to produce a fulfilled life. A leader who enjoys the work itself and has the freedom and responsibility to create a great organization will be motivated regardless of incentive systems. Similarly, a virtuous leader who enjoys justice, temperance, courage, and practical wisdom *for themselves* will be motivated to live out these virtues in their job.

BP manager Parus is an example of how a leader can successfully manage the two leadership challenges of teleopathy and incentive schemes. He avoided teleopathy by keeping the unfair treatment of BP employees in front of him constantly. He avoided submitting to incentive schemes based on cost savings by placing the justice of his cause above his own pleasure and advantage. And in the end, he lost. But like the truly courageous warrior who dies a fine death defending his city, Parus' loss does not diminish the ethical value of his efforts. Aristotle explains, "Hence, whoever stands firm against the right things and fears the right things, for the right end, in the right way, at the right time, and is correspondingly confident, is the brave person; for the brave person's actions and feelings accord with what something is worth, and follow what reason prescribes" (Aristotle 1999 1115b 17–19).

Conclusion

Business leaders must do their jobs ethically for the sake of the many stakeholders impacted by their company's actions or inactions. Aristotle outlines the path of virtue that these leaders can walk, but it is not an easy journey. He encourages his students to develop the virtues of justice, courage, temperance, and practical wisdom. He further explains that they must bend their desires so that they feel pleasure in what is fine and noble and to feel pain when they do what is shameful. The two challenges of teleopathy and incentive schemes must be recognized and overcome by developing intrinsic and virtuous motivations that silence teleopathy and the pull of extrinsic incentives. The virtuous leader who walks on this virtuous path creates an open space for followers to pursue virtues that aim at the fine and sets an example for a new business ethic.

References

Aristotle (1999) Nichomachean ethics. (trans: Terence I). Hackett Publishing Company, Indianapolis

Audi R (2012) Virtue ethics as a resource in business. Bus Ethics Q 22(2):273–291

Ciulla JB (2011) Ethics and effectiveness: the nature of good leadership. In: Day DV, Antonakis J (eds) The nature of leadership, 2nd edn. Sage, California

Goodpaster K (1989) Ethical imperatives in corporate leadership. In: Andrews KR, David DK (eds) Ethics in practice: managing the moral corporation. Harvard Business School Press, Massachusetts

Grant A (2013) In the company of givers and takers. Harv Bus Rev 91:90

Herzberg F (1987) One more time: how do you motivate employees? Harvard Business Review, Boston, pp 5–16, September-October

Lännström A (2006) Loving the fine: virtue and happiness in Aristotle's *Ethics*. University of Notre Dame Press, Indianapolis

Lear GR (2006) Aristotle in moral virtue and the fine. In: Kraut R (ed) The blackwell guide to Aristotle's nichomachean ethics. Blackwell, Massachusetts

Lustgarten A (2012) Run to failure: BP and the making of the deepwater horizon disaster. W.W. Norton & Company, New York

Smith A (1776) An inquiry into the nature and causes of the wealth of nations. http://geolib.com/smith.adam/woncont.html. Accessed 03 Jan 2014

United States Department of Justice (04 Nov 2013) Johnson and Johnson's to pay more than $2.2 billion to resolve criminal and civil investigations. http://www.justice.gov/opa/pr/2013/November/13-ag-1170.html. Accessed 03 Jan 2014

Williams B (1985) Ethics and the limits of philosophy. Harvard University Press, Massachusetts

Leadership and Moral Excellence: Cultivating Virtue Through Moral Imagination

Alan A. Preti

Contents

Abstract

This article examines the role of moral imagination in the development of excellence of character, which is the ultimate aim of virtue ethics. While moral imagination is typically characterized as an awareness of how the consequences of decisions and actions affect all stakeholders in the immediate decision-making context, a more comprehensive account takes into consideration the extent to which moral imagination contributes to a morally deeper and broader perspective on an agent's desires, motives, and purposes, and their bearing on self-cultivation and human flourishing. It is suggested that this conception of moral imagination is of particular value for business leaders, with the example of Ray C. Anderson, deceased founder and CEO of Interface Global, used as an illustration. The Anderson narrative provides a paradigmatic example of a business leader whose exercise of moral imagination resulted in a

A.A. Preti (✉)
The Institute for Ethical Leadership and Social Responsibility, Rosemont College, Rosemont, PA, USA
e-mail: apreti@rosemont.edu

reevaluation of the ends of business and to a transformation of the manner in which his enterprise conducted its practices. The example shows how business leaders are well served by cultivating the moral imagination.

Introduction

Over the course of the past two decades, there has been increasing interest on the part of scholars and practitioners in the resources that virtue ethics can bring to bear on business leadership and the relation between business and society. While approaches vary, proponents typically agree with a constellation of propositions, not the least important of which is the claim that particular virtues are essential for ethical business leadership. Thus, the philosopher Robert Solomon's "Aristotelian approach to business" has it that honesty, fairness, trust, and toughness are basic business virtues (as are friendliness, honor, loyalty, shame, competition, caring, and compassion), while justice is "the ultimate virtue of corporate life" (Solomon 1993, p. 241). Similarly, business ethicists Ronald Duska and Joseph DesJardins suggest that the traditional four cardinal virtues of prudence, justice, temperance, and fortitude are necessary conditions for ethical business leadership (Duska and Desjardins 2001). More recently, Al Gini and Ronald Green identify ten essential leadership virtues, among which are included deep honesty, moral vision, compassion and care, intellectual excellence, fairness, and deep selflessness (Gini and Green 2013).

Apart from identifying leadership virtues, arguments linking virtue ethics with managerial practices and/or corporate leadership and culture can be found in Whetstone (2001), Dawson and Bartholomew (2003), Sison (2003, 2008, 2011), Blackburn and McGhee (2004), Moore (2005, 2012, 2013), Bragues (2008), Flynn (2008), Provis (2010), Cameron (2011), Audi (2012), Beabout (2012), and Melé (2012). While the original impetus for the application of virtue ethics to the business context came from moral philosophers, social scientists have also found this approach valuable, relying on empirical methods for demonstrating the effectiveness of virtuous leadership behaviors and practices (Whetstone 2003; Neubert et al. 2009; Sosik et al. 2012).

This article contributes to the conversation by examining the role played by the moral imagination in the development of excellence of character, which is the ultimate aim of virtue ethics. It is suggested that the cultivation of moral imagination is of particular value for business leaders. A brief synopsis of the Aristotelian and Confucian origins of virtue ethics is followed by an account of the moral imagination and its role in orienting an agent toward ends that promote human flourishing. An illustration is provided by the story of Ray Anderson, founder of Interface Global. Anderson's self-described epiphany concerning the purpose of

business and the radical transformation of his views represents a model case of the account presented herein.

Virtue in Aristotle and Confucius

Virtue ethics has a long pedigree in both Western and East Asian thought. Although in the West its genesis harkens back to Plato, it is Aristotle with whom virtue ethics is most associated, his account having exerted a great deal of influence throughout the history of moral philosophy. Contemporary virtue ethicists, while naturally rejecting Aristotle's more patently objectionable views (such as those on slavery and the inferiority of women) and his naturalistic teleology, nevertheless retain to a significant extent the conceptual apparatus at the heart of his *Nicomachean Ethics*, placing at center stage the cultivation of those traits of character conducive to human flourishing or well-being (*eudaimonia*). Such traits or virtues serve to develop excellence of character and contribute thereby to a well-ordered society whose institutions provide the context within which those same virtues are cultivated and perpetuated. Indeed, Aristotle's aim in the *Ethics* and its counterpart the *Politics* is precisely to provide an account of the inseparable connection between human flourishing and the societal and political conditions necessary for its attainment.

While Aristotle himself does not provide what we might call a theory of ethical leadership, his account of human excellence as developed through the exercise of the virtues has important implications for leadership; specifically, what counts is the extent to which the leader manifests the appropriate virtues and demonstrates *phronesis* or practical wisdom, i.e., excellence in the activities of deliberation, judgment, and execution. Likewise, although the naturalistic teleology underlying the argument of the *Ethics* may be unpersuasive, the notion of purpose – specifically, that the purpose of business (the provision of goods and services as opposed to profit maximization) is tied directly to human flourishing – has been seen as another point in favor of the virtue approach to business leadership (Duska 1997). Additionally, as some scholars have pointed out, Aristotle's emphasis on community (in his case, of course, the polis) as the field within which the virtues are cultivated carries implications for business leaders, wherein the corporation is best understood as a community bearing a unique set of responsibilities to the common good of society (Sison 2011; Melé 2012).

Virtue and its bearing on leadership is somewhat more explicit in the Confucian tradition, where effective government by virtuous leaders is a necessary condition for a harmonious society – the latter being a central concern of ancient Chinese ethics. Motivated by the desire to reclaim the golden age of the early Zhou dynasty when wise and benevolent kings ruled and society flourished, Confucius recognized the importance of the virtuous leader serving as role model and of the subtle influence on people's behavior and the resultant social harmony. "One who rules through the power of Virtue might be compared to the Pole Star, which simply remains in its place while receiving the homage of the myriad lesser stars"

(*Analects*, 2.1, Ivanhoe and Van Norden 2003, p. 4). Confucius, then, like Aristotle, emphasizes the connection between ethics and political life; unlike Aristotle, he gives considerable attention to the practices and rituals that facilitate the cultivation of those character traits bearing on that connection. Ultimately, both ancient thinkers view the exercise of the virtues as necessary for human fulfillment (Yu 2010). Given that human flourishing is dependent upon the relation between the individual and society, the requirement for leadership grounded in virtue is crucial.

Excellence of Character, Self-Cultivation, and Moral Imagination

The emphasis in virtue ethics on character as opposed to the morality of actions is viewed by advocates as a particularly attractive feature; the distinction is typically framed in terms of the contrast between the type of person one would like to be and which action is the morally correct (permissible, obligatory, etc.) one, the latter being associated with theories generating action-guiding principles (primarily utilitarianism and deontology, although rights theories might also be included). Excellence of character is thus viewed as morally basic in a way that duties, rules, or action-guiding principles are not. While the philosopher Rosalind Hursthouse has shown that virtue ethics can serve as a basis for generating rules for right action (Hursthouse 1999), there is nevertheless something fundamental about morality – and ultimately, leadership – which is captured by the emphasis on excellence of character, an element which is evident in even our simplest attributions of goodness to agents.

   As has been noted, excellence of character develops through the habitual exercise of the virtues, which can be characterized as a process of moral self-cultivation that serves to attune the agent toward the good; in exercising the virtues, an agent discovers reasons for orienting herself toward ends which are conducive to human well-being, is motivated to act on those reasons, and succeeds in so acting. An important component of this process is the exercise of the moral imagination. Moral imagination is often described as a mental activity through which an individual becomes aware of the morally salient features of a situation and how the consequences of a decision made within that context will bear on all those affected (Jacobs 1991; Johnson 1993). Moral imagination thus involves "articulating and examining alternatives, weighing them and their probable implications, considering their effects on one's other plans and interests, and considering their possible effects on the interests and feelings of others" (Jacobs 1991, p. 25). Philosopher and business ethicist Patricia Werhane's influential account is more elaborate, suggesting that moral imagination is constituted in part by a metacognitive appraisal of the conceptual framework or mindset through which the agent interprets her situation and which serves to guide her initial decision-making process; in acknowledging the potential limitations of the framework, in recognizing that hers is but one of several possible points of view, the agent is more readily able to

remove the colored glasses, so to speak, and to appreciate how the situation appears from a variety of perspectives (Werhane 1999).

It is precisely the conflation of the picture produced by a conceptual framework with a presumed objective reality that can set the stage for moral myopia in the decision-making context. When a conceptual framework becomes the default framing lens, important data and other considerations (and thus alternative perspectives) are bound to be left out of the picture, resulting in behavior that follows a narrow script and which ultimately compromises moral sensitivity and decision-making. Werhane has demonstrated how such an account sheds light on standard examples such as the Ford Pinto case, the Challenger disaster, the WorldCom scandal, and others (Werhane 1999). The common denominator among these and similar cases is the fact that the individuals involved – those whose decisions made all the difference with respect to the outcomes – were unable to extract themselves from their individual mindset in order to evaluate its shortcomings and consider alternative frames of reference and, thus, other viable decisions. The missing ingredient was moral imagination.

Note that the emphasis here is on the ability to imaginatively envision alternative solutions to possible moral conflicts or dilemmas arising in a specific situation. Indeed, most accounts of moral imagination have implicitly or explicitly emphasized its role in generating individual moral judgments in the immediate decision-making environment (Vidaver-Cohen 1998; Werhane 1998, 1999; Moberg and Caldwell 2007; McVea 2009; Godwin 2012). While the strengths of this account should not be underestimated – it provides managers and executives (and, indeed, anyone with decision-making responsibilities) with a method for developing a deeper moral sensitivity which can become habitual with practice – Werhane herself has noted the limitations of the view, acknowledging that moral imagination is not only a function of the individual imagination but also operates at both an organizational and systemic level (Werhane 2002, 2008). On this view, moral imagination can contribute to a reconception of prevailing systems or institutions (e.g., a particular political economy) which themselves have incurred moral responsibility through no single individual's actions. In a similar vein, business ethicist Timothy Hargrave conceptualizes moral imagination as an activity involving multiple constituents whereby morally imaginative arrangements emerge through collective processes of deliberation and action (Hargrave 2009). Such an account emphasizes the social dimension of discerning possibilities for acting, thereby making it particularly well-suited for understanding contexts in which numerous actors with alternative and often contradictory moral viewpoints interact, with no one actor in control (Hargrave 2009, p. 90). The upshot is that moral imagination is both an individual cognitive and social dynamic process.

By expanding the concept of moral imagination beyond the immediate decision-making context, both of these accounts suggest an opening for an even wider conception. Leaders, of course, do a great deal more than adjudicate courses of action and make decisions; moral imagination can be brought bear on other important dimensions of the practice of leadership as well. As leadership scholar Joanne Ciulla has noted, "part of a leader's job is to help others imagine morally

better ways of living and doing things. ... without ... moral imagination, leaders cannot create visions, understand their moral obligation to others, or implement their beliefs and values in the ways that they lead and in the initiatives that they take for change and transformation" (Ciulla 2004, p. 1021). In this connection, we might consider the potential of moral imagination for helping business leaders develop a broader and deeper perspective on the purpose of business and the relation between business and society. Importantly, the adoption of a morally deeper and broader perspective can have a profound effect on an individual; lives often change dramatically as a result of a new way of conceiving one's relations with others and the world, especially when those others are acknowledged as living, breathing, human beings with aspirations of their own. Moral imagination places us squarely in the world of the feelings, emotions, and desires of those toward whom it is directed (Jacobs 1991). In so doing, it moves us in ways that have a direct bearing on the type of person we wish to be. Moral imagination, in other words, forces agents to reflect thoughtfully on themselves and on the ends they take to be worth pursuing; if exercised authentically, both may well stand in need of transformation.

Moral imagination, then, as a self-critical and reflective exercise, has a significant part in to play in the process of self-cultivation central to virtue ethics. This point, although not generally emphasized, is not entirely absent from the literature on moral imagination. Business ethicists Dennis Moberg and Mark Seabright, for example, highlight the role played by "possible moral selves" which are individuals' notions of who they could be as moral persons (Moberg and Seabright 2000, p. 868). In this connection, moral imagination serves to produce a certain picture of one's ideal self, which in turn creates intentions and nudges one toward its realization. In practice this is likely to mean identifying and acting on second-order desires that the agent recognizes as conducive to this newly conceived self and avoiding acting on competing desires. Because moral cultivation cannot occur in isolation from others, the development of empathy – an imaginative act through which one assumes the perspective of another – is an important part of this process, as it serves to expand the moral horizons of the individual beyond narrow self-serving desires and actions. Initial patterns of behavior resulting from deeper reflection, empathic development, and reorientation of desires eventually become the habitual dispositions characteristic of the future moral self as envisioned. This habituation, provided that it emerges from congruence between thought and action (i.e., it is effected willingly and with relish) and sound practical judgment (understood in this context as that which bears on moral ends, moral means, and human flourishing), is precisely what is meant by the exercise of the virtues.

The philosopher Mark Johnson notes that through the cultivation of moral imagination, "we will reflect and act differently, because we see the importance of moral perception and discernment, of imaginatively taking up the part of others, and of envisioning alternative possibilities for composing situations in ways that contribute to human flourishing" (Johnson 1993, p. 215), to which one might add "and to our own growth as moral agents." Through the exercise of the moral imagination, we come to recognize the limits we have placed on our convictions and commitments and to appreciate how they – and, in turn, we ourselves – might

be transformed. Such a reorientation holds important implications for business leadership, as we will see in the following section.

Ray Anderson: The Interface Story

In light of the above account, it is worth considering an example that illustrates the themes that have been addressed. Ray C. Anderson, the deceased founder and CEO of Interface Global, Inc., established his company in 1973 and grew it to be the world's leading carpet tile manufacturer, with over one billion dollars in annual sales by the early 1990s. His personal transformation from "radical industrialist" to champion of sustainable business practices has been well-documented in a number of publications. Through two decades of Interface's remarkable growth, as Anderson tells it,

> . . . it didn't bother me a bit that Interface consumed enough energy each year to light and heat a city. Or that we and our suppliers transformed more than a billion pounds of petroleum-derived raw materials into carpet tiles for offices and hospitals, airports and hotels, schools, universities, and stores all around the world. So what, if each day just one of my plants sent *six tons* of carpet trimmings to the landfill? What happened to it there? I had no idea. It was someone else's problem, not mine. . . . In fact, our belching smokestacks, our gushing effluent pipes, our mountains of waste (all completely legal), were tangible proof that business was good. They meant jobs. They meant orders coming in, products going out, and money in the bank. (Anderson 2009, p. 9)

One might say that while his business was indeed booming, any semblance of moral sensitivity on Anderson's part concerning its environmental impact was all but nonexistent.

In 1994, Anderson received a memo from a sales associate indicating that some customers had been inquiring about Interface's environmental policies. An environmental task force was convened, and Anderson was asked by one of his associates to share his environmental vision in a speech to launch the task force. "The trouble was," Anderson said, "I did not have an environmental vision . . . I had never given a thought to what I or my company was taking from the earth, or doing to it . . ." (Anderson 2009, p. 10). The only realistic response, for Anderson, was something to the effect that Interface was compliant with government regulations – knowing that this could hardly be considered an environmental vision of any substance.

In the weeks leading up to his speech, Anderson came across Paul Hawken's *Ecology of Commerce*, in which the environmentalist and entrepreneur argued that most of the world's most significant environmental problems were due in large part to the short-sighted practices of business and industry. The effect on Anderson was, as he tells it, like that of "a spear in the chest"; it was "an epiphany, a rude awakening, an eye-opening experience" (Anderson 2009, p. 13). He stood indicted as "a plunderer, a destroyer of the earth, a thief, stealing my own grandchildren's future" (Anderson 2009, p. 14), wondering about his legacy were he to carry on

with business as usual. Hawken went on to argue that while that business and industry was the primary agent of environmental degradation, it was also the institution pervasive and powerful enough to do something about it, starting with a reevaluation of its purposes. Anderson found the argument compelling enough:

> It was a vision that transcended compliance. It would be so much more than just a call to arms. It was a call to lead and a call to hope, loud and clear and powerful enough to energize a corporation and, with any luck, start a chain reaction through industry – not just ours, all of industry. A vision certainly big enough to give me a new purpose in life. (Anderson 2009, p. 15)

Anderson's self-described "epiphany" thus served as the trigger for an attunement to the moral dimensions of his enterprise that led to both a reorientation of his attitude to the ends of business and to a transformation of his company's practices aligned with the new vision.

In the wake of Anderson's experience, he and top management initiated a long-term plan to reduce waste and emissions, increase the use of renewable energy, implement closed-loop recycling, utilize resource-efficient transportation, and create employee "buy-in." This new business strategy – one that "connected profitability and the environment with a notion called doing well by doing good" (Anderson 2009, p. 246) – resulted, over the course of the next 23 years, in a number of impressive achievements: reduction of net greenhouse emissions by 71 % in absolute tons, sales increases of 60 %, increase of renewable energy use from zero to 28 %, and reduction of water intake per production unit by 72 %, among others (Anderson 2009, pp. 246–247). Whether or not Interface's goal of 100 % sustainability will be achieved by 2020 remains to be seen. But regardless of the outcome, the story is a compelling account of one business leader's moral transformation and reorientation toward a deeper understanding of the responsibilities of business leadership.

It is easy to dismiss the Anderson narrative as an entertaining and inspirational leadership account of little actual substance. After all, Anderson was no scholar and was unapologetic about his competitive spirit and motivation for increased profit, not to mention that slogans such as "doing good by doing well" are hardly the product of serious moral reflection. Nevertheless, assuming Anderson's sincerity, his transformation and intentional effort to address the environmental impact of his business is a representative case of leadership guided by moral imagination. First, a narrowly conceived view of the purpose of business ("money in the bank") and of his responsibilities as a business leader (waste was "somebody else's problem") was called into question by an account leading him to consider the implications of that mindset ("stealing my grandchildren's own future"); this resulted in a deepening sensitivity (concern for future generations, ecosystems, and Earth as a whole) and reflection on his self-concept ("What will my legacy be?"), which was found lacking. The end result was the adoption of an alternative mindset and an implementation of practices which, while costly and highly unlikely to have been contemplated in the past, became a natural extension of Anderson's newly

conceived view of himself and his role as business leader. Once the alternative conception of business and its attendant practices became integrated into Interface's mission and day-to-day operations, they became second-nature for the company in the manner that the exercise of the virtues results in a second-nature for the individual.

To sum up, an initial moral insensibility was shaken up by a personal experience which forced the reevaluation of an ingrained mindset. Anderson then chose to be motivated to achieve ends that he came to accept as more conducive to the purpose of business as revealed by the adoption of a morally broader and deeper conceptual framework; in so doing, he transformed his company into what many have considered a model "virtuous corporation." While it may well be that for every Ray Anderson there are any number of business leaders who show little concern for the impact of their practice on human flourishing, the Anderson story should serve as a testament to leadership informed by the exercise of the moral imagination and its bearing on excellence of character.

Conclusion

Virtue ethics' emphasis on excellence of character and moral self-cultivation provides valuable insight into the requirements of ethical business leadership. On this approach, the ethical management of business organizations is best served by leadership that has been motivated by the successful practice of moral habits and dispositions conducive to human flourishing. Moral imagination, although typically described as an ability uniquely suited to the immediate decision-making environment, is particularly valuable for its capacity to transform the way in which an agent views herself in relation to others and to the world, resulting in a considerable reorientation of values and desires toward the attainment of moral ends. When these new values and desires serve as motivators, the agent initiates patterns of habitual practice culminating in the exercise of the virtues.

The benefit of moral imagination lies precisely in its role as a catalyst for developing excellence in character, helping to orient the leader toward ends which are of value for human welfare and flourishing. In this connection, business leaders would be well served by the example of Ray Anderson.

References

Anderson RC (with White R) (2009) Confessions of a radical industrialist. New York: St. Martin's Press

Aristotle (1941) Nicomachean ethics. In: McKeon R (ed) The basic works of Aristotle. Random House, New York

Audi R (2012) Virtue ethics as a resource in business. Bus Ethics Q 22(2):273–291

Beabout G (2012) Management as a domain-relative practice that requires and develops practical wisdom. Bus Ethics Q 22(2):405–432

Blackburn M, McGhee P (2004) Talking virtue: professionalism in business and virtue ethics. Glob Virtue Ethics Rev 5(4):90–122

Bragues G (2008) The ancients against the moderns: focusing on the character of corporate leaders. J Bus Ethics 78:373–387

Cameron K (2011) Responsible leadership as virtuous leadership. J Bus Ethics 98:25–35

Ciulla JB (2004) Moral imagination. In: Goethals G, Sorenson GJ, MacGregor Burns J (eds) Encyclopedia of leadership. Sage, Thousand Oaks, pp 1019–1021

Dawson D, Bartholomew C (2003) Virtues, managers and business people: finding a place for MacIntyre in a business context. J Bus Ethics 48:127–138

Duska R (1997) The why's of business revisited. J Bus Ethics 16:1401–1409

Duska R, DesJardins J (2001) Aristotelian leadership and business ethics. Bus Prof Ethics J 20 (3/4):19–38

Flynn G (2008) The virtuous manager: a vision for leadership in business. In: Flynn G (ed) Leadership and business ethics, vol 25, Issues in business ethics. Springer, Dordrecht, pp 39–56

Gini A, Green R (2013) 10 virtues of outstanding leaders. Wiley, West Sussex

Godwin LN (2012) Examining the impact of moral imagination on organizational decision making (dissertation abstract). Bus Soc 20(10):1–25

Hargrave T (2009) Moral imagination, collective action, and the achievement of moral outcomes. Bus Ethics Q 19(1):87–104

Hursthouse R (1999) On virtue ethics. Oxford University Press, Oxford

Ivanhoe PJ, Van Norden BW (2003) Readings in classical chinese philosophy. Hackett Publishing, Indianapolis

Jacobs J (1991) Moral imagination, objectivity, and practical wisdom. Int Philos Q 31(1):23–37

Johnson M (1993) Moral imagination. University of Chicago Press, Chicago

McVea J (2009) A field study of entrepreneurial decision-making and moral imagination. J Bus Ethics 24:49–504

Melé D (2012) The firm as a "community of persons": a pillar of humanistic business ethos. J Bus Ethics 106:89–101

Moberg D, Caldwell D (2007) An exploratory investigation of the effect of ethical culture in activating moral imagination. J Bus Ethics 73:193–204

Moberg D, Seabright M (2000) The development of moral imagination. Bus Ethics Q 10 (4):845–884

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Moore G (2012) The virtue of governance, the governance of virtue. Bus Ethics Q 22(2):293–318

Moore G (2013) Re-imagining the morality of management: a modern virtue ethics approach. In: Harris H, Wijesinghe G, McKenzie S (eds) The heart of the good institution: virtue ethics as a framework for responsible management, vol 38, Issues in business ethics. Springer, Dordrecht

Neubert M, Carlson D, Michele Kacmar K, Roberts J, Chonko L (2009) The virtuous influence of ethical leadership behavior: evidence from the field. J Bus Ethics 90:157–170

Provis C (2010) Virtuous decision making for business ethics. J Bus Ethics 91:3–16

Sison AJG (2003) The moral capital of leadership: why virtue matters, New Horizons in leadership studies. Edward Elgar, Cheltenham

Sison AJG (2008) Virtue and leadership. In: Kolb R (ed) Encyclopedia of business ethics and society. Sage, Thousand Oaks

Sison AJG (2011) Aristotelian citizenship and corporate citizenship: who is a citizen of the corporate polis? J Bus Ethics 100:3–9

Solomon RC (1993) Ethics and excellence: cooperation and integrity in business. Oxford University Press, New York

Sosik J, Gentry W, Uk Chun J (2012) The value of virtue in the upper echelons: a multisource examination of executive character strengths and performance. Leadersh Q 23:367–382

Vidaver-Cohen D (1998) Moral imagination in organizational problem solving: an institutional perspective. Bus Ethics Q. The Ruffin series, Special issue no. 1:123–147

Werhane PH (1998) Moral imagination and the search for ethical decision-making in management. Bus Ethics Q. The Ruffin series, Special issue no. 1:75–98

Werhane PH (1999) Moral imagination and management decision making. Oxford University Press, New York

Werhane PH (2002) Moral imagination and systems thinking. J Bus Ethics 38:33–42

Werhane PH (2008) Mental models, moral imagination and system thinking in the age of globalization. J Bus Ethics 78:463–474

Whetstone JT (2001) How virtue fits within business ethics. J Bus Ethics 33:101–114

Whetstone JT (2003) The language of managerial excellence: virtues as understood and applied. J Bus Ethics 44:343–357

Yu J (2010) The ethics of confucius and Aristotle. Routledge, New York

Part XX

Virtues in Corporate Governance

The Model of the Honorable Merchant: Bridging Compliance and Integrity?

Thomas Hajduk and Christoph Schank

Contents

Abstract

Good corporate governance rests on two contrasting concepts: compliance and integrity. Whereas compliance relies on extrinsic sanctions and incentives, integrity calls for intrinsic virtues and moral self-governance. Integrity shows great potential to complement compliance but is an elusive concept and needs to be spelled out by concrete role models. The "honorable merchant" is an example of such a role model and has (re)gained much attention in German business over the last years. We use this example to show how integrity and a virtue ethics approach are implemented in practice. We also point out the weaknesses of the concept and corresponding challenges to integrity-based management. While role models like the "honorable merchant" can serve as moral orientation for some managers, they need to be reinforced by organizational structures and go hand in hand with elements of compliance like ethically imbued incentives.

T. Hajduk (✉) • C. Schank
Institute for Business Ethics, University of St. Gallen, St. Gallen, Switzerland
e-mail: thomas.hajduk@unisg.ch; christoph.schank@unisg.ch

Introduction: Corporate Governance Between Compliance and Integrity

Business scandals have always been times in which the legal and moral qualities of business were reconsidered. Especially crimes like the abstraction of funds, embezzlement, and corruption raise the question whether existing control instruments are sufficient or whether they have failed in practice. The general discussion on corporate governance can mislead to the assumption that these and related misconduct could be best solved by yet more rules, structure, and control. This overlooks the dramatis personae who, whether intended or not, are responsible for unethical behavior. Misbehavior may be indeed unintended because complex decision situations apparently require special capabilities to cope with them. It is no longer possible to equate good corporate governance with good rules. "The Enron debacle makes clear that a corporate code of behavior is only as good as the people charged with enforcing it and those who must demonstrate the importance of compliance by their example" (cited in Maak and Ulrich 2007, p. 232). Apart from creating structures, we need a stronger focus on the responsibility of the individual. The German Corporate Governance Code, a highly influential document in the German debate, comments on the responsibility of managers: "The Management Board is responsible for independently managing the enterprise in the interest of the enterprise, thus taking into account the interests of the shareholders, its employees and other stakeholders, with the objective of sustainable creation of value" (DCGK 2014, p. 6). Managers are expected to do more than to comply with existing rules. The inclusion of external stakeholders without economic power and sustainable supply chains are deemed particularly important in this regard. This requires a type of manager who is capable of thinking beyond compliance and leading the enterprise by personal integrity. There is reason to believe that such a type can be (re-) discovered in the European role model of the "honorable merchant."

In this chapter we will contrast the compliance approach with the integrity approach and argue that good corporate governance can only result from their interplay. It will become evident that the integrity approach shows greater potential but is also more challenging. Hence, a set of personal competencies and ethical orientations is needed to make integer management possible. We will discuss to which extent the "honorable merchant" can meet these requirements.

The Potential and Limitations of an Integrity-Based Management Approach

Max H. Bazerman and Ann E. Tenbrunsel drew worrying conclusions in their article "Ethical Breakdowns: Good People often Let Bad Things Happen. Why?" (2011). Even large investments in a company's ethical infrastructure apparently cannot avoid unethical behavior. The authors observe a rise in unethical behavior despite all the efforts and money that have gone toward improving the ethical

performance of the company through code of conducts, ethical trainings, ethics officers, etc. as well as through the laws and regulations that have been enacted. However, this is a strong emphasis on compliance, which is just one of two general approaches of avoiding unethical behavior. The other one is integrity, and both compliance and integrity are considered vital for ensuring ethical behavior within and by companies.

In her much cited 1994 article, Lynn S. Paine introduced the two terms into the broader business ethics debate. In short, a compliance-based approach aims "to prevent, detect, and punish legal violations" (Paine 1994, p. 106). It is based on a pessimistic image of man and relies on extrinsic incentives, trainings, and sanctions (cf. McKendall et al. 2002). The legal framework and the demands of influential key stakeholders motivate this approach. Corresponding compliance-based programs limit managers' and employees' scope of action which could be otherwise abused for unethical behavior. A rigidly implemented compliance approach with sanctions is tempting for some companies: it promises protection against unethical behavior, boils down the question of corporate responsibility to the rather simple compliance with laws and regulations, and by its mere existence eases the (external) pressure to develop integrity measures (cf. Roberts 2009). In contrast, the integrity-based approach to business ethics relies on the employees' and managers' moral self-governance and moral autonomy and encourages them to make decisions even in difficult situations. This approach requires managerial responsibility beyond the legal framework as well as proactive and open interaction with stakeholder demands.

However, the focus on integrity also causes more complexity and thus more problems, since integrity-based management is deeper, broader, more demanding, and generally more holistic than its compliance-based counterpart (cf. Rasche and Esser 2007, p. 112). Integrity appeals to individual capacity and eagerness to engage in discourse, which is demanding especially on the level of the top management. Moreover, it postulates ethical orientations even in complex environments. The particular challenge of the integrity-based approach is the lack of externally imposed standards of behavior or rules, on which compliance-based management is built. Integrity is necessary though and shows its full strength in gray zones and dilemma situations, which due to their nature cannot be solved by legal regulation but only by individuals and their conscience. In this case, respect for laws and regulations is no longer an imposed consensus but a basic condition for thinking beyond legal duties. Integrity-based management does not only avoid bad practice; it explores actively opportunities for good practice and moral innovation. In other words, integrity seeks "to define and give life to an organisation's guiding values, to create an environment that supports ethically sound behavior, and to instil a sense of shared accountability among employees" (Paine 1994, p. 111). Whereas compliance remains reactive and defensive, integrity pursues new solutions for current and future problems. This also means that integrity-based management chooses freely to recognize the legitimate demands of external and internal stakeholders and to translate them into prudent, socially legitimated management practices.

Compliance in the form of clear and unnegotiable rules for business remains a sine qua non, but in a complex, global economy it is no longer sufficient. Integrity offers greater potential but is vague in its concrete implementation. In their article cited above, Bazerman and Tenbrunsel (2011, p. 65) came to the following conclusion: "Avoid 'forcing' ethics through surveillance and sanctioning systems. Instead ensure that managers and employees are aware of the biases that can lead to unethical behavior. [...] And encourage your staff to ask this important question when considering various options: 'What ethical implications might arise from this decision?'" These are considerable demands on managers. It seems that a new type of manager with a sense of responsibility, moral reasoning, and moral courage is needed. The (re)discovery of the "honorable merchant" can be a starting point in this endeavor.

The Honorable Merchant: An Example of Modern Virtue Ethics

Calls for responsible business leaders have been raised in many Western countries over the last years, not least in response to serious failures in corporate governance before and during the financial crisis. Such unethical behavior at the corporate level can be explained by the asymmetrical relations between principals and agents (cf. Brink 2015, "▶ Virtues, Principals, and Agents," in this volume). In this line of argumentation, executives are described as mere employees without a sense of genuine responsibility for their company. They are contrasted with entrepreneurs and family-owned firms in which there is no difference between principal and agent. Such businessmen and women in turn are praised for their long-term view and their strong personal ethics, especially when they act as (strategic) philanthropists like Warren Buffet, Bill Gates, or Ratan Tata. This view is not confined to "great men" but also includes millions of small- and medium-sized enterprises which are usually owned by individuals rather than by shareholders.

The idea of responsible business people and responsible leadership is not new and can be found in the early business ethics debate in the United States. Howard R. Bowen's pioneering work on the *Social Responsibilities of the Businessman* understood social responsibilities as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen 1953, p. 6). Some 55 years later Bowen's idea of individual business ethics still seems relevant. The ethical quality of leadership is discussed against the backdrop of a modern business environment (cf. Maak and Pless 2006), and initiatives to strengthen the ethics of managers are blooming. Harvard Business School is a notable example. In 2008 MBA students reacted to public criticism concerning the behavior of managers in the financial crisis and drafted the MBA Oath which was first taken by graduates in 2009. The oath is modeled after the Hippocratic Oath and is meant to both strengthen the MBA profession and lending it credibility by restating the prospective managers' role in society and their professional duties.

Among other things, oath takers swear that their "behavior must set an example of integrity" (http://mbaoath.org/about/the-mba-oath/).

However, it is Germany where the initiatives concerning individual business ethics have resurged most visibly in the last few years. Both in practice and academic discourse, the "honorable merchant" or "Ehrbarer Kaufmann" is advocated as a remedy to the vices in modern business. It is an umbrella term to describe ethical principles and virtues deemed necessary for responsible business conduct as well as examples of actual virtuous and respectable behavior by business people. It is a historical notion and dates back to merchants in the Late Middle Ages in Italy and the Hanseatic League who had developed their own professional norms and legal system (the "lex mercatoria"). The "honorable merchant" has a certain ring to it because it is reminiscent of a time in which heroic merchants were discovering and in fact globalizing the world, while noblemen and clergy maintained their ancient regime. What is more important today is the special tradition of family-owned businesses in the German economy. The very term *mittelstand* has become a loanword in English and other languages (cf. Hauser 2005, p. 50 f.). *Mittelstand* companies are not compared to large companies and not analyzed in terms of performance indicators and quarterly or annual reports but are seen as firms with a distinct quality thanks to the central role of their founders and owners. Correspondingly the literature focuses on such aspects as the multidimensional objectives of the enterprise and the relevance of personal relations in markets (cf. Wegmann 2006, p. 18 f.). These circumstances pave the way for a concept like the "honorable merchant," which explicitly refers to actual individuals and their virtues rather than the abstract and artificial idea of a hyperrational profit maximizer.

This is the reason why German business is still advocating the tradition of the "honorable merchant" today. For example, the statute of the "Gathering of an Honorable Merchant in Hamburg," a business association that was established over 500 years ago, asks its 1000 members to respect within "legal boundaries the ethical customs and the principle of bona fide" and to abstain from all "action which does not advance trust in commerce" (VEEK 2001, article 2.IV (our translation, original in German)). Another example is to be found in the chambers of commerce and industry and their numerous regional initiatives to promote the role model of the "honorable merchant." By their statute, they call at their members to "preserve the decency of the honorable merchant" (cf. art. 1, para. 1 Chamber of Commerce and Industry Law).

These practical references to the "honorable merchant" have been taken up by scholars who argue for individual business ethics in lieu of corporate social responsibility or institutional business ethics (cf. Klink 2008; Wegmann et al. 2009; Schwalbach and Klink 2012; Brink 2013; Raatzsch 2013). Borrowing from traditional accounts and lists compiled and published by chambers of industry and commerce, they ascribe virtues like diligence, honesty, reliability, and fairness to the "honorable merchant." The handshake by which contracts are ostensibly sealed is a typical metaphor for this virtuous character. In the more refined "responsibility model of the honorable merchant," there is a distinction between different levels of responsibility or the narrow and the broad concept of the "honorable

merchant" (cf. Schwalbach and Klink 2012, p. 23 ff.). The narrow concept concerns the individual itself and includes a humanistic education, management expertise, and economic virtues like integrity, frugality, a long-term perspective, honesty, and diligence. The broader concept describes responsibilities toward the social and natural environment, including employees, competitors, investors, clients, the community, and nature. Respectability is a key motivation for "honorable merchants" because historically their business depended on their good reputation among peers. Reputation remains an important element in the model, as Brink (2013, p. 4) points out when he distinguishes between inner and outer respectability; inner respectability equals the personal conscience, whereas outer respectability refers to the respect by society.

Inspired by the training of merchants in the past, some scholars argue for including the principles of the "honorable merchant" in management studies (cf. Schwalbach and Klink 2012, p. 234). Provided management students are educated in the spirit of the "honorable merchant" within the core curricula, they deem additional courses on business ethics neither necessary nor desirable; economic education and training would be automatically imbued with ethics (cf. Albach 2005). In this light, "the honorable merchant needs no code of good corporate governance" (Albach 2003, p. 40). Instead of the institutional sticks and carrots of a compliance-based approach, honorable merchants would know for themselves which behavior is compatible with their integrity.

Opportunities and Limits of the Honorable Merchant: Beyond a Great Men Theory

The "honorable merchant" has the merit of providing a concrete model for an integrity-based management to which decision-makers can resort. References to conscience, virtue, or the moral capability of the individual thus become more tangible. However, the ideal of the "honorable merchant" suffers from some shortcomings which shed light on the challenges of an integrity-based approach to management. We will elaborate three of them.

First, we have doubts about the moral quality of the virtues in question. The "honorable merchant" seems to be rooted less in virtue ethics than its promoters assert. The "honorable merchant" does not behave virtuously for altruistic reasons or the inherent value of the virtues in question but for the sake of his personal honor. Honor, or in a more modern language reputation, makes the "honorable merchant" behave virtuously or respectably. The merchant's honorable behavior could be simply called reputation management or good business conduct. Moreover, the "honorable merchant's" virtues are not the cardinal virtues (justice, moderation, bravery, and wisdom) or the primary virtues of a (republican) conscientious citizen. They are (secondary) business virtues first and foremost, virtues that are instrumental to the "honorable merchant." Therefore, the "honorable merchant" is a liberal "bourgeois" more than a republican "citoyen" (cf. Beschorner and Schank

2012, p. 156 ff.). The moral framework the model offers is no longer sufficient in a modern business environment.

The second problem with the "honorable merchant" is its scope of application or the focus on entrepreneurs or, more generally, business people who trade on their account. This has two problematic implications. The first is that it creates a two-tier society within the enterprise. On the one hand, we have the proprietors and owners who risk their capital and reputation; they are the "honorable merchants." On the other hand, there are salaried managers, professionals, and workers who are not subject to this ethos. The concept therefore needs to be extended to all those who participate in the company's value creation. The other difficult implication concerns the conception of the founder or owner; he is concerned about his reputation vis-à-vis others but assumed to be an "enlightened patriarch" (Simon 1990, p. 875). A business leader who enjoys this kind of independence is likely to be less inclined to take into account the legitimate demands of stakeholder groups. The need for external legitimacy through a critical public runs risk to be replaced by a responsibility guided only by personal conscience.

Third, there is a tendency among academic advocates and practitioners of the "honorable merchant" to claim that the model is enough in terms of business if it were taught in vocational and academic training (cf. Albach 2005). With its strong emphasis on the individual, this argument can ethically overburden future managers and fails to see (and teach) the organizational level of good corporate governance. Personal integrity is only a basic condition for organizational integrity, which "goes beyond managerial integrity and is more than the presence of individuals with good characters within the organization. Having 'good' managers is certainly a precondition for organizational integrity, but it does not prevent organizations from obtaining bad ethical results" (Palazzo 2007, p. 113).

Conclusion

To conclude, integrity is an essential complement to compliance. At the same time, enterprises need a moral foundation in the form of institutions instead of mere personal virtues. Long-term organizational integrity can only be achieved by a "discursive infrastructure" (Maak and Ulrich 2007, p. 254), which allows for ethical reflection in decision-making processes and for incentives and leadership systems based on ethical criteria. Responsible business needs both, integer personalities and robust structures, which together set the conditions under which ethical behavior is possible. The "honorable merchant" can serve as a personal leitmotif for the former but cannot replace the latter.

References

Albach H (2003) Zurück zum ehrbaren Kaufmann – Zur Ökonomie der Habgier. WZB-Mitteilungen 100:37–40

Albach H (2005) Betriebswirtschaftslehre ohne Unternehmensethik! Z Betriebswirt 75(9): 809–831

Bazerman MH, Tenbrunsel AE (2011) Ethical breakdowns: good people often let bad things happen. Why? Harv Bus Rev 89(4):58–65

Beschorner T, Schank C (2012) CSR – zur Bürgerrolle und Verantwortung von Unternehmen. In: Schneider A, Schmidpeter R (eds) Corporate Social Responsibility – Verantwortungsvolle Unternehmensführung in Theorie und Praxis. Springer, Berlin, pp 155–164

Bowen HR (1953) Social responsibilities of the businessman. Harper, New York

Brink A (2013) Die Wiedergeburt des Ehrbaren Kaufmanns. Forum Wirtschaftsethik Online 21(2):2–7

Deutscher Corporate Governance Kodex (DCGK) (2014) German Corporate Governance Code, as amended on June 24, 2014. Link: http://www.dcgk.de//files/dcgk/usercontent/en/download/code/E-CorpGov_2014.pdf. Last accessed 23 Dec 2014

Hauser H-E (2005) The European Commission recommendation on small and middle enterprises – impacts of the correct application of a rigid definition. In: Bonn IM (ed) Jahrbuch zur Mittelstandsforschung 1/2005. Springer, Wiesbaden, pp 47–66

Klink D (2008) Der Ehrbare Kaufmann – Das ursprüngliche Leitbild der Betriebswirtschaftslehre und individuelle Grundlage für die CSR-Forschung. Z Betriebswirt 78(3):57–79

Maak T, Pless NM (2006) Responsible leadership in a stakeholder society – a relational perspective. J Bus Ethics 66(1):99–115

Maak T, Ulrich P (2007) Integre Unternehmensführung. Ethisches Orientierungswissen für die Wirtschaftspraxis. Schäffer Poeschel, Stuttgart

McKendall M, DeMarr B, Jones-Rikkers C (2002) Ethical compliance programs and corporate illegality: testing the assumptions of the corporate sentencing guidelines. J Bus Ethics 37(4): 367–383

Paine LS (1994) Managing for organizational integrity. Harv Bus Rev 72(2):106–117

Palazzo G (2007) Organizational integrity. Understanding the dimensions of ethical and unethical behavior in corporations. In: Zimmerli WC, Richter K, Holzinger M (eds) Corporate ethics and corporate governance. Springer, Hamburg, pp 113–128

Raatzsch R (2013) Ehrbare Kaufleute. Eine philosophische Betrachtung. Springer, Wiesbaden

Rasche A, Esser DE (2007) Managing for compliance and integrity in practice. In: Carter C, Clegg S, Kornberger M, Laske S, Messner M (eds) Business ethics as practice: representation, reflexivity and performance. Edward Elgar, Northhampton, pp 107–127

Roberts R (2009) The rise of compliance-based ethics management: implications for organizational ethics. Public Integrity 11(3):261–277

Schwalbach J, Klink (2012) Der Ehrbare Kaufmann als individuelle Verantwortungskategorie der CSR-Forschung. In: Schneider A, Schmidpeter R (eds) Corporate Social Responsibility – Verantwortungsvolle Unternehmensführung in Theorie und Praxis. Springer, Berlin, pp 219–240

Simon H (1990) "Hidden Champions": Speerspitze der deutschen Wirtschaft. Z Betriebswirt 60(9):875–890

Wegmann J (2006) Betriebswirtschaftslehre mittelständischer Unternehmen. Oldenbourg Wissenschaftsverlag, München/Wien

Wegmann J, Zeibig D, Zielkens H (2009) Der ehrbare Kaufmann. Leistungsfaktor Vertrauen – Kostenfaktor Misstrauen. Bank-Verlag Medien, Cologne

Virtues, Compliance, and Integrity: A Corporate Governance Perspective

Surendra Arjoon

Contents

Abstract

Each succeeding wave of corporate scandal requires unique legislative regulatory reform associated with significant and increasing expenditure. This reflects a failure in the approach to effective corporate governance which was originally designed to protect investors and promote market integrity for business success, for encouraging long-term economic growth, to foster public confidence through developing trust and integrity, and to control and distribute power. Several factors have contributed to this including the dominance of the narrowly defined shareholder-wealth maximization approach which encourages toxic organizational cultures. The continued focus on legal compliance through regulatory and institutional reform cannot ensure justice and inspire organizational excellence. An ethics of virtue promotes and builds integrity capacity in recognizing that those whose business it is to govern ought to aspire toward becoming virtuous.

S. Arjoon (✉)
Department of Management Studies/Arthur Lok Jack Graduate School of Business,
The University of the West Indies, St Augustine Campus, Trinidad
e-mail: surendra.arjoon@sta.uwi.edu

Introduction

Laufer (2006) observes that each corporate scandal appears unprecedented and of historic scale, each requires a unique legislature or regulatory reform, and that the tale of corporate governance reform has been marked by increasingly significant expenditures in corporate compliance leading up to a wave of corporate frauds that have been accompanied by skepticism and pessimism because: corporate power and top management control of the governance process remains dominant relative to other stakeholders, there is a distinct absence of metrics to evaluate the effectiveness of corporate compliance with law, regulators and prosecutors rely on limited and elementary constructions of corporate deviance, the attribution of corporate criminal liability makes it difficult to know what conduct can be construed as civil or criminal, politicized prosecutions undermine deterrence and the lessons learned from criminal law, and the commitment of corporations to virtue remains suspicious. Effective corporate governance was originally designed to protect investors and promote market integrity for business success, for encouraging long-term economic growth, to foster public confidence through developing trust and integrity, and to control and distribute power. The scope and complexity of corporate governance mechanisms have been steadily increasing over the past decade and include issues such as risk management, the role of government including its role in dealing with systemic risk, executive compensation, proposals to improve the professionalism and diligence of boards and board committees, shareholders' activism including shareholder proxy access and broker discretionary votes, disclosures, short-termism, the role of fund managers, etc. More recently, approaches to corporate governance have recognized the need and critical role of ethics in restoring confidence in the fairness and integrity of markets in recognizing the deficiencies. Othman and Rahman (2011) investigate the various ways to embed ethics in promoting morality in corporate governance practices among corporations and found that ethical principles, position, and structures are the three main elements of ethics that emerged that drive corporations toward inclusive governance practices. These motivate accountability, responsiveness, responsibility, and transparency in the practice of good governance.

Corporate Governance: An Ethical Perspective

The narrowly defined shareholder-wealth maximization approach has dominated the corporate governance literature and suffers from several deficiencies: it deflects attention from ethical issues and concerns for values; it encourages behaviors and

decisions that are in conflict with several *prima facie* duties such as reparation, beneficence, and nonmaleficence; it is morally untenable since economic and legal considerations do not always resolve ethical questions, and consideration of stakeholders with their different objectives; its unrealistic *homo economicus* assumptions that promote the individual entity as self-interested utility-maximizers which are at the basis of agency theory; its focus on economic motives that fail to provide an environment which allows employees the opportunity to express their individual freedom and so curtails their ability to innovate; and it imposes a separation of the goods among individuals, organizations, and society and therefore further exacerbates the dissonance among these stakeholders (cf. Post 2003; Weymes 2005; Alpaslan 2009).

Recently, there has been strong advocacy for the stakeholder approach to corporate governance given its wider and more relevant scope that explicitly incorporates more of the ethical dimensions: it is generally in agreement with the *principle of fairness* (it includes any group or individuals who can affect or is affected by the corporation), it incorporates *noninstrumental ethics* (ethical customs should dominate when there is a conflict with the shareholder model), it explicitly recognizes that the firm has multiple objectives, it recognizes that firms engage in proactive and accommodating crisis management behaviors even if they do not maximize shareholder value, while the shareholder model treats the legal rules and ethical customs as external constraints to the shareholder value maximization objective, the stakeholder model includes these in the stakeholder loss minimization objective (incorporates lower profit expectations for other objectives). Of course it is not always the case that stakeholder approach to corporate governance is always superior to its shareholder counterpart as noted by Hansmann and Kraakman (2001) who point out that the *labor-oriented* (e.g., collective bargaining through unions as in the case of Germany) and the *state-oriented models* (e.g., where the state has direct input as in the case of Japan and France) proved inferior.

Further, emerging business paradigms are now being viewed as an integral part of social life that allows one to live a complete and good life, and so incorporate ethics as a directing action that seeks to achieve the goods that concretely shape the organizations. Consequently, there has been increasing emphasis on fostering professional and ethical behavior at all levels, developing a culture that draws the best out of people and so promote their development, individual and corporate virtue (including social responsibility, sustainability issues, decision rights, etc.), and the common good (for example, stakeholders' interests). The key elements in corporate governance involve setting the right objectives and attaining them by the efficient use of resources within the context of an ethical framework. The *tone at the top* has also emerged as critical issues to address in promoting an effective organizational culture and good governance. In particular, the assessment of leadership has been the focus of much research. Gandz et al. (2013) identify three essential ingredients for effective leadership: *competencies* (knowledge, skills, understanding, judgment, etc.), *commitment* (engaged with others in fulfilling the organizational mission, achieving the vision, delivering on the goals, etc.), and *character* (traits, values, etc.). Central to these three components is the

development of the virtues (both individual and corporate) which has now occupied a defining role in the practice of good governance.

Failures of corporate governance systems can be understood or applied at three different levels: (1) *rotten apple* (this occurs when the individual succumbs to the temptations inherent in the workplace), (2) *rotten barrel* (this describes the work environment and organizational culture which provide opportunities for deviant behavior), and (3) *rotten core* (this relates to the ethicality of the socio-economic-political or ideological system of governance). The framework for analyzing the causes of failure can also be understood at corresponding levels of corporate governance (cf. Niederkohr and Ikeda 2005): e*xternal governance* (this deals with the rotten core aspects and addresses the issues that financial institutions face in the marketplace), *internal governance* (this deals with the rotten barrel aspects and addresses responsibilities and accountability of the firm), and *individual governance* (this deals with the rotten apple aspects and ensures that individuals are able to fulfill the obligations of both internal and external governance).

Recent corporate governance initiatives have focused on both external and internal governance, but the debate on corporate governance arrangements has overlooked or largely ignored governance at the individual level (especially with respect to ethical decision-making and the development of the virtues). Corporate governance arrangements have traditionally focused on external issues and address symptomatic features. Historically, Pinckaers (2001) observes out that such arrangements have their roots in fourteenth-century concept of *nominalism* or the morality of obligations which focused on the relationship freedom and law. This resulted in moralities of obligation, duty, and moral imperatives (that is, *freedom of indifference)* which took priority over virtue and happiness (that is, *freedom for excellence*). The main questions therefore to be considered are: *Can one be moral without renouncing happiness? Can one be happy without transgressing moral?*

One can also make a distinction between the *art* of good governance (emphasizes ethics as the *form* or the human side of governance reflected in equity or the spirit of the law) from the *science* (emphasizes legal compliance or the letter of the law as the *matter* or structure) in linking regulations with happiness. The latter involves a set of relationships between a company's management, its board, its shareholder, and other stakeholders and provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance (OECD). The former lies in making different forms function effective and requires leadership, judgment, teamwork, service, and collaboration – in other words, the development of the *virtues*. This human side of governance represents a shift from the "hardware" of governance (structure and processes) to the "software" (character, leadership skills, values, culture) and can be engaged through the following questions: How does the board engage and challenge management? How does the board support management in overcoming key difficulties? Are interactions open and transparent? Does management help the board understand the real issues? What is the attitude of the CEO toward the board? Is the relationship between the Chair and the CEO a constructive one? Are the issues presented to the board in a way that is amenable to the application of business

judgment? What are underlying organizational culture and values that drive behavior? How can a desired culture best be supported?

Virtue and Corporate Governance

While effective corporate governance regulations and oversight are necessary for the proper functioning of capital markets, without virtue, even the best laws and regulations can easily be abused or manipulated (cf. Wegemer 1998). Some have argued that institutional arrangements are adequate in effectively addressing inadequacies in the market including individual behavior. For example, Hobbes is of the view that institutional arrangement (social rules and contracts) can coerce behavior while Marx would view such arrangements (economic structure and history) as the determinant of social relations and behavior accomplished through the struggle between the working class and the social order of the bourgeois society. However, institutional arrangements can never be a substitute for personal virtue for safeguarding the common good. Laws and regulations could never be sufficient to ensure justice; they require the virtuous agent to transmit the spirit of the law. This is to be understood as to be what is intended by the law which includes not only external action but also internal dispositions and attitude in promoting the common good. Legal compliance mechanisms tend to promote a rules-based approach which corresponds to the letter of the law which may not necessarily inspire or instill excellence, whereas ethical compliance mechanisms promote a principles-based approach which corresponds to the spirit of the law and inspires an ethics of happiness and virtue. Hall (1990) notes that the law serves to enforce a minimal obedience from the vicious and that when real virtue is achieved, the law becomes obsolete or unnecessary. To govern others justly, one must first govern oneself. This is the urgent and difficult task that is the essential goal of education in the virtues which requires the development of knowledge of what is true and right (the role of the intellectual virtues) and to use one's freedom in the pursuit of the good (the role of the moral virtues). Ethical transgressions can be traced to the separation of truth from freedom as reflected in the disordered relationship between intellect and will; this represents the human ecological phenomenon of *toxic pollution of the human spirit* or *spiritual toxicity*. If this is not urgently addressed, there will more likely be other financial crises: regulatory and structural reforms require a laborious struggle to acquire knowledge of the good and virtue (at least by those who govern) to build an ethical culture. In defining an ethical organizational system, it first requires *good human beings* (ethical behavior) who promote *good governance* (ethical culture) which in turn reinforces *good human beings*.

Ideally, according to Hutton (2006), it is the virtuous agents who would establish the social structures and culture: "if there are people who do have robust character traits and are resistant to situational variation, they can design and reliably maintain the broad range of institutions and situations that facilitate good behavior for everyone else" (p. 50). Of course, it is better that all agents aspire to virtue whether or not they hold leadership positions. Merritt (2009) advises that those who do hold

such positions could be given to understand that their institutional roles carry an extra burden of responsibility to strive for virtue, commensurate with the importance of their influence on situational settings that guide the behavior of others who are subject to their authority. This notion is well captured with the Latin saying: *corruptio optima pessima* – the corruption of the best is the worst of all. However, if virtuous agents are so rare (as pointed out by the literature on virtue ethics-situation debate) and are also prone to be influenced by morally arbitrary factors, then the governance structure ought not to be left to personal resolve. These views are consistent with the research findings that the *tone at the top* is critical in transmitting the importance of a strong ethical organizational culture that promotes an effective corporate governance culture of trust, integrity, and honesty. It is therefore important to recognize that those whose business it is to govern aspire toward becoming virtuous, and that mechanisms be put in place to facilitate this process of choosing and developing such agents who have the requisite dispositions.

Integrity Versus Compliance

Generally, research has tended to neglect the ethical dimension of corporate governance practices although more recent research on ethics and integrity in governance continues to gain attention and covers ethical decision-making and moral development, laws and regulatory agencies, organizational performance, ethics management, and the ethical environment (cf. Menzel 2005). The literature on integrity has been linked to promotion of trust, organizational citizenship behavior, and organizational performance. Ethics codes and training programs, as well as other demonstrations of corporate leadership suggest that command and control strategies are no match for self-regulation or less formal styles of cooperative regulation (cf. Ayre and Braithwaite 1992). Laufer (2006) observes that much research concludes that compliance expenditures are generally independent of the corporate ethics, integrity, and law abidance. Heineman (2013) strongly advocates that *integrity* is a more robust concept than compliance as performance with integrity creates the fundamental trust that is essential for sustainability of a strong business and flows outward from the CEO, not as an add-on but as a core responsibility. In particular, it avoids or minimizes risks-loss (legal actions, loss of market capitalization and top management, etc.) and creates benefits in the company (high standards and morale in the company and sound relations with stakeholders).

Integrity includes adherence to the spirit and letter of formal legal and financial rules and regulations including the adoption of ethical standards beyond the formal rules (in other words, it incorporates legal and ethical compliance). The concept of integrity has been used in different fields (management, applied psychology, business ethics and leadership theory) and so conveys different understanding. Palanski et al. (2010) note that it includes wholeness, authenticity, consistency between words and actions, and moral/ethical behavior. Palanski and Yammarino (2007) proposed that integrity should be considered as a virtue within the framework of moral philosophy as a way to resolve misunderstandings and differences of

opinion. A distinction can also be made between integrity at an individual level (behavioral integrity) and group level (team integrity) which are captured by the notion of *integrity capacity* which refers to the quality of self-governance at the individual and group levels. Petrick and Quinn (2001) define integrity capacity as a strategic asset which provides the individual or collective capability for repeated process alignment of moral awareness, deliberation, character and conduct that demonstrates balanced judgment, enhances sustained moral development, and promotes supportive systems for moral decision-making. Trevinyo-Rodriguez (2007) concludes that there is a clear need for an organized multileveled framework that clarifies the scope and perspective in which the term "integrity" is being used. She argues that by placing organizational and personal (and professional) integrity in the moral context (in particular, in the context of virtue) could give managers a framework that bridges the personality psychology and the ethical realms for articulating the subtle aspects of organizational life which have direct impact on profitability and sustainability.

Conclusion

The scope and complexity of corporate governance mechanisms have been steadily increasing over the past decade. Although effective corporate governance was originally designed to protect investors and promote market integrity for business success, compliance expenditures are generally independent of the corporate ethics, integrity, and law abidance. More recently, approaches to corporate governance have recognized the need and critical role of ethics in restoring confidence in the fairness and integrity of markets in recognizing the deficiencies in motivating accountability, responsiveness, responsibility, and transparency in the practice of good governance. Individual and corporate virtue provide the basis for developing integrity capacity (including compliance and self-regulation) for good governance practice which can have direct impact on profitability and sustainability.

References

Alpaslan C (2009) Ethical management of crises: shareholder value maximisation or stakeholder loss minisation? J Corpor Citizenship 36:41–50

Ayre J, Braithwaite J (1992) Responsive regulation: transcending the deregulation debate. Oxford University Press, Oxford

Gandz J, Crossan M, Seijts G, Reno M (2013) Leadership, character and corporate governance. Director 167:15–21

Hall P (1990) Goerner on thomistic natural law. Polit Theory 18(4):638–649

Hansmann H, Kraakman R (2001) The end of history for corporate law. Georgetown Law J 89:439–468

Heineman B (2013) Only the right CEO can create a culture of integrity. http://blogs.law.harvard.edu. Accessed 06 June 2013

Hutton E (2006) Character, situationism, and early confucian thought. Philos Stud 127:37–58

Laufer W (2006) Illusions of compliance and governance. Corp Gov 6(3):239–249

Menzel D (2005) Research on ethics and integrity in governance: a review and assessment. Public Integrity 7(2):147–168

Merritt M (2009) Aristotelian virtue and the interpersonal aspect of ethical character. J Moral Philos 6:23–49

Niederkohr K, Ikeda J (2005) Credit Union Governance. White Paper World Council of Credit Unions

Othman Z, Rahman R (2011) Exploration of ethics as moral substance in the context of corporate governance. Asian Soc Sci 7(8):173–182

Palanski M, Yammarino F (2007) Integrity and leadership: clearing the conceptual confusion. Eur Manag J 25:171–184

Palanski M, Kahai S, Yammarino F (2010) Team virtues and performance: an examination of transparency, behavioral integrity, and trust. J Bus Ethics 99:201–216

Petrick J, Quinn J (2001) Integrity capacity as a strategic asset in achieving organizational excellence. Meas Bus Excell 5(1):24–30

Pinckaers S (2001) Morality: a catholic view. St Augustine Press, Indiana

Post F (2003) A response to the social responsibility of corporate management: a classical critique. Am J Bus 18(1):25–36

Trevinyo-Rodriguez R (2007) Integrity: a systems theory classification. J Manag Hist 13(1):74–93

Wegemer G (1998) Thomas more on statemanship. The Catholic University of American Press, Washington, DC

Weymes E (2005) Organizations which make a difference: a philosophical argument for the "people focused organization". Corp Gov 5(2):142–158

Virtues, Principals, and Agents

Alexander Brink

Contents

Abstract

Virtues play an increasingly important role in management science which is substantially shaped by corporate governance theory. Based on the principal-agent model – the academic core of corporate governance – virtues can, basically, be connected with both the principal (*virtues of the principal*) and/or the agent (*virtues of the agent*). Furthermore, virtues can be merged with the supervisory board as a kind of second level agent who governs the management in the interest of the principal (*virtues of the second level agent*). Section "Virtues at the Individual Level: Three Loci of Principal Agent Relationships" addresses these three loci of virtues in corporate governance relationships at the *individual level*. In the following two chapters and on the *corporate level*, an adaption – with some theoretical deviation from the traditional understanding of shareholder value maximization – is presented by omitting an assumption, respectively. First, one can disregard the standard economic theory assumption, in which only the shareholder holds the role of a principal. Hill and Jones suggest an agency theory which is based on multiple principal-agent relations in sections

A. Brink (✉)
Institute of Philosophy, University of Bayreuth, Bayreuth, Germany
e-mail: alexander.brink@uni-bayreuth.de

"Virtues and Stakeholder Agency Relationship". Second, one can refrain from the assumption that virtues are connected with real persons. By reconstructing the organization as a legal entity (not as a person) with its own intention (French) and its own character (Wieland) or even as a hybrid type of organization (Boatright), virtues have various meanings in sections "Virtues and Corporations as Legal Entities" and "Virtues of Corporations and For-Profit Social Enterprises". The contribution at hand finalizes with a conclusion and some challenges in section "Conclusion".

Introduction

Corporate governance has evolved as the dominant paradigm of management science. It has enjoyed a long tradition since the 1990s (cf. Brink 2009). Following its fundamental understanding, corporate governance is defined as the leadership and control of a firm with the aim of securing the long-term survival and viability of that firm (cf. Shleifer and Vishny 1997, p. 462). However, recent individual misbehavior and corporate malpractice as well as the financial and banking crisis have all fueled interest in the ethical aspects of corporate governance, especially in virtue ethics (cf. Brink 2009, 2012; Arjoon 2005). Virtues have played an increasingly important role in corporate governance theory ever since.

According to Niederkohr and Ikeda (2005), Arjoon (2015 in this handbook) suggests three different levels of corporate governance: *external governance* addresses the issues that financial institutions face in the marketplace; *internal governance* addresses the responsibilities and accountability of the firm; and *individual governance* ensures that individuals are able to fulfill the obligations of both internal and external governance. We can transfer this categorization directly onto the virtue issue. Based on the individual and the internal governance and as a quality considered morally good or desirable, virtues could be adapted to a person (*individual level*) or to a corporation (*corporate level*).

The chapter is organized as follows: Based on the principal-agent model – the academic core of corporate governance – virtues can, basically, be connected with both the principal (*virtues of the principal*) and/or the agent (*virtues of the agent*). Furthermore, virtues can be merged with the supervisory board as a kind of second level agent who governs the management in the interest of the principal (*virtues of the second level agent*). Section "Virtues at the Individual Level: Three Loci of Principal Agent Relationships" addresses these three loci of virtues in corporate governance relationships at the *individual level*. In the following two chapters and on the *corporate level*, an adaption – with some theoretical deviation from the traditional understanding of shareholder value maximization – is presented by

omitting an assumption, respectively. First, one can disregard the standard economic theory assumption, in which only the shareholder holds the role of a principal. Hill and Jones suggest an agency theory which is based on multiple principal-agent relations in section "Virtues and Stakeholder Agency Relationship". Second, one can refrain from the assumption that virtues are connected with real persons. By reconstructing the organization as a legal entity (not as a person) with its own intention (French) and its own character (Wieland) or even as a hybrid type of organization (Boatright), virtues have various meanings in sections "Virtues and Corporations as Legal Entities" and "Virtues of Corporations and For-Profit Social Enterprises". The contribution at hand finalizes with a conclusion and some challenges in section "Conclusion".

Virtues at the Individual Level: Three Loci of Principal-Agent Relationships

Based on the new institutional theory, the principal-agent model is widely seen as the leading model used in framing economic problems. At the individual level, it basically states that a principal, generally represented by the shareholder, gives an order to an agent, generally represented by the corporation's management. From the perspective of contract theory, Jensen and Meckling (1976, p. 308) see the agency relationship as "a contract under which one or more persons (the principal [s]) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent." The agency theory's cornerstone is the assumption that the interests of principals and agents diverge (cf. Hill and Jones 1992, p. 132). This is especially relevant for problems that arise after a contract has been closed.

The underlying governance mechanism between these two actors is an explicit or an implicit contract (cf. in general van Oosterhout et al. 2006). In contrast to explicit contracts, implicit contracts are not precisely negotiated and codified. They are, as a rule, not defined explicitly, and their content is therefore often unclear and diffuse. Implicit contracts are not enforceable by law, for which reason fiduciary duties and virtues instead establish the commitment which is needed to stabilize the informal network of stakeholders and provide a normative background for all the company's activities. The term "fiduciary duties" relate to virtue ethics which was prominently mentioned in the economists' context by Barca and Felli (1992) and Hart (1993). Shareholders as principals have a special moral status that justifies the fiduciary duties owed to them by managers (cf. Boatright 1994; Marcoux 2003). However, we fail at our clarification and understanding of the nature of fiduciary duties: What is a fiduciary duty, in fact? What does it impose upon managers? And finally: What is the principal's interest? Suppose the principal is not virtuous: does a manager not have the mandate to act in a virtuous manner? Friedman (1970) says, "Of course, the corporate executive is also a person in his own right. As a person, he may have many other responsibilities that he recognizes or assumes voluntarily – to his family, his conscience, his feelings of charity, his church, his clubs, his city, his

country. (...) But in these respects he is acting as a principal, not an agent; he is spending his own money or time or energy, not the money of his employers or the time or energy he has contracted to devote to their purposes." Thus, if the agent has no mandate of his principal to act in a virtuous manner, he is not even allowed to act in such a manner. Friedman (1970) has a clear explanation for that problem: "In each of these cases, the corporate executive would be spending someone else's money for a general social interest." These conflicts of interest become particularly salient when ownership is separated from control (cf. Berle and Means 1932) and in companies with widely dispersed share ownership. This is not true for family owned businesses or small and medium sized companies, in which the contractual relationship is somehow different due to the fact that principal and agent coincidence in the person of the entrepreneur. An honest merchant would be a virtuous entrepreneur (cf. Beschorner and Hadjuk 2015 in this handbook).

The character of a contract, in fact, is that there is a certain period of time between the closing and fulfillment of closing conditions, in which environmental circumstances can change (I *can't deliver* what is required due to other circumstances) and/or personal values can change (I *don't want to deliver anymore* what is required due to personal belief revisions). Consequently, in those cases the principal or the agent no longer feels morally bound to the contract. After the contract has been made, the agent is also tempted to ignore the contract's obligation, because he is – following the theory – purely self-interested. Moral hazard represents one of the major governance problems faced by economists. This results from the principal agent relationship itself. Moral hazard describes a situation based on incomplete information in which the agent acts, for example, in a highly risky manner, knowing that he is protected against that risk – e.g., through a directors' and officers' liability – and that the principal will cover the possible cost. To mitigate the so-called principal-agent problem, beside a clarification by law, is one of the main challenges in management science as well as in management practice. Three options are possible: First, one could reduce information asymmetries, e.g., by an agent's signaling to the principal that he acts morally or that he will follow the principal's interests etc. Second, one could align the agent's interest to the principal's interest, e.g., through stock option plans which were very popular in the 1990s. And third, one could build a trustful relationship. Here, virtues come into play as a significant, influencing factor and driver of trust. From a corporate governance perspective, virtues are values referring to persons who participate in the principal-agent relationship. "More recently, approaches to corporate governance have recognized the need and critical role of ethics in restoring confidence in the fairness and integrity of markets" (Arjoon 2015 in this handbook). Virtues do stabilize the trustful relationship between the principal and the agent.

Explicit and implicit contracts are based on a more general institution: the promise (cf. Brink 2011). The more one moves from an explicit contract to an implicit contract, the more one addresses a promise and the less helpful are the alternatives – next to the enforcement law – namely the reduction of information asymmetry through transparency or interest alignment. Nowadays, more and more contractual relationships are framed by a promise-based constellation. Think about

a bank manager or a senior consultant who is just about to engage a new colleague for his firm. Only some contractual elements, such as number of days of holiday, earnings, etc., are exactly determined. Most of those parameters are based on promises like career options or self-determined or meaningful work (cf. Bowie 1998). This can be elucidated by the fact that, in contrast to a contract, the promise is made by the clear intention to keep the promise in the near or remote future. In analogy to the expression "*pacta sunt servanda*," one could say "*promissiones sunt servanda*" (cf. Brink 2011). Virtues, in this context, are the basis of that contract and even more of that promise. To be honest, to be authentic, to be open-minded, and to be reliable means to stick to your promise, to that kind of promise that you have made to another person or to yourself. Fried (1981, p. 17) put it this way: "The moralist of duty thus posits a general obligation to keep promises, of which the obligation of contract will be only a special case – that special case in which certain promises have attained legal as well as moral force. But since a contract is first of all a promise, the contract must be kept because a promise must be kept." Virtues keep contracts and promises between individuals alive. "The institution of promising is a way for me to bind myself to another (or to myself, AB) so that the other may expect a future performance, and binding myself in this way is something that I may want to be able to do" (Fried 1981, p. 14). Consequently, virtues are key to the current corporate governance debate.

Furthermore, two other current discussions fuel the corporate governance debate with regard to virtues. Both debates put the individual level in the context of the corporate level: the "*tone at the top*" discussion and the "*compliance versus integrity*" discussion. First, the "*tone at the top*" plays a decisive role for virtues at the individual level. Schwartz et al. (2005) say that in "*the tone at the top*," the corporate leaders (principal, agent, and second level agent), set by example and action, are important for the organizational ethic climate. The authors describe key components of a framework for a code of ethics for corporate boards and individual directors which provide orientation for virtuous behavior. The proposed code framework is based on six universal core ethical values: (1) honesty, (2) integrity, (3) loyalty, (4) responsibility, (5) fairness, and (6) citizenship. In addition to the authors' position, the tone should not only be *at* the top but especially should come *from* the top. Concrete individual behavior and clear and consequent implementation of ethical decisions in daily decisions should be visible for the corporation's team members and could help fulfill their principals' expectations.

Second, one could stabilize the principal-agent relationship through the consideration of two basic mechanisms: *compliance versus integrity*. While integrity covers the individual level, compliance refers to the corporate level. The strong focus on legal compliance through regulatory and institutional reform at the corporate level cannot ensure justice and inspire organizational excellence at the individual level. An ethics of virtue promotes and builds the capacity for integrity in recognizing that those whose business it is to govern ought to aspire to become virtuous. While effective corporate governance regulations and management control are necessary for the functioning of the organizational grammar (cf. French 2005), without virtue, even the best laws and regulations can easily be abused or

manipulated (cf. Arjoon 2015 in this handbook). Following Paine, "unethical business practice involves the tacit, if not explicit, cooperation of others and reflects the values, attitudes, beliefs, language, and behavioral patterns that define an organization's operating culture. Ethics, then, is as much an organizational as a personal issue" (Paine 1994, p. 106, cf. Paine 1991). Organizations and the organizational context shape individual behavior. So let us have a closer look at the corporate level in the next chapter.

Virtues and Stakeholder Agency Relationship

One blind spot demonstrated by corporate governance at the corporate level concerns the ability to illuminate the nature of the implicit and explicit contractual relationships that exist between the firm and its stakeholders and that are essential to the principal-agent relationship. While standard economic theory has been primarily concerned with the relationship between managers and shareholders, Hill and Jones suggest reconstructing the stakeholder theory (cf. Freeman et al. 2010) as a stakeholder agency theory (cf. Hill and Jones 1992). The focus of the authors' investigation is the implicit and explicit contractual relationships – seen as a nexus of contracts – between the stakeholders and the firm. This idea broadens the shareholder value concept, which is the underlying economic standard theory for the shareholder-management relationship, to a stakeholder concept which has several contractual relationships including an employee-management relationship or a customer-management relationship. Consequently, and in terms of principal agent model, the management is the agent of various stakeholders. Virtues, for example, could be connected with the employee (the "virtuous employee" who works in an honest and reliable manner) and with customers (the "virtuous customer" who buys products and services in a responsible and sustainable manner).

As a "nexus of contracts" between different resource owners, companies cooperate in order to generate quasi-rents. Quasi-rents are the difference between the value of a resource used in combination with other resources and its value in a market transaction (cf. Zingales 1998; Brink 2012). Except for shareholders, all other stakeholders are assumed to protect their claims ex ante by means of explicit contracts. Shareholders, however, are considered as residual claimants. They specialize in governing the other cooperation partners and in diversifying their risks. In return, they receive a claim on the residual surplus of the company after all contractual obligations with other stakeholders have been fulfilled. That is the net profit. But as not all contracts are clear and complete (there are more and more implicit contracts), various conflicts of interest remain between stakeholders and self-interested managers. To cover these problems, the stakeholder agency could be a helpful instrument of analysis.

Virtues and Corporations as Legal Entities

Since Aristotle, there has been a long tradition to see the person, so far understood as a real principal or a real agent, as the moral addressee of virtues (cf. Solomon 1994, 2003). Referring to Aristotle, virtues aim themselves at the real good life of every human being. Thus, virtuous behavior is exercised by real individuals, e.g., the honest merchant (cf. Beschorner and Hadjuk 2015 in this handbook). In those cases where the honest merchant or the citizen trades for his own account, he can orient himself toward his own set of virtues. However, in globalized societies, internationally active managers no longer trade on their own account, but on the account of their principals.

French (1998) states that corporate moral agency is based on the idea of the corporation seen as a moral person, which is far more than a corporation seen as a legal entity. French describes the corporation as an intentional actor which is held entirely morally responsible for doing as well as wrongdoing. All corporations have so-called corporate internal decision structures (CID structures) that provide sufficient grounds to attribute moral agency to them. They are based on an organizational flow chart (the *grammar* of the corporation) and policy, respectively procedure rules (the *logic* of the corporation). Combining the corporations' grammar with its logic, one identifies corporate actions, intentions, and aims analogue to moral persons. Thus following French, corporations have both legal and personal status and, consequently, virtues could be assigned to both.

According to Wieland (2014), management malpractice is not sufficiently abandoned just by clear decision-based and rational choice analysis and compliance mechanisms. It is the character of the actors that is a fundamental and dominant mode for the attribution of virtuous action. In functional differentiated societies, this attribution of virtuous action no longer refers to the status of citizens but to agents. *Corporate character*, as the character of agents, is an open legal concept demanding integrity from functionaries. The challenge is to define a kind of corporate character or a corporate integrity which is a functional equivalent to the personal virtue, but is not the same, as corporate character and corporate integrity do not refer to the real and overall lifestyle but to "risk based due diligence" (Wieland 2014) in terms of compliance. Compliance is not a vice, but the moral motivation of compliance is fundamentally activated via intrinsic und virtue aspects of the corporate character and corporate integrity. Compliance is the necessary condition, and corporate integrity the sufficient one, aiming at "integrity and values driven compliance" (2014).

Virtues of Corporations and For-Profit Social Enterprises

The classical triad of government welfare agencies (*first sector*), corporate social responsibility programs of profit organizations (*second sector*), and non-profit organizations (*third sector*) has lead to innovative business-driven

approaches such as for-profit social enterprises in a kind of fourth sector. Boatright defines a social enterprise as a hybrid type of organization that "seeks innovative means of providing critical social services in a market for disadvantaged people who cannot afford them or are otherwise excluded" (Boatright 2015, in this handbook). From a corporate governance perspective, it is the corporation's control that gives the right for it to set the corporation's objective. A social business excludes the shareholder's right to receive the residual profit of the corporation even though they are residual risk bearers. The so-called nondistribution constraint states that an organization is prohibited from distributing its profit among individuals who control the organization, including examples such as board members, staff, and directors (cf. Hansman 1980, p. 835). Net profits must be retained and reinvested in the corporation and devoted entirely to financing further production of the social services that the organization was formed to provide. From a virtue ethics standpoint, this has several implications for corporate governance: First, one could refrain from pure self-interest due to the fact that the primary goal of the corporation is not formal, such as profit to be given back to the shareholders or equity holders, but a material and substantial one which is socially loaded and with added value for all of society. Second, prosocial preferences, intrinsic motivation, compassion, and supererogative behavior of the mission-driven entrepreneur are not only possible but even required to fulfill the social mission of a for-profit social enterprise. These aspects build trust to reduce principal-agent conflict of interests and to align the interests of different stakeholders. By building trust, the corporation itself becomes a virtue actor through branding and limits on shareholder power (cf. Boatright 2015 in this handbook).

Conclusion

This chapter was on virtues and corporate governance. The starting point was the principal-agent theory. Three options of how to combine virtues in corporate governance relationships have been mentioned in section "Virtues at the Individual Level: Three Loci of Principal Agent Relationships": *virtues of the principal*, *virtues of the agent*, and *virtues of the second level agent*. Omitting one assumption, namely that only the shareholder holds the role of a principal, led us to the stakeholder agency theory (*virtues within a stakeholder agency theory*). To reconstruct virtues not *within*, but *of* institutions was the last idea, which brought us to the approaches of French, Wieland, and Boatright in section "Virtues and Stakeholder Agency Relationship". Several future research questions and questions with applied focus remain still open: What, for example, happens if virtues are in conflict with each other, e.g., justice and generosity? What if following one's personal virtue collides with the company's primary goal of profit seeking? Do virtues in various types of organizations, management levels, management functions, cultures and/or countries differ? Beside all these future challenges for business and virtue ethicists

and whatever one thinks about virtues in general, it is beyond controversy that virtues will become more and more key for corporate governance and that we should draw more attention to this topic.

References

Arjoon S (2005) Corporate governance: an ethical perspective. J Bus Ethics 61(4):343–352

Arjoon S (2015) Virtues, compliance and integrity: a corporate governance perspective. In: Sison AJG (ed) Handbook of virtue ethics (virtue in business and management). Springer, Berlin/Heidelberg/New York/Tokyo (in print)

Barca F, Felli L (1992) Fiduciary duties, ownership, and control. Mimeo, London

Berle AA, Means GC (1932) The modern corporation and private property. Macmillan, New York

Beschorner T, Hadjuk T (2015) The model of the "Honorable Merchant" between compliance and integrity. In: Sison AJG (ed) Handbook of virtue ethics (virtue in business and management). Springer, Berlin/Heidelberg/New York/Tokyo (in print)

Boatright JR (1994) Fiduciary duties and the shareholder-management relation, or, what's so special about shareholders? Bus Ethics Q 4(4):393–407

Boatright JR (2015) Virtues, compliance and integrity: a corporate governance perspective. In: Sison AJG (ed) Handbook of virtue ethics (virtue in business and management). Springer, Berlin/Heidelberg/New York/Tokyo (in print)

Bowie NE (1998) A kantian theory of meaningful work. J Bus Ethics 17(9/10):1083–1092

Brink A (2009) Enlightened corporate governance: specific investments by employees as legitimation for residual claims. J Bus Ethics 9(4):641–651

Brink A (2011) A promised based theory of the firm. In: Wieland J (ed) Die Zukunft der Firma. Metropolis, Marburg, pp 91–114

Brink A (2012) Business ethics and corporate governance. Springer, Berlin et al

Freeman RE, Harrison JS, Wicks AC, Parmar BL, DeColle S (2010) Stakeholder theory: the state of the art. University Press, Cambridge, MA

French PA (2005) Inference gaps in moral assessment: capitalism, corporations and individuals. Int Soc Sci J 57(185):573–584

French P (1998) Corporate moral agency. In: Werhane PH, Freeman RE (eds) Encyclopedic dictionary of business ethics. Blackwell, Malden, pp 148–151

Fried C (1981) Contract as promise. Harvard University Press, Cambridge, MA

Friedman M (1970) The social responsibility of business is to increase its profits. New York Times Magazine, 13 Sept 1970

Hansmann H (1980) The role of nonprofit enterprise. Yale Law J 89(5):835–902

Hart O (1993) An economist's view of fiduciary duty. Univ Tor Law J 43(3):299–313

Hill CWL, Jones TM (1992) Stakeholder-agency theory. J Manag Stud 29(2):131–154

Jensen MC, Meckling WH (1976) Organization theory and methodology. Account Rev 58(2):319–339

Marcoux AM (2003) A fiduciary argument against stakeholder theory. Bus Ethics Q 13(1):1–24

Niederkohr K, Ikeda J (2005) Credit union governance. White Paper World Council of Credit Unions

Paine LS (1991) Ethics as character development: reflections on the objective of ethics education. In: Freeman RE (ed) Business ethics. The state of the art. Oxford University Press, New York, pp 67–86

Paine LS (1994) Managing for organizational integrity. Harv Bus Rev 72(2):106–117

Schwartz MS, Dunfee TW, Kline MJ (2005) Tone at the top: an ethics code for directors? J Bus Ethics 58(1–3):79–100

Shleifer A, Vishny RW (1997) A survey of corporate governance. J Financ 52(2):737–783

Solomon RC (1994) Business and the humanities: an aristotelian approach to business ethics. In: Donaldson TJ, Freeman RE (eds) Business as a humanity. Oxford University Press, New York, pp 45–75

Solomon RC (2003) Victims of circumstances? A defense of virtue ethics. Bus Ethics Q 13(1): 43–62

Van Oosterhout JH, Heugens P, Kaptein M (2006) The internal morality of contracting: advancing in the contractualist endeavor in business ethics. Acad Manag Rev 31(3):521–539

Wieland J (2014) Moralische charakterbildung, leadership excellence und corporate character. J Bus Econ Ethics 15(3):376–397

Zingales L (1998) Corporate governance. In: Newman P (ed) The new palgrave dictionary of economics and the law. Macmillan, New York, pp 497–503

Ethics and Virtue in the Governance of For-Profit Social Enterprise

John R. Boatright

Contents

Abstract

This chapter addresses the governance of for-profit social enterprises, which are organizations with the primary objective of providing social benefits, rather than shareholder profits, that conduct business in the for-profit corporate form. Although many social enterprises are nonprofits, some have adopted the for-profit form in order to pursue their social mission more effectively. For-profit social enterprises, which are alternatives to both traditional nonprofits and standard for-profit corporations, offer novel opportunities for ethics and virtues to play a prominent role in a modern economy. Given the formidable challenges of competing in markets with nonprofits and other for-profit businesses, as well as government welfare services, it is difficult to understand how for-profit social enterprises can exist, much less prosper. Successful for-profit social enterprises require governance structures which allow them to be profitable while effectively realizing their social mission. This inquiry employs

J.R. Boatright (✉)
Quinlan School of Business, Loyola University Chicago, Chicago, IL, USA
e-mail: jboatri@luc.edu

economic analysis to identify the aspects of the governance for social enterprises which can enable them to succeed in a highly competitive marketplace.

Keywords

Corporate control • Corporate objective • Equity capital • Governance • Innovation • Nondistribution constraint • Nonprofits • Profit • Profit maximization • Shareholders • Stakeholders • Social benefit • Social enterprise • Trust

Introduction

Social enterprise – which is also called social venturing, social innovation, and social entrepreneurship – is a recent development in which organizations seek to provide social benefits in a businesslike manner. These organizations offer what many people want from business: a focus on benefiting society instead of merely making a profit. Business conducted in this way offers an opportunity for a more robust presence of ethics and the virtues in economic activity.

The usual advice for those seeking social improvement is to found a nonprofit (Busch 1992). However, there is no reason in principle why the for-profit corporate form cannot be adopted by an organization with a social mission, and indeed many mission-driven organizations pursue their goals as for-profit social enterprises (Dees and Anderson 2003). However, these organizations encounter many challenges. Among them are strong economic forces which lead to profit-maximization as the objective of the standard business corporation and cause most organizations with a social mission to incorporate as nonprofits. A critical question, then, is how for-profit social enterprises should be governed in order for them to successfully fulfill a social mission.

The task of this chapter is to provide an understanding of the governance of social enterprises. This task necessarily involves an economic analysis of the role of governance in any market-based organization. The underlying assumption of this analysis is that success in business of any kind requires the development of a governance structure which enables an organization to achieve its objective to the fullest possible extent (Hansmann 1996). A simple definition of efficiency is achieving the greatest output for any given input, and so any organization should seek a governance structure which enables it to be maximally efficient in achieving its objective, whatever that may be.

Defining Social Enterprise

In its broadest sense, social enterprise seeks innovative means of providing critical social services in a market for disadvantaged people who cannot afford them or are otherwise excluded (Dees 2007). Examples of such social services are employment, education, housing, nutrition, health care, family well-being, and community

development. People are excluded from receiving these benefits in a market for many reasons, including poverty, disability, addiction, recent incarceration, inadequate education, broken homes, and distressed communities.

These benefits, which most people obtain on their own in the market-based business sector, have been provided traditionally in the social sector by nonprofit organizations and government welfare agencies, with some contribution from for-profit businesses through conventional corporate social responsibility programs. In recent years, dissatisfaction with this familiar triad of nonprofit organizations, government welfare agencies, and corporate social responsibility programs has produced innovative businesslike approaches to meeting urgent human needs. The recent emergence and rapid growth of for-profit social enterprises thus constitutes a fourth sector, complementing the other three and also changing them in the process (Sabeti 2011).

Many social enterprises incorporate as nonprofits or else adopt hybrid forms, such as nonprofits with for-profit subsidiaries (Sertiel 2012). However, the for-profit corporate form has increasingly been adopted by organizations which have an explicit social mission that is integral to its business model. A for-profit social enterprise is not merely a business that does some good but a business in which a social mission is embedded in its organizational structure and business operations and could not be easily abandoned without significantly impairing its viability.

Although purely for-profit social enterprise is likely to remain a small sector, dwarfed by conventional for-profit corporations and traditional nonprofit organizations, as well as government welfare services, it is a sector worth encouraging and supporting. In addition to the social benefit it provides, for-profit social enterprise brings the virtues of selflessness, compassion, cooperation, participation, stewardship, and accountability, which typify nonprofit organizations and government welfare services, into the world of business.

The Corporate Objective

Although the for-profit business corporation might seem to be an unlikely means for addressing pressing unmet human needs, an entrepreneur operating in a market economy has almost unlimited freedom to adopt the organizational form that best achieves any particular objective (Hansmann 1996). For-profit corporations are commonly depicted as having only one objective: maximizing profits for shareholders. This objective – which is usually expressed as *shareholder wealth maximization* – is generally thought to be dictated by corporate governance, as though a firm could not be incorporated for profit without having this profit-maximizing objective. This view is mistaken.

The objective of any corporation – for-profit or nonprofit – is determined by whatever group has *control* (Hansmann 1996). With control of a corporation comes the right to set the objective. In the standard for-profit corporation, the group with control is, by definition, the *shareholders*, who are typically the investors who

supply *equity capital*, and these equity-providing shareholders obtain control in order to ensure their return on this form of capital. Control could be held by any groups, and some corporations are employee-owned or owned by customers or suppliers. (These are known as cooperatives.)

The return on equity capital is commonly the *profits* of a corporation, which are also known as *residual revenues* or the portion of total revenues that remains (the residue) after all expenses are covered. Because equity capital providers are compensated by residual revenues – which may be little to none or even negative – they are described as bearing *residual risk*, and their right to control is said to result from their role as residual risk bearers.

When controllers of a corporation, who have the right to set the objective, are equity investors, this group almost always stipulates that the objective be the maximum creation of profits – for themselves, of course! Thus, shareholder wealth maximization as the objective of a for-profit corporation is not legally required (Stout 2012). A for-profit corporation is legally permitted to have an objective other than shareholder wealth, and, indeed, a for-profit corporation can be created to pursue any legal objective whatsoever.

However, corporations with the objective of shareholder wealth maximization just happen to be the most common kind by far. Investor control – and with it the shareholder wealth maximization objective – is virtually necessary when a corporation requires any substantial amount of equity capital. It is the rare investor who will either provide equity capital without gaining control or else, with the right of control, set any objective other than maximum profit. Furthermore, investors who provide equity capital without control or the objective of maximum profit must be aware of these conditions and willingly accept them (Easterbrook and Fischel 1991).

For this reason, a mission-driven entrepreneur who seeks to found an organization for providing some social benefit is likely to incorporate in the nonprofit form. A defining feature of a nonprofit is a legal prohibition on distributing any residual revenues as profits to outside parties, such as investors. All surpluses of nonprofit activities must, by law, be retained and reinvested for use in advancing the organization's mission. This feature of nonprofits is commonly called the *nondistribution constraint* (Hansmann 1980).

Thus, the founder of a nonprofit can easily maintain control and set an objective other than profit maximization since a nonprofit cannot attract equity capital, which would usually require some ceding of control. With a legal bar on distributing residual revenues as profits, a nonprofit cannot compensate equity investors in the usual way. As a result, the capital needs of a nonprofit must be met with retained earnings, debt, such as bank loans, and contributions from donors. Although an inability to attract equity capital is a drawback of the nonprofit form, the advantage of attracting donations – which for-profit social enterprises largely forgo – may more than compensate.

A key challenge in founding a for-profit social enterprise, then, is attracting equity capital from investors and distributing profits to them without giving up effective control and, with it, the right to set some objective other than profit maximization.

Why Be For-Profit?

A critical decision for a social enterprise is in choice of form: nonprofit or for-profit? Having decided on a mission-related objective, a social entrepreneur must choose between the nonprofit and the for-profit forms. If the social entrepreneur approaches this choice as a rational economic actor, then the for-profit form, if chosen, must confer an identifiable competitive advantage over being a nonprofit with the same mission (Glaeser and Shleifer 2001). Competitive advantage for a social entrepreneur consists in being able to obtain greater resources than could be obtained in the nonprofit form and/or to utilize these resources so as to have greater social impact.

Both of these factors – obtaining resources and utilizing them – generally favor the nonprofit form for an organization with a social mission. The main source of revenue for most nonprofits is donations from individuals, foundations, and other benefactors who support the organization's mission. The willingness of donors to make gifts is facilitated by the trust that the nondistribution constraint enables a nonprofit to create. A for-profit social enterprise does not necessarily forgo revenue from donations, but the loosening of the nondistribution constraint makes the task of building trust more difficult. In addition, the burden of paying taxes reduces the amount of resources that a for-profit enterprise can direct to a social benefit, and the loss of tax deductibility may also reduce the willingness of donors to contribute.

Since the most significant economic difference between a nonprofit and a for-profit social enterprise is the ability of the latter to obtain equity capital, this capability must constitute the main source of competitive advantage. A for-profit social enterprise can presumably generate sufficient earned revenue to cover costs, but revenue generation can also be done in the nonprofit form, either from donations or revenue-earning activities. Moreover, donations to nonprofits include much more than direct gifts; they also consist, indirectly, of the free labor from volunteers, the willingness of employees to accept less-than-market wages, and the willingness of consumers to buy products or services from nonprofit at higher-than-market prices.

If access to equity capital is the main significant economic difference between the two forms, what benefits does this opportunity provide? Any advantages from access to equity capital must be sufficient to offset the disadvantages of forgoing some donations and also of ceding some control, which may threaten the mission of an organization. The benefits of equity capital must be considerable to offset these substantial disadvantages of the for-profit form.

Benefits of Equity Capital

The benefits of equity capital for a social enterprise are of two basic kinds. First, for any enterprise that can gain a return on capital, the more capital, the greater the return. It is important, therefore, for any enterprise to have access to the greatest amount of capital that can be put to productive use.

If what matters is the *amount* of capital available and not its *source*, then debt capital can serve just as well as equity in an organization's productive activities. However, access to equity capital is a benefit for a social enterprise if it increases the total amount of resources available by supplementing financing from debt. In addition, access to one kind of capital may also increase the amount available from other sources. For example, having some equity capital may reassure lenders and thereby increase the amount of loans available to a social enterprise.

The former benefit – simply supplementing the other kinds of available capital – is perhaps the more important consideration. Nonprofits which rely on donations and retained earnings to build capital find that the amounts gained in this way are not only limited in supply but also slow to accumulate. Many of the largest nonprofits were founded decades or even more than a century ago, and these organizations all grew slowly from modest beginnings. Today, social entrepreneurs who want to achieve a similar size and impact – to "scale up" in the jargon – require access to large amounts of capital quickly.

Second, equity capital enables a social enterprise to change course rapidly. Innovation is a feature not only of start-ups but also of mature organizations that see new opportunities or else find that their current activities are no longer effective. Nonprofits with established donor and client bases may find resistance to change, which threatens their revenue sources and support networks. Shareholders in for-profit social enterprises, on the other hand, are more likely than the stakeholders of nonprofits to understand the need for change and even to demand it.

Third, donations and loans generally require a quick return, either in the form of a service delivered (relief aid, for example) or revenue generated (to repay loans). Thus, donors to a relief organization may be distressed if their gifts are used not to deliver aid as intended but to build infrastructure to provide aid, even though the latter may bring a greater benefit in the long run. The return on equity capital, unlike loan payments, can be delayed until an investment starts generating revenue. This need for "patient capital" is especially important when innovation is involved since considerable time may be required to realize the gains.

Fourth, the amount of equity capital that might be invested in social enterprises is unknown but likely to be large. Under the label of "impact investments," equity capital for social enterprises has been recognized as "an emerging asset class" by large banks and other financial institutions. A survey conducted by the Global Impact Investing Network estimated the volume of available impact investments in 2013 at $9 billion. Although a social enterprise may forgo a substantial amount in donations by incorporating as for-profit, this step does little or nothing to reduce the amount of donations from contributors to nonprofits. Consequently, the development of impact investing in social enterprises can only advance the shared goal of benefiting society.

Fifth, a for-profit social enterprise does not forgo donations entirely. Conventional benefactors who make direct cash gifts may be fewer and less generous, but the indirect contribution made by employees and consumers are still available. Even though impact investment is made with the expectation of obtaining some profits, the return is usually market-rate at best, and, further, it is usually capped on

the upside and maybe not fully reflect the downside risk. Consequently, impact investment may also constitute an indirect philanthropic contribution.

Sixth, for-profit status, which involves abandoning the nondistribution constraint, changes the incentives within an organization with consequences, both positive and negative (Bacchiega and Borzaga 2001). Although the mission of benefiting society may remain in a for-profit social enterprise, the founder has a greater incentive than the organizer of a nonprofit to obtain more resources and to maximize the benefits delivered. In addition to profits, which are distributed to equity capital providers (who may include the founder), a for-profit enterprise permits higher compensation for more productive employees than would be typical of a nonprofit. These changes in incentives may be socially beneficial insofar as they lead to the more efficient delivery of social benefits.

Maintaining Control

The problem that equity capital poses for the governance of a social enterprise can be easily stated. The objective of a social enterprise is to fulfill a mission of providing social benefits rather than to generate profits for shareholders, as it typical of most for-profits. Fulfillment of this mission can be maintained as the objective of a social enterprise only if control is held by a group which is firmly committed to this objective. Thus, the problem: How can a social enterprise obtain equity capital, which usually involves ceding some control, without compromising its mission, which depends on the maintenance of control by its mission-driven members?

This problem has two obvious solutions: Find equity capital providers who share the mission or else who are willing to provide equity capital without obtaining control rights. A third option is to embed the mission of providing a social benefit within an organization so that any sharing of control with equity capital providers is unlikely to affect the mission. The first two answers are extreme ends of a spectrum, and actual funding arrangements are apt to involve some complex combination of the possibilities which lie nearer the middle of the range. However, any involvement of equity capital providers in the governance of a social enterprise is problematic.

Equity capital providers for a social enterprise should be carefully chosen from among investors who reliably share the mission of providing social benefits. Such investors can be found, but even so, they still seek to ensure some profits and, for sure, to avoid losses. If they have any degree of control, however, they are likely in hard times to support some trade-offs between profitability and social benefits which compromise the mission. Moreover, the trust that is necessary for any social enterprise – whether nonprofit or for-profit – is also likely to be eroded if profit-minded equity capital providers have any amount of control.

This loss of trust can be reduced when decision making is transparent and also when control is shared among several groups which can restrain or override forces that compromise the organization's mission. Thus, control in for-profit social enterprises typically involves complicated sharing arrangements of decision-

making powers. Another moderating factor is that equity capital providers in a social enterprise generally plan to exit an investment within a relatively short period of time, often 3–5 years. Their short time horizon creates an incentive for them to ensure that the social enterprise utilizes the available capital to strengthen their long-term viability so that the investment can be exited on schedule.

The other extreme – finding investors who are willing to provide equity capital without control rights – solves a problem for social enterprises but creates one for investors. Deprived of any significant role in governance, equity capital providers might reduce the size of their investment, if they are willing to invest at all. Alternatively, they might negotiate more stringent conditions ex ante that reduce the discretion of social enterprise managers ex post. In so doing, equity capital providers who forgo de jure control gain it back through de facto control by means of stringent condition in contracts.

Additional conditions in complicated contracts may introduce some inefficiency in the organization since one reason for shareholder control of corporations is to solve a problem of forming optimal contracts in advance. Shareholder control provides an ongoing process for adjusting to changed circumstances, and this flexibility may be lacking when equity capital providers in social enterprises do not have the power of conventional shareholders.

The governance of a social enterprise is complicated not only by the need for control to be maintained by its mission-driven members but also by the multiplicity of such members. Social enterprises depend for their success in meeting social needs on the willing cooperation of many groups which share their mission (Low 2006). They are situated not so much in *markets* as in *communities*, in which people and organizations work together in voluntary associations to help each other and the less fortunate. Their motivation as community members is not to make a profit but to create a better society. In so doing, these groups make investments in social enterprises.

In particular, social enterprises depend, as previously noted, on volunteers and committed employees who are willing to work for free or for less-than-market wages, as well as on committed consumers who are willing to purchase products or services at above-market prices. The activities of social enterprises often involve extensive collaboration with other groups, including foundations, community groups, and governments, all of which are working for common goals. Furthermore, the beneficiaries of social enterprises, who may not able to make a contribution of their own, may still need to be involved in decision making in order to ensure that their needs are met.

Because social enterprises are situated more in communities than in markets, represent the investment of many groups, and require the cooperation of yet others, this multiplicity of membership must be reflected in their governance. In this respect, the governance of social enterprises is similar to that of nonprofits, which typically are controlled by a board of diverse individuals drawn from major donors, community leaders, and the like. The board of a social enterprise is typically less representative of the relevant stakeholder groups than in nonprofits, but governance must still be structured so as to insure the necessary cooperation of its constituent groups.

Building Trust

In addition to formal control, which is the main focus of governance, the task of gaining the cooperation of diverse members can also be achieved by building trust (Rose-Ackerman 1996). Thus, *control* and *trust* are the two key governance elements in establishing and maintaining the mission of both nonprofits and for-profit social enterprises.

Trust is important for social enterprises, first, to assure other groups that equity capital providers will not exercise any decision-making power in ways that subvert the mission of the organization. Trust can also be generated by assuring members, second, that compensation and other perquisites for managers and investors will be proportionate to the value of their services and, third, that the assets of an organization will not be seized by investors and turned to other purposes. This third possibility is crucial for social enterprises since a successful social enterprise would constitute a viable business.

Corporate governance can aid in building trust in two significant ways. The first is by enabling the organization to publicly display its identity as a social enterprise. In marketing terms, trust can be built through *branding*, which, for an organization, conveys information about what it does and how it operates. A brand creates not only awareness of an organization's mission but also strong expectations that constitute a powerful constraint. An organization with a strong brand, such as the Red Cross, would inflict great harm on itself by acting contrary to people's expectations.

A second means for building trust is assuring members or stakeholders of an organization that the power of investors will be limited and that, in particular, they have little legal claim on or recourse against the management of a social enterprise. Such an assurance is difficult to achieve in the for-profit form since, by law, officers and directors generally have a *fiduciary duty* to serve the interests of shareholders alone – a doctrine known as shareholder primacy. Moreover, shareholders usually have legal recourse if maximum profits are not sought, regardless of any commitment they may have made to the mission of the organization.

Innovations in Corporate Governance

Both means for building trust – branding and limits on shareholder power – can be achieved in corporate governance by the creation of legal forms of incorporation that distinguish the organization as mission-driven and profit-limited. Many states in the US have enacted legislation for the low-profit limited liability corporation (L3C) and the benefit corporation (Reiser 2010). In the UK, the Community Interest Company (CIC) achieves much the same purpose (Defourny and Nyssens 2008).

All three forms of incorporation require that the venture be organized primarily for a recognized socially beneficial purpose, with profit as a secondary or incidental aim. This legislation also contains provisions about considering the interests of all groups in society in decision-making and reporting activities in a highly transparent

manner. The British CIC legislation also provides for a government monitor, places limits on interest and dividend payments, and imposes an "asset lock" in cases of dissolution or acquisition.

Branding social enterprise is also the aim of the designation Certified B Corporation or B Corp – not be confused with the benefit corporation – which is awarded by a nonprofit organization for business corporations which pledge themselves to high standards of transparency, accountability, and social performance. The B Corp designation confers no legal rights or benefits, but it functions like the L3C, benefit corporation, and CIC corporate forms to brand an enterprise as a trustworthy organization.

In addition to creating a brand with a separate form of incorporation, this legislation also serves to limit shareholder power by redefining the fiduciary duty of officers and directors to serving diverse constituencies and thereby removing the basis for any legal recourse over failure to pursue profits. The explicit socially beneficial purpose of a social enterprise clarifies expectations for equity capital providers and provides fewer grounds for complaints about its management.

The benefit corporation form, in particular, enlarges the permissible range of managerial conduct by protecting managers of social enterprises from legal action by shareholders (Clark Jr and Babson 2011–2012). This limitation on shareholder power is two-edged: while permitting greater social impact, it also removes an important constraint on possible misuses of corporate assets. Consequently, the integrity of management and the role of mission-minded members in decision making become all the more important for these special forms of incorporation.

Conclusion

The ethical concept of the public good and specific virtues such as selflessness, compassion, cooperation, participation, and stewardship fit uneasily into business practice. The recent development of for-profit social enterprise provides a welcome opportunity for creating businesses which provide social benefits that meet vital human needs. This objective, which contrasts with the standard view of business as the pursuit of profit, is possible in a market economy, but the challenges are formidable.

This chapter considers the governance challenges involved in for-profit social enterprise. Social enterprises which seek to provide social benefits as businesses must adopt governance structures which enable them, first, to maintain control in order to preserve the socially beneficial mission and, second, to build trust so that the organization can engage its stakeholder groups in cooperative ventures. This chapter shows that special forms of incorporation can enable social enterprises to address these critical governance challenges, although the success of these forms of governance remains to be established.

References

Bacchiega A, Borzaga C (2001) Social enterprises as incentive structures. In: Borzaga C, Defourny J (eds) The emergence of social enterprise. Routledge, New York

Brakman Reiser D (2010) Governing and financing blended enterprise. Chicago-Kent Law Rev 85:619–655

Busch R (1992) Survival of the nonprofit spirit in a for-profit world. Nonprofit Volunt Sect Q 21(4):391–410

Clark WH Jr, Babson EK (2011–2012) How benefit corporations are redefining the purpose of business corporations. William Mitchell Law Rev 38:817–851

Dees JG (2007) Taking social entrepreneurship seriously. Society 44(3):24–31

Dees JG, Anderson BB (2003) For-profit social ventures. Int J Entrep Educ 2(1):24–32

Defourny J, Nyssens M (2008) Social enterprise in Europe: recent trends and developments. Soc Enterp J 4(3):202–228

Easterbrook FH, Fischel DR (1991) The economic structure of corporate law. Harvard University Press, Cambridge, MA

Glaeser EL, Shleifer A (2001) Not-for-profit entrepreneurs. J Public Econ 81(1):99–115

Hansmann H (1980) The role of non-profit enterprise. Yale Law J 89:835–901

Hansmann H (1996) The ownership of enterprise. Harvard University Press, Cambridge, MA

Low C (2006) A framework for governance of social enterprise. Int J Soc Econ 33(5/6):276–385

Rose-Ackerman S (1996) Altruism, nonprofits, and economic theory. J Econ Lit 34(2):701–728

Sabeti H (2011) The for-benefit enterprise. Harv Bus Rev 89:98–104

Sertiel H (2012) Hybrid entities: distributing profits with a purpose. Fordham J Corp Financ Law 17:261–297

Stout LS (2012) The shareholder value myth: how putting shareholders first harms investors, corporations, and the public. Berrett-Koehler, San Francisco

Part XXI

Virtues in Marketing

Conceptions and Misconceptions of Virtue in Marketing

Daniel E. Palmer

Contents

Abstract

Marketing activities present some of the most discussed and challenging ethical issues in the contemporary world of business. In recent years, virtue theory approaches to marketing ethics have offered new insight into, and guidance in, dealing with these issues. In this chapter, we provide an overview of the contributions that virtue ethics offers to marketing ethics. In doing so, we explain some of the main considerations involved in discussions of marketing ethics, as well as some of the advantages that virtue-based approaches offer in addressing these concerns. The focus on character, integrity, and community in virtue ethics offers a more robust, normative, and practical foundation for ethics in marketing than either deontological or consequential theories alone can provide. Having examined the general application of virtue theory to marketing ethics, we then provide an overview of some of the most commonly discussed ethical issues in marketing, as well as some of emerging importance. The other chapters in this section will deal with each of the issues noted more fully and illustrate how a virtue-based ethical theory can be employed in responding to them.

D.E. Palmer (✉)
Kent State University at Trumbull, Warren, OH, USA
e-mail: dpalmer1@kent.edu

Introduction

Marketing is one of the most essential functions of business, and the traditional "marketing mix" refers to all of those activities that marketers use to promote products and services exchanged with consumers. As most recently defined by the American Marketing Association, "marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (AMA 2009). Marketing thus includes those operational undertakings focused on the creation and promotion of products and services within an organization, including product development, pricing strategies, and advertising. The notion of the four P's of marketing was meant to encapsulate the various elements involved in the marketing mix, with the four P's referring to product, price, promotion, and place (McCarthy 1960). While recent marketing theorists have greatly expanded upon the notion of the traditional four P's, the idea does still well illustrate some of the numerous business areas that are involved in developing marketing strategies. All of these activities are ultimately connected to the fundamental goal of marketing: to connect consumers with products or services that are of value to them.

While marketing is a central part of business, many marketing efforts have been viewed as involving some of the more unethical aspects of business practice. As George Brenkert notes, "whether it be advertising, pricing, marketing research, or promotion (to name just a few marketing areas), marketing has been charged with engaging in practices that involve dishonesty, manipulation, invasion of privacy, creating unsafe products, as well as the exploitation of children and vulnerable consumers" (2002, p. 178). Most of the ethical issues surrounding marketing practices noted by Brenkert center on the means by which marketers induce consumers to purchase goods or services. That is to say, business ethicists are typically concerned with how marketers try to target potential consumers and the way in which they attempt to sway consumers to purchase products. Not surprisingly, and as Brenkert's remarks above suggest, there have been widespread expressions of ethical concern with a number of marketing practices.

Unfortunately, some business persons and the media have exacerbated the concerns over marketing ethics by suggesting a certain amoral view of marketing. That is to say, there have been those who have, both intentionally and unintentionally, promulgated the view that the only (nonmoral) virtue of relevance to marketers is the strength of their persuasive influence. On this view, virtue in marketing is seen simply as the successful ability of marketers to sway consumers to purchase goods and services without concern for the manner in which this is done

or of the actual value of the products or services involved. Successful sales alone become the standard of excellence on this view. This nonmoral and merely strategic notion of marketing virtue too easily leads to the celebration of dubious marketing strategies and manipulative behavior such as that portrayed in the recent movie *The Wolf of Wall Street*. Such a nonmoral notion of virtue in marketing can thus all too easily lead to attempts to justify potentially immoral activity and even stoke the notion that marketing is by and large an inherently immoral activity. Ironically, both defenders and critics of marketing often adopt the same amoral notion of marketing virtue in debating its value. Once we adopt the strategic notion of virtue in marketing, we can easily be led to one of two equally problematic conclusions: that all marketing efforts are inherently immoral or that the domain marketing falls outside of ethical consideration whatsoever.

On a virtue ethics approach, such conclusions are unwarranted precisely because this view rejects the notion that virtue in marketing should be conceived in merely strategic terms. As Robert Solomon has argued, the virtue ethics approach to business ethics rejects the notion that business is an amoral activity designed solely to maximize profits (1992). Rather, Solomon and other proponents of virtue ethics maintain that business must be viewed in terms of its contribution to the good of the community and that excellence in business activity must likewise be tied to a moral and holistic view of human activity. Virtue in business is necessarily normative and not merely strategic, and the goal of business ethics is to inculcate the moral virtues that will allow business persons to both personally succeed as well as contribute to a flourishing society. This view can be tied back to Aristotle's notion that we cannot view virtues in isolation, but must also see them as unified and tied to a common moral good (1999). When applied more specifically to issues in marketing, we can then see that the goal of such a virtue-based approach is to show how marketing can best meet human needs and connect consumers with products and services that have value while still respecting the inherent worth and dignity of all parties involved. A virtue ethics approach to marketing can defend both the idea that marketing can serve legitimate human desires and the idea that to do so it must be implemented in an ethically responsible manner. On such a view there will be both ethically virtuous forms of marketing as well as ethically vicious ones. This Aristotelian-inspired, normatively grounded notion, of virtue in marketing maintains that marketing can only achieve its proper end (or *telos*) when carried out by persons of character and integrity.

Because of the ambiguity of the notion of virtue outlined above and the morally checkered history of marketing, we maintain that it is particularly important for business ethicists both to examine the particular ethical issues involved in marketing as well as to defend a moral notion of virtue in marketing. Below, we will explore the moral notion of virtue in marketing more fully, and the entries that follow in this section will apply a virtue ethics approach to many of the thorniest areas of marketing. By doing so, we will illustrate the many ways in which the richness of the virtue ethics approach can contribute to a more robust account of marketing ethics.

Virtue Ethics in Business and Marketing Ethics

While business ethics has traditionally been dominated by deontological and consequential approaches to ethics, in recent years there has been increased attention on the potential of virtue theories for business ethics. A number of business ethicists including Robert Salomon, George Bragues, Edwin Hartman, Patrick Murphy, Robert Audi, and Alejo José G. Sison have recently championed virtue-based approaches to business ethics. In this overview, it would be impossible to delineate all of the various features or forms of virtue theory as applied to business ethics; nonetheless, we can point out some of the essential features of the virtue-based approach and show how it can be utilized in reference to the traditional concerns of marketing ethics.

While there are different versions of virtue ethics, they nonetheless share a common core of features that can be identified and utilized to illuminate how virtue theory applies to marketing ethics. As such, the treatment below is not meant to be either exhaustive or innovative. Rather, this overview is meant to distil some of the central features of virtue theory for business ethics as found in recent advocates of the virtues approach and to explain why these features are particularly important for a virtue-based marketing ethic. In doing so, we will also contrast the virtue approach to other, still more standard, approaches to business ethics.

The first thing that is notable about the virtue ethics approach is that it focuses primarily upon persons and character rather than on abstract moral rules (Hartman 2013). While the focus on character need not be taken as exclusive of moral rules, it still points to important features of our moral phenomenology that purely rule-based systems often ignore. For instance, in day-to-day life our habitual ways of acting and our disposition toward our affective or emotional side are often more predictive of our behavior than is our ability to articulate moral principles. A generous person acts generously not simply because she grasps an abstract moral rule but because she has developed a character that allows her to respond to situations calling for generosity in a proper manner. Further, a person of truly good character is emotionally inclined to and even desires to do what is good and thus displays an integrity in her actions that is not merely a matter of following rules or recognizing the objective consequences of her actions.

This focus on persons and character can be particularly effective in fostering ethical behavior in business and even more so in areas such as marketing where there is wide range of activity that is difficult to fully encapsulate in terms of a simple system of rules. Thus, while moral rules can be useful in setting out prohibitions against the most egregious forms of behavior, they rarely cover all possible situations or contexts. We can see this by looking at an example from one of the most important areas of marketing: advertising. All reasonable people can agree that intentionally lying about products would be immoral in advertising, but we all know nonetheless that there are lots of ways of presenting a product or service in advertisements (such as puffery or celebrity associations) that do not involve straightforward deceit but nonetheless can present a product in a less than fully honest light. And, no set of concise rules would cover all the various ways in

which product claims can be presented. In many ways, this is why deontological approaches to business ethics are often hard to implement at the practical level, as the wide range of cases makes the establishment of a simple set of rules concerning what constitutes something such as honesty in advertising a notoriously difficult task. What virtue ethics in marketing emphasizes is not simply the following of a rule to avoid deceitful behavior, but the inculcation of a character in advertisers that fosters honesty and reliability as an ideal. By focusing on the person rather than simply on the content of the message, the virtuous advertising agent strives to have a character that will habitually lead her to present information in a way that respects consumers and their rights. And, following Aristotle, she will be able to use practical judgment in those cases where rational deliberation is necessary to distinguish what the correct course of action is. But even here, practical judgment is not merely the application of a rule. Rather, practical judgment also involves being able to see what aspects of a situation are relevant and having the wisdom to know how the particular case is related to other exemplary cases. On a routine basis though, the focus on character and habit is more likely to be effective in promoting good corporate conduct in marketing than is the mere promulgation of a set of restrictive rules. As Edwin Hartman (2013) remarks in this regard, "even if an ethical person is one who acts according to certain principles, it does not follow that the best way to teach Smith to be ethical is to give her principles to follow" (p. 35).

A second important feature of virtue ethics approaches centers on the aforementioned affective component of virtue. As Aristotle noted long ago, the virtuous person not only does the right thing but gets satisfaction from doing the right thing as well (1999). One advantage then of virtue ethics, particularly in the arena of business ethics, is that this approach provides not only an explanation of what is right but also explains why agents should be motivated to act virtuously as well (Audi 2012). At least two particular pieces of the story of how virtue ethics does this are of particular significance here. For one thing, and as already noted above, virtue theories see human activity as tied to a common good. In so far as agents have the ability to connect their own well-being to acting virtuously, they will also be motivated to act virtuously. Further, unlike most deontological theories, virtue ethics accents the role of emotions in our actions and choices. This is crucial, since motivating ethical behavior in marketing requires not merely intellectual persuasion, but an alignment of affective dispositions with good behavior. The goal is not only to show what the right thing is, but to show how doing the right thing connects with the development of a life worth living. A virtue-based marketing ethic thus strives both to explain how marketing efforts should be connected to an objectively worthwhile end (connecting consumers with products and services of real value) as well as how we can motivate virtuous behavior.

A third important feature of virtue ethics as applied to business ethics is the essentially aspirational outlook of this form of ethics (Murphy 1999): that is, virtue ethical theories aim not merely to prevent unethical behavior, but, recalling Aristotle again, to encourage excellence in action. Rather than providing us with a mere set of rules or prohibitions, virtue ethics offers us paradigmatic ideals toward which we strive as we seek excellence in our lives. Such exemplars not only better appeal

to our affective and emotional side, but they also give us models of behavior that serve as a template for developing good habits and ultimately good character. Not surprisingly, when ordinary people speak of what inspires them to act ethically, they often appeal to particular examples of moral heroes or saints, such as Mother Theresa or Dr. Martin Luther King, Jr. Such persons provide examples by which we model virtuous behavior, but they also illustrate the connection between virtue and the good life. They help us see that a life of moral integrity is not only possible, but that it is preferable to one that lacks virtue.

The latter point is important for application to areas such as marketing ethics where moral ambiguity abounds and where it is often difficult to tell how to draw the line between what is morally acceptable and unacceptable. By providing examples of exemplary virtuous behavior, those in the field can be inspired not merely to avoid the most nefarious forms of marketing, but to strive for a greater ideal. Caryn Beck-Dudley and Cathy Hartman provide an example of how such modeling can work in discussing the virtuous marketing efforts of The Body Shop (1999). Negative examples can be useful as well, and Beck-Dudley and Hartman point to the failures of business activities pursued without integrity. The aspirational goal should be to reject the notion that marketing can only be crass and deceptive and uphold the ideal that marketing can be carried out in a way that contributes to the flourishing of all individuals involved. This can be done through providing examples and models of virtuous ideals in marketing and by having students and managers seek ways to better implement their own values in their work. As a number of those working on virtue theory in business ethics have noted, this model of using examples and ideals is also a more effective way of teaching business ethics as compared to simply debating abstract principles and theories.

The above account is certainly not meant to be exhaustive of what a virtue ethics approach to marketing ethics involves, but it does point out some of the significant features of virtue ethics and how these aspects of virtue theory could aid in the development of a more robust account of marketing ethics. Having delineated a few of the most important features of virtue theory of relevance to marketing ethics in general, we can also see how particular issues in marketing ethics can be framed within the context of virtue ethics.

Marketing Ethics and the Virtues Approach

Rather than try to cover every aspect of a virtue-based approach to marketing ethics, the aim of this section and the entries it includes is to accent some contemporary issues in marketing ethics and to illustrate how this approach provides a potentially fertile manner of dealing with these issues. As such, the entries in this section each take up a unique issue of particular significance in marketing ethics within a broad framework of virtue theory. The goal is to show how virtue ethics can both better illustrate specific areas of concern within marketing ethics as well as how it can provide significant practical guidance in dealing with these issues within the world of business. Some of these entries deal with issues well established in the

field of business and marketing ethics, while others cover issues of emerging importance.

The first entry, by Abe Zakhem, addresses one of the most commonly discussed and ethically thorniest areas of marketing ethics: honesty and integrity in advertising. Though advertising is a key component of most marketing campaigns, ethical critiques of many kinds of advertising are both well known and longstanding in the business ethics literature. Concerns over both the content of advertising and the nature of the products advertised abound. This literature has been particularly concerned with the potential of advertising to deceive consumers. Often, the ethics of advertising is framed in a deontological framework that focuses on determining what constitutes deceptive content. Too often, such an approach fails to take seriously the role of those engaged in advertising. A virtue-based ethics seeks to focus back on the agents who produce content and their dispositions toward the truth. A virtue-based approach to advertising must develop the idea of honesty and integrity as character traits and show how these virtues can help marketers avoid dubious forms of advertising. Zakhem's entry discusses these and other issues related to honesty and integrity in relation to Aristotle's conception of virtue. Zakhem explores various interpretations of integrity and their connection to virtue in developing a framework for thinking about these issues.

While the cases of advertising ethics and the targeting of vulnerable populations represent concerns over integrity in a specific arena of marketing ethics, we can also ask more broadly about issues of fairness and respect in marketing. If marketers are necessarily interested in promoting their products and services to consumers in a way that is enticing, how can they do that while still respecting consumers and deal with them in a fair manner? What does fairness in marketing amount to and what virtues does it involve? These are the sorts of questions discussed in the second entry by James Brian Coleman who examines these issues through a consideration of Adam Smith's classic sentimentalist virtue theory. Coleman argues that Smith's view provides useful insights into the relation between self-interest and ethical conduct as they relate to consumers and business persons. Coleman's entry examines one aspect of marketing in the relation between fairness, respect, and pricing and considers it from the perspective of Smith's virtue theory.

Ethical concerns with marketing are often also connected to the notion of consumption. In the next entry, Pablo Garcia-Ruiz and Carlos Rodriguez-Lluesma argue that consumption has often been disparaged for giving rise to materialism and other associated vices. On such views, consumption poses a threat to the development of a virtuous life. While acknowledging problematic aspects of consumption, Garcia-Ruiz and Rodriguez-Lluesma argue nonetheless that consumption can also provide a context for the ethical development of persons as well. Looking both at special interest groups that have inherently ethical commitments to consumption as well as to broader issues of character development, they maintain that individuals can engage in consumption while at the same time develop virtuously as moral agents. In doing so, they appeal to virtue theorists in exploring the notion of a mean of moderation in consumption that can guide individual behavior as well as the efforts of marketing departments and advertisers in appealing to consumers.

As businesses become more concerned with adopting ethical practices, issues of sustainability and environmental responsibility have risen to the forefront. Unfortunately, while many businesses have adopted environmental messaging out of a sense of moral responsibility toward the natural world, others have done so with much more mixed motives. So-called greenwashing, for instance, takes advantage of consumer desire for environmentally friendly products by presenting products or services as "green" even when there is no connection between these products or services and any real positive impact on the environment. Virtuous marketing efforts tied to environmental sustainability thus must both determine what virtuous marketing means in relation to environmental concerns as well as how to distinguish legitimate environmental stewardship in marketing from more problematic forms of "green" business practice. The last entry in this section, by Mary Lyn Stoll, takes up these green issues in marketing. Connecting environmental concerns to the life of *eudaimonia*, Stoll argues that greenwashing undermines corporate virtue and poses a threat to sustained human flourishing. She goes on to discuss particular vices of greenwashing as well as what virtuous green marketing involves. The entry nicely illustrates how virtue-based ethics can be applied to the analysis and resolution of very specific ethical issues in marketing.

Conclusion

Each of the above issues discussed are addressed much more fully in the articles that follow in this section. As noted, each entry explores some aspect of the implications of a virtue-based approach to a significant area of marketing ethics. The authors delineate various areas of ethical concern in marketing and show what virtue ethics has to offer in dealing with these issues. The goal of each is to provide some sense of the fertility of virtue-based approaches for common ethical concerns in marketing and to identify key areas in need of further development. Whether one sees virtue theory as supplementing or superseding more traditional consequentialist and deontological approaches to business ethics, these entries make the relevance of virtue ethics for marketing quite clear. The domain of marketing present some of the most challenging questions within business ethics, and virtue ethics offers a significant resource for analyzing and responding to these challenges.

References

American Marketing Association (2009) Definition of marketing http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx. Accessed 29 Jan 2014
Aristotle (1999) Nicomachean ethics, 2nd edn. Hackett Publishing, Indianapolis
Audi R (2012) Virtue ethics as a resource in business. Bus Ethics Q 22:273–291
Beck-Dudley C, Hartman C (1999) Marketing strategies and the search for virtue: a case analysis of the body shop, international. J Bus Ethics 20:249–263
Brenkert G (2002) Marketing ethics. In: Frederick R (ed) A companion to business ethics. Blackwell, London

Hartman E (2013) Virtue in business: conversations with Aristotle. Cambridge University Press, Cambridge

McCarthy J (1960) Basic marketing: a managerial approach. Richard D. Irwin, Homewood

Murphy P (1999) Character and virtue ethics in international marketing: an agenda for managers, researchers and educators. J Bus Ethics 18:107–124

Solomon R (1992) Ethics and excellence: cooperation and integrity in business. Oxford University Press, Oxford

Honesty and Integrity in Advertising

Abe Joseph Zakhem

Contents

Abstract

According to many people, having honesty and integrity in advertising means possessing a strong disposition for telling the truth or at least avoiding lies and deception in producing advertisements. Although honesty and integrity tend to go hand-in-hand, the concept of integrity as a virtue often includes additional formal and evaluative characteristics. This chapter moves from an account of honesty, truthfulness, and integrity in Aristotle's *Nicomachean Ethics* to more contemporary readings on the topic. As is noted, there has been significant and interesting philosophical work done on the relationship between the virtues of integrity and honesty in the recent past. Some of the central questions include: is integrity a virtue at all? if it is a virtue, what are its characteristic motivations? are these motivations merely formal or do they entail some sort of moral and/or epistemic responsibilities? Responses to these questions should have a distinct impact on advertising ethics in particular. In short, much of the research in normative and metaethics in these areas has yet to be applied to advertising ethics. This chapter will work through some of this research and along the way raise questions to help promote new research and scholarship opportunities. For

A.J. Zakhem (✉)
Department of Philosophy, Seton Hall University, South Orange, NJ, USA
e-mail: abe.zakhem@shu.edu

example, if truthfulness is an epistemic virtue, would this require that advertisers consider the larger social impacts that advertising has on consumers' cognitive and intellectual development? This would be an especially pressing concern when considering the relationship between body image types in ads and associated psychological problems, such as eating disorders. Also, could understanding integrity as a "cluster" concept provide some insight for better establishing work-life balance in advertising? This would be a pressing concern for honest advertisers working in organizations that are only concerned with employee productivity. Alternatively, would a wide and encompassing conception of integrity, which a "cluster" concept is, lack sufficient focus and create problems at theoretical and practical levels?

Introduction

Honesty and integrity are heralded on almost every advertising code of ethics and/or organizational mission statement making reference to business ethics. This chapter explores the concept of honesty as a virtue and its philosophical relationship to integrity. The first section begins with Aristotle's narrow account of the virtue of truthfulness in the *Nicomachean Ethics* (Book IV, Chap. 7). On this account, truthfulness relates to an honest portrayal of one's self and accomplishments to others and conveys a rather "minimalistic" sense of personal integrity (Curzer 2012, pp. 195–219). The second section discusses honesty as a disposition for truthfulness that carries commitments to speak honestly about matters beyond those where one's reputation is at stake. In advertising, this includes a strong disposition for avoiding lies and deception and perhaps even being open, candid, and transparent about the products and brands that one promotes. For many, a minimalist account of integrity and honesty as relating to lies, deception, and truthfulness fails to fully capture a complete sense of what integrity really means. Accordingly, the third section summarizes more encompassing descriptions of integrity in contemporary philosophical forums. In short, much of the research in normative and metaethics has yet to be applied to advertising ethics. This chapter will work through some of this research and along the way raise questions to help promote new research and scholarship opportunities. For example, if truthfulness is an epistemic virtue, would this require that advertisers consider the larger social impacts that advertising has on consumer cognitive and intellectual development? This would be an especially pressing concern when considering the relationship between body image types in ads and associated psychological problems, such as eating disorders. Also, could understanding integrity as a "cluster" concept provide some insight for better establishing work-life balance in advertising? This would be a pressing concern for honest advertisers working in organizations that are only concerned with employee

productivity. Alternatively, would a wide and encompassing conception of integrity, which a "cluster" concept is, lack sufficient focus and create problems at theoretical and practical levels?

Honesty and Truthfulness in Aristotle

Aristotle's discussion of honesty in the *Nicomachean Ethics* is quite narrow. Instead of tackling honesty as it relates to truthfulness in a variety of social interactions, Aristotle focuses on the concept of truthfulness as it relates only to honest self-presentation in matters where one's reputation is at stake (Book IV, Chap. 7). When engaging in various social activities, one, whether in word or deed, presents an image of who one is as a person to others and acquires a certain reputation and status. A truthful or honest self-presentation for Aristotle essentially means actually being who one claims, purports, or otherwise seems to be; in other words, being truthful for Aristotle means having a passion for being genuine or not being a "fake" or "phony." In this way, Aristotle conveys a "minimalistic" account of integrity, as it does not include such qualities as self-integration, consistency, and coherence, and is not concerned with how guiding principles or values are acquired (Curzer 2012, pp. 212–219). These and other formal and evaluative qualities are further discussed in the third section.

Extending his account, Aristotle situates truthfulness as the mean between the vices of boastfulness and mock-modesty. Aristotle states that "the boastful man... is thought to be apt to claim the things that bring glory, when he has not got them, or to claim more of them than he has, and the mock-modest man on the other hand to disclaim what he has or belittle it, while the man who observes the mean is one who calls a thing by its own name, being truthful both in life and in word, owning to what he has, and neither more nor less" (Book IV, Chap. 7). One disposed to either boastfulness or mock-modesty thus tends to project a disingenuous or false image of who he or she is. The boastful person makes more of himself or herself than he or she really is. Presenting a false image of one's self for monetary gain is particularly "ugly" (Book IV, Chap. 7).

Although the application of Aristotle's view of truthfulness in the *Nicomachean Ethics* is not explicitly made in relation to advertising, a plausible reading could run as follows. Advertisers and/or the companies for which they work purport to be honest and trustworthy. As mentioned, seemingly every advertising code of ethics and mission statement says as much. Those advertisers who boast about or falsely understate their honesty and trustworthiness threaten to undermine trust in their professional relationships and are foolish to do so, as stakeholder relationships in advertising are argued to flourish when built upon trust (Solomon and Flores 2001). Additionally, as with similar forms of advocacy (Gowans 1984), advertisers implicitly and at times explicitly purport to provide products that actually meet consumer expectations. Those advertisers that hide under a "mask" of trustworthiness for material gain or do so to sell products that are unreasonably dangerous are

especially contemptible. Ethics programs should thus be geared to creating a corporate culture where authentically living up to professional codes and values and trying to truly understand and meet consumer product expectations defines what it means to have a "good" reputation. This reading, however, leaves open the possibility that one could "don a mask" of honesty and trustworthiness for morally upstanding reasons (Curzer 2012, p. 219), though the idea that dishonesty in advertising actually promotes a great good or prevents great harm seems false (McCall 2005).

Honesty and Truthfulness Extended

There have been notable efforts to extend Aristotle's account of truthfulness to cover situations other than honest self-presentation in matters of repute. Aquinas, for example, expands on Aristotle's narrow conception of truthfulness in the *Nicomachean Ethics* to a more general account of honesty, truth telling, and lying when considering the vices opposed to truth. In the *Summa Theologica*, Aquinas sees the essential division of lying as acts that go beyond the truth and those that fall short of the truth as analogous to the vices of boasting and mock-modesty (2.2, 110, article 2). Aquinas also claims that lies are inherently contemptible and the truth always worth of praise (2.2, 109, article 3). For Aquinas, this is taken to mean that stating falsehoods and willing and intending for others to act on false statements is a sin, though not necessarily a very serious one (2.2, 109, article 1).

Though in business and in advertising truthfulness is often taken to be instrumentally good, some argue that truthfulness as a virtue in business and advertising is likewise good in and of itself (Radoilska 2008). The argument here relies on distinguishing truth telling as a skill and truthfulness as a stable disposition. In advertising, appearing to be truthful can promote consumer trust and thus increase sales, reduce transaction costs, and advance other performance-related objectives. Truthfulness may be good business. Truthfulness as a marketing strategy can, however, be adopted and successfully and consistently employed by otherwise dishonest persons. If the skill ceases to work and consequences turn undesirable, then truth telling as an instrumental strategy would be discarded. Truthfulness as a disposition, however, runs much deeper. It implies that a person consistently tells the truth in "responsible, relevant, and unambiguous ways" (Radoilska 2008, p. 22). Though context certainly matters when determining relevance and responsibility, e. g., truthfulness as an advertiser demands different things and skills than truthfulness as a parent, a truthful person's variable actions nevertheless stem from the very same stable disposition. Though the actions, skills employed, and desired consequences may change form context to context, truthfulness as a virtue would extend across all of one's social roles, so if truthfulness is good in itself, then it is most certainly good in itself in the world of advertising. The question as to how to promote truthfulness as being inherently good has yet to be answered in the literature.

Although lies and deception are morally wrong in principle, there are situations where misrepresenting reality can be noble and just; thus, a general condemnation of lying and deception does not mean that all particular instances are equally wrong (Zembaty 1993, pp. 24–29). The same analysis follows for Aquinas, as sins toward the intellect (like lying) pale in comparison to the gravity of other, more serious sins, such as failing to prevent a great injustice (2.2, 110, article 2). Living in the truth does not necessarily entail telling the truth on all occasions. Accordingly, an honest person would be strongly disposed to truthfulness, but may not tell the truth all the time or categorically reject lying. People who are excessively truthful fail to understand and act upon situations that require keeping quiet, telling white lies, or even bold-faced lies. People who are not so disposed, on the other hand, may turn out to be compulsive liars and feel little or no indignation toward misrepresenting reality.

Some of the instances where one may lie, or perhaps even should lie, tend to include lying or deceiving to save a life or prevent some great injustice, maintaining proper etiquette, or lying or deceiving in associations where participants acquiesce to lies or deceit, such as in the game of poker. Conversely, there are other situations where one ought to tell the truth. In virtue ethics, understanding the context of one's social role is necessary for one's virtuous disposition to be executed with practical wisdom (Oakley and Cocking 2001). With the requisite degree of practical wisdom, an honest person would presumably know the right time, reasons, and way to tell the truth, lie, or to deceive, relative to whom one's communication is directed. Similar dispositions toward truthfulness would then imply different reactions depending on the situational role one is playing, e.g., parent, friend, professional, or citizen. Those with fiduciary obligations should be disposed to always tell the truth about certain conflicts of interests, while parents may at times justifiably withhold information from or even lie to or deceive their children.

In advertising, occasions permitting or morally requiring lying to or deceiving consumers or other target groups tend not to arise. The most obvious reason is that lying and deception in advertising causes an unwarranted degree of harm, and at times, to those who are particularly vulnerable and dependent. Consumers who are led by advertisers to act on false beliefs suffer monetary harm and in some instances physical harm (Carson 2010, pp. 182–190; McCall 2005, pp. 332–334). At a more general level, business and other social practices with rampant lying and deception tend not to flourish or undermine the common good (Solomon and Flores 2001). MacIntyre's (2007) account of honesty in *After Virtue* expresses this point. Even more decidedly free market-oriented economists, such as Milton Friedman (1970), argue that a manger's social responsibility requires that market transactions have a great degree of transparency, especially in the form of prohibiting fraud and promoting honest financial reporting.

While there is general agreement that advertisers ought to be honest with respect to consumers, there is some dispute as to just what this exactly demands. Those who regard advertising as strongly analogous to journalism, in that both are argued to essentially provide necessary information for rational decision-making, tend to stress more positive dispositions and obligations to openness, candor, and transparency (Snyder 2011). Others describe honesty as a "cardinal" virtue in a negative

sense, only implying that advertisers have a strong disposition to avoid lies and deception in their communications to consumers (Carson 2010, p. 257).

The analogy between advertising and journalism is difficult to maintain. The function of ads seems to be more rhetorical than informational, and at times ads justifiably provide no real product information at all. Nevertheless, the negative view on honesty should not be overstated. The negative view does not imply that organizations can justifiably fail to positively provide consumers all relevant information about a product, especially when it concerns product safety or when ads are directed at vulnerable and dependent populations, such as children.

Even advertisements that provide accurate information, however, can deceive and in reality serve to give the consumer the wrong impression. Additionally, some advertisements, perhaps those focused on more general branding or associating a product or company with a certain feeling or impression, may include no product information at all. As virtues run deep, an honest advertiser with good intent would presumably be concerned about whether or not the discrete ads that they design actually deceive consumers. This seems to generate a more positive obligation to figure out the likelihood that an ad will actually deceive (regardless of advertiser intent) a reasonable or even ignorant consumer (McCall 2005).

One's positive obligations in advertising may extend even further. Consider some of the general claims made by contemporary virtue epistemologists (Greco and Turri 2013). In a very broad sense, virtue epistemologists give intellectual virtues, such as love of knowledge, inquisitiveness, reflectiveness, and epistemic courage, a central role in living a good life. Apart from merely focusing on individual agents, the social context and communities in which intellectual virtues are developed becomes particularly important. Some implications for virtue epistemology on business in general have been established (de Bruin 2013). Connections between virtue epistemology and advertising have yet to be sufficiently drawn out. One central question would have to be, does the advertising community provide epistemically valuable ways for consumers to form beliefs and gain knowledge? At first glance, it would seem not, as prevalent advertising techniques seem to circumvent rational and autonomous decision-making (Crisp 1987; Arrington 1982). Additionally, advertisers, especially in the USA, often utilize body image types that are distorted and unrealistically thin. In many instances this leads to unhealthy decision-making and contributes to very serious health risks and dangerous forms of self-deception, as adolescents often internalize and strive to reach unrealistic body-type ideals (Myers and Biocca 1992). As truthfulness is central to virtue epistemology, the extent to which advertising and the advertising community can be said to undercut epistemic virtues would be a serious concern.

From Honesty and Truthfulness to Integrity

On a virtue-based account, it is generally accepted that honesty in advertising means that one has a strong disposition for designing ads that accurately present a product or brand or at least avoid lies and deception. The exact relationship between

honesty and integrity in business and specifically advertising, however, is unclear. Robert Audi and Patrick Murphy (2006) find a "myriad" of unsystematic and indeterminate uses of the term "integrity" in business ethics, some uses are more narrow (honesty and integrity are at times taken to be synonymous) and others more encompassing (at times integrity means something like having a more encompassing sense of moral character).

Stakeholder assessments of advertiser integrity are often measured relative to the degree of perceived confidence and trust in what is being communicated (Morgan and Hunt 1994). Thus as in business in general (Audi and Murphy 2006, p. 6), in advertising, integrity and honesty are sometimes used in ways that are seemingly interchangeable. There are other uses of the term "integrity" in advertising that entail much more than honestly portraying products and brands and include such things as adherence to a more general moral code (Abela and Murphy 2008; Murphy et al. 2007; Murphy 1999). Integrity in advertising is also associated with a wide variety of other virtues or values. The American Marketing Association statement of ethics, for example, associates integrity with honesty and responsibility, fairness, respect, transparency, and good corporate citizenship (American Marketing Association 2014).

In the latter part of the twentieth century, the concept of integrity began to receive a great deal of philosophical scrutiny (Cox et al. 2013). Though there is no agreement as to which qualities are necessary or sufficient, some of the prominent accounts of integrity include the following more exacting characterizations:

- Integrity connotes self-integration. Persons with integrity bring together various aspects of who they are as a person under some defining principle, narrative, role, project, or trait in a way that is sufficient to convey a rather strong sense of consistency and harmony. Harry Frankfurt's (1971, 1987) "formal" (as opposed to evaluative) account of persons as having wholehearted commitments to higher-order desires is sometimes used as a paradigmatic example of this notion (Cox et al. 2013).
- Integrity implies that the choices or commitments one makes define who one really is as a person. In other words, a person of integrity makes choices or commitments that are "identity-conferring" (Williams 1981). As such, without the integrating principle, narrative, role, project, or trait, "there is a sense in which there would not be the same person" (Audi and Murphy 2006, p. 9).
- Persons with integrity are "self-governing" and do not require external motivation to act in ways that are consistent with their sense of self (Paine 1994). A person with integrity carries a sense of self that is incorruptible or at least strongly resistant to adverse external influence or temptation (Solomon 1992, p. 168).
- Integrity requires that one holds the right sort of defining principle, narrative, role, project, or trait. That is, formal accounts of self-integration may be necessary but are insufficient in capturing the moral core of integrity. Some define rightness or standing for something (Calhoun 1995) in ways that are decidedly normative (Swanton 2001; Ashford 2000; Halfon 1989; Becker 1998). Richard

De George (1993), for example, argues that having integrity in business means that one must conscientiously adhere to standards that exceed the moral minimum. Alternatively, virtue epistemologists argue that integrity is an intellectual (and not a moral) virtue, and as such the integrative features of one's personality need only be epistemically warranted (de Bruin 2013; Scherkoske 2012).

The question of how much work integrity ought to or even can do as a virtue (assuming it is a virtue at all), has yet to be resolved. Robert Audi and Patrick Murphy (2006) argue for a more limited, minimalistic account. Part of their argument is that other virtues, like justice, courage, or friendship, are better equipped to provide moral direction, and that bleeding integrity into other areas creates unnecessary theoretical and practical problems and confusion. Others try to establish a much more encompassing account of integrity. Robert Solomon (1992), for example, characterizes integrity as a "super virtue," including under its regulative purview a variety of qualities such as wholeness, moral standing, honesty, loyalty, and especially moral courage (pp. 168–192). In an ambitious and original attempt, Cox et al. (2003) define integrity as a "cluster" concept that enables persons to manage various and inevitable conflicts and life-changing events that trying to be virtuous entails. For these authors, integrity is the mean between vices that relate to inflexibility, such as conceit, fanaticism, dogmatism, and vices that relate to superficiality or triviality, such as indifference, self-deception, and hypocrisy. In short, integrity helps one to maintain an arguably fragile sense of self in the face of numerous challenges. With respect to advertising, Cox, La Caze, and Levine's views could provide some insight on how those in advertising could maintain an integrated sense of self despite work-life imbalance issues and despite working within organizations where honesty and integrity may only be instrumentally valued, if valued at all.

Sorting out what integrity actually means on a virtue-based account will have implications for advertising and business ethics in general. More minimalistic accounts may turn back to Aristotle's account of honesty. More inclusive accounts may turn toward integrity as a cluster concept or super virtue. One could even see developing a moral particularistic account of integrity that finds value in maintaining both minimalistic and more comprehensive accounts. These connections have yet to be drawn out with respect to advertising ethics.

Conclusion

This chapter has moved from a more minimalistic conception of honesty and integrity in advertising to a more extended account. What this chapter has tried to do is point to some of the normative and metaethical discussions about honesty and integrity and along the way raise some probing questions to help promote new research and scholarship with respect to advertising ethics. If integrity is an epistemic virtue, should advertisers be concerned about whether or not the images they portray and lifestyles they often promote undercut or inhibit consumer

intellectual and cognitive development? Does understanding integrity as a cluster concept provide original ways to deal with moral problems and conflicts, such as working in organizations where honesty and integrity are instrumentally valued or carry no real value at all? Alternatively, does a wide and more comprehensive account lose necessary focus and lead to confusion and other practical problems? Addressing these and other questions will hopefully provide various opportunities for original research.

References

Abela A, Murphy P (2008) Marketing with integrity: ethics and the service-dominant logic for marketing. J Acad Mark Sci 36:39–53

American Marketing Association (2014) Statement of ethics. http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx. Retrieved 13 Feb 2014

Arrington R (1982) Advertising and behavior control. J Bus Ethics 1(1):3–12

Ashford E (2000) Utilitarianism, integrity and partiality. J Philos 97:421–439

Audi R, Murphy P (2006) The many faces of integrity. Bus Ethics Q 16(1):3–21

Becker T (1998) Integrity in organizations: beyond honesty and conscientiousness. Acad Manag Rev 23(1):154–161

Calhoun C (1995) Standing for something. J Philos 92:235–260

Carson T (2010) Lying and deception, theory and practice. Oxford University Press, Oxford

Cox D, La Caze M, Levine M (2003) Integrity and the fragile self. Ashgate Publishing, Aldershoot

Cox D, La Caze M, Levine M (2013) Integrity. In: Stanford encyclopedia of philosophy. http://plato.stanford.edu/entries/integrity/. Retrieved 13 Feb 2014

Crisp R (1987) Persuasive advertising, autonomy, and the creation of desire. J Bus Ethics 6 (5):413–418

Curzer H (2012) Aristotle and the virtues. Oxford University Press, Oxford

de Bruin B (2013) Epistemic virtues in business. J Bus Ethics 113(4):583–595

De George R (1993) Competing with integrity in international business. Oxford University Press, Oxford

Frankfurt H (1971) Freedom of the will and the concept of a person. J Philos 68:5–20

Frankfurt H (1987) Identification and wholeheartedness. In: Schoeman F (ed) Responsibility, character, and the emotions: new essays in moral psychology. Cambridge University Press, Cambridge

Friedman M (1970) The social responsibility of business is to increase profits. The New York Times Magazine:32

Gowans C (1984) Integrity in the corporation: the plight of corporate product advocates. J Bus Ethics 3(1):21–28

Greco J, Turri J (2013) Virtue epistemology. In: Zalta E (ed) Stanford encyclopedia of the philosophy. http://plato.stanford.edu/archives/win2013/entries/epistemology-virtue/. Retrieved 3 Mar 2005

Halfon M (1989) Integrity: a philosophical inquiry. Temple University Press, Philadelphia

MacIntyre A (2007) After virtue. University of Notre Dame Press, South Bend

McCall J (2005) Deceptive advertising. In: Desjardins J, McCall J (eds) Contemporary issues in business ethics. Wadsworth Cengage, California

Morgan R, Hunt S (1994) The commitment-trust theory of relationship marketing. J Mark 58 (3):20–38

Murphy P (1999) Character and virtue ethics in international marketing: an agenda for managers researchers and educators. J Bus Ethics 18:107–124

Murphy P, Laczniak G, Wood G (2007) An ethical basis for relationship marketing: a virtue ethics perspective. Eur J Mark 41(1/2):37–57

Myers P, Biocca F (1992) The elastic body. J Commun 42(3):108–133

Oakley J, Cocking D (2001) Virtue ethics and professional roles. Cambridge University Press, Cambridge

Paine L (1994) Managing for organizational integrity. Harv Bus Rev 72(2):106–117

Radoilska L (2008) Truthfulness and business. J Bus Ethics 79(1/2):21–28

Scherkoske G (2012) Could integrity be an epistemic virtue. Int J Philos Stud 20:185–215

Snyder (2011) Principles and practices for advertising ethics. American Advertising Federation Ethics and Principles. www.aaf.org. Retrieved 13 Feb 2014

Solomon R (1992) Ethics and excellence: cooperation and integrity in business. Oxford University Press, Oxford

Solomon F, Flores F (2001) Building trust in business, politics, relationships, and life. Oxford University Press, Oxford

Swanton C (2001) An Aristotelian account of right action. Ethics 112(1):32–52

Williams B (1981) Persons, character, and morality. In: Moral luck: philosophical papers. Cambridge University Press, Cambridge, pp 1973–1980

Zembaty J (1993) Aristotle on lying. J Hist Philos 31(1):7–29

Fairness and Respect in Marketing

J. B. Coleman

Contents

Abstract

Contemporary discussions of the relation between fairness, respect, and marketing can benefit from a consideration of Adam Smith's classic sentimentalist virtue theory. Smith gave a great deal of thought to the relation between customer and businessperson and provided very useful insights into the conflict between commercial self-interest and ethical conduct. This chapter examines one aspect of marketing in the relation between fairness, respect, and pricing and considers it from the perspective of Smith's ethical theory. It is argued that Smith's theory can explain the negative reactions of customers to pricing manipulation and can provide a basis for addressing these reactions.

Keywords

Pricing • Fairness and respect • Marketing ethics • Adam Smith • Justice • Virtue ethics • Sentimentalism • Impartial spectator

J.B. Coleman (✉)
Philosophy and Religion Department, Central Michigan University, Mt. Pleasant, MI, USA
e-mail: jamesbrianc@yahoo.com

Introduction

Recent literature on the roles of fairness and respect in marketing tends to focus on the concept of fair pricing. In contrast to the other three traditional "P's" of marketing – product safety, placement, and promotion – issues in pricing have the capacity to speak directly to the costumer's social standing (Bolton, Warlop, and Alba 2003). As one recent discussion points out, "Concerns for fairness are highly salient in the realm of pricing. Price represents benefits (revenue and profits) for a company but out-of-pocket costs for its consumers" (Nguyen and Meng 2013, p. 529). Customers frequently compare the prices they are offered for goods with the prices their friends pay, other people online pay, or what competitors charge. Customers who discover that they were charged more than others believe that they have been done an injustice. The online retailer Amazon, for instance, has received considerable criticism for its use of "dynamic pricing," i.e., charging different customers different prices for the same items at the same time. Customers express outrage over what they perceive to be a discriminatory and unfair practice. Further, the evidence suggests that the source of the outrage is not that the consumer has gotten a bad deal, but also that there is an element of perceived personal injury to the consumer him or herself. One writer explains, "consumers react to unfairness in exchange not just because it can influence their material outcomes, but also because it reflects perceptions of their social standing" (Ashworth 1998, p. ii). It is unfair and personally disrespectful, customers tend to believe, to be charged more for the same product by the same seller than someone else.

If there is an issue of fairness and respect involved in marketing-related pricing, the question arises: what would best equip the marketer with the means to avoid ethically poor treatment of customers? This chapter will address current research on fairness and respect in marketing and will suggest a role that ethical theory might play in responding to these types of issues. The theory presented here is Adam Smith's sympathy-based view of moral judgment. We shall first examine the issue of fairness and respect in marketing (with special reference to pricing) in more detail.

Procedural and Outcome Fairness in the Market

In 2006, ABC News reported that, "In the space of two weeks, online retailer Amazon.com has been forced to apologize, issue refunds and appease angry customers after it was found to have charged some people more than others in random price testing on its Web site" (Martinez 2006). This public relations issue developed after different customers purchasing the same DVDs compared their respective prices – they did web searches, communicated with friends or family, and discovered the discrepancy. After the public outcry, Amazon responded by refunding 6,896 customers an average of $3.10 each on their purchases. A more recent case from 2012 involved a customer attempting to purchase a mahjong game. Oregonlive.com reported that a customer, named Nancy Plumlee, placed the game

in her shopping cart and then noticed that the price suddenly jumped $15.00. Plumlee called an Amazon representative and complained, "That just doesn't feel like straight-up business honesty. Shame on Amazon" (Gunderson 2012). The article continues by observing that, "Although consumers say such price revisions feel like bait-and-switch, they're entirely legal. And Amazon's not alone. Not only do prices move up and down on a regular basis, but also they're often adjusted based on exactly which customer is mulling a purchase" (Gunderson 2012). The Harvard Business School's John Gourville notes with respect to dynamic pricing that, "With advances in technology and collecting of big data, then it may be that it will become easier to do. However, very quickly you start eliciting complaints about fairness" (Tanner 2014).

There is, in fact, a substantial marketing literature on the relation between fairness, respect, and pricing. The area of marketing research dedicated to considerations of fairness and respect is called "equity theory" (Huppertz et al. 1978). There is a traditional distinction in equity theory between two types of fairness, termed "procedural fairness" and "outcome fairness" (Tyler 1994). Equity theorists derive the distinction from legal terminology: procedural fairness is a version of procedural justice, outcome fairness a version of distributive justice. Procedural justice is related to the legal process: regardless of the wisdom of a bill, for instance, it is procedurally just when it has traveled the appropriate avenues toward its passage. The process, for better or worse, has been followed and cannot be faulted. Procedural injustice, conversely, implies a fault in the process. Distributive justice, on the other hand, concerns the fairness or unfairness of the distribution of resources. Legal theorists sometimes argue, for instance, that disparities in capital sentencing are a violation of distributive justice, since similar crimes often receive dissimilar sentences. Fairness in sentencing, the argument goes, implies that like cases ought to be treated alike.

In marketing, procedural fairness is the perception of the fairness or unfairness of the customer's actual interaction with a business or businessperson. As Nguyen and Meng put it, "Procedural fairness refers to the extent to which decision-making procedures are judged to be fair by those who are subjected to them" (Nguyen and Meng 2013, p. 530). Nancy Plumlee, in this sense, believed that she was the victim of procedural unfairness, since she noticed the price of the item in her Amazon shopping cart change independently of her actions. In a brick-and-mortar store, displays of disrespect to the customer would be examples of procedural unfairness. Outcome fairness, on the other hand, would be the discovery after purchasing an item that there was an inequity in its pricing or distribution. It is "the perceived fairness of the outcome of a decision" (Nguyen and Meng 2013, p. 530). So the consumers who purchased DVDs and then realized that others were charged more or less for them at the same time and from the same store regarded themselves, in effect, as victims of outcome fairness (Ashworth and McShane 2012). These types of fairness are not mutually exclusive: if Plumlee had gone ahead and purchased the product after realizing the price shift and then discovered that other people were simultaneously charged less, she might have regarded herself as victim of both procedural and outcome fairness in the same transaction. Further, outcome

unfairness might result from procedural unfairness. Adam Tanner provides an illustration: "In a traditional bazaar a seller might charge a well-dressed buyer twice as much as another based on visual clues or accents. Big data allows for a far more scientific approach to selling at different prices, depending on the individual's willingness to pay" (Tanner 2014). The well-dressed buyer, in this case, is the subject of both a process and an outcome that is potentially unfair. Procedural unfairness might appear to the consumer as more of a personal affront, a show of disrespect, than outcome fairness, which is likely to be perceived as the result of an unsympathetically rigged game.

The violation of procedural unfairness is typically, in short, what the customer perceives as more weighted toward disrespect than as being only unfair; outcome unfairness, in general, suggests systematic unfairness rather than only disrespect. Given that this is the case, though, what policies ought a business to cultivate, then, to address the customer's sense of unfairness and disrespect? One difficulty facing the business is the observation that customers are not, strictly speaking, their friends or familiars. Despite the fact that businesses routinely cultivate the illusion of familiarity as a part of marketing placement and advertisement, the relation between customer and business is one of mutual benefit rather than partiality. Since this is the case, though, it is difficult to protect the customer from injured feelings when a business makes practical decisions that also appear quite unfriendly from the standpoint of the customer. As Ingram et al. note, "Research shows that unethical marketing behavior impacts consumers' behavior in the marketplace. However ... the association the consumer has with a company seems to impact their reaction that behavior" (Ingram, Skinner, and Taylor 2005). There have been discussions about how best to equip managers with the tools to address potential offense to the customer, such as Patrick Murphy's influential 1999 discussion of the potential uses of virtue theory to train international marketers, but there have been no extended attempts to address the issue of fairness in pricing from the standpoint of one of the standard theories of normative ethics (Murphy 1999). One classic ethical theory, however, provides a promising basis from which to address this issue: Adam Smith's theory of the virtues.

Adam Smith on Justice and the Market

Smith was uniquely equipped to address questions about the relation between ethics and marketing: Smith was both one of the greatest economists as well as one of the great philosophers. According to Smith, modern commercial society cannot be premised on the classical virtues of fidelity, friendship, courage, and so forth. These classical Roman aristocratic virtues are irrelevant to the functioning of mercantilist/capitalist society. Modern society is, by contrast, a community mostly of mutual strangers, interacting with much of the rest of society on a commercial – that is, self-interested – basis. In such a situation, one cannot depend on friendship and mutual recognition of each other's social status so much as on straightforward self-interest. As Smith (1976b) says, "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 self-interest. 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. Nobody but a beggar chooses to depend chiefly on the benevolence of his fellow-citizens" (p. 19). Smith characterizes the marketplace as, in short, a place of cold comforts: each individual in the market thinks primarily of their own advantage, and in fact, Smith claims, most benefits society by doing so. By means of the efficient functioning of free and open competition, the self-interest of the commercial actor leads to the betterment of society as a whole. In possibly the most famous passage in all of his works, Smith (1976b) claims, "They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species" (p. 477).

Egoistically motivated economic behavior, Smith believes, maximizes utility. Because of his adherence to this classically free-market viewpoint, Smith claims that the appropriate recourse in cases of personal injury or unfairness is not personal virtue, but the impartial social virtue of justice. Where personal benevolence plays no part, the systematic distribution of rewards and punishments takes its place. Justice is based primarily, in Smith's (1976a) view, on the *resentment* one experiences at the perception of injury either to oneself or to others: "the violation of justice is injury: it does real and positive hurt to some particular persons, from motives which are naturally disapproved of. It is, therefore, the proper object of resentment, and of punishment, which is the natural consequence of resentment" (p. 79). In Smith's (1976a) view, justice is "the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society . . . must in a moment crumble into atoms" (p. 86). Justice, on this view, addresses the social problems arising from the community of mutual strangers. In a society without antagonism, as Smith's personal friend David Hume famously observed, the virtue of justice would have no place (Hume and Beauchamp 1999).

To return to Amazon's dynamic pricing situation, it is clear that Smith would describe the customer's resentment as an instance of an offended sense of justice. In the case of Nancy Plumlee's experience with Amazon, there was a procedural violation of her sense of justice: an item she placed in her shopping cart because of its initial price that suddenly changed prices when she looked again. The customer's sense that he or she has been treated with undeserved scorn or singled out for mistreatment in the process of a transaction is the natural occasion for the sense of offended justice. This reaction is, in Smith's view, a normal element of commercial society – it is sufficient for it to occur that the customer sense, with or without good reason, that they have been injured in some way by a business. Outcome fairness, too, is related to this conception of justice: to be disadvantaged by a rigged outcome is a form of distributive injustice. In this case what creates the sense of resentment is not personal disrespect, but a sense of being left out of the distribution of benefits without good reason. In the cases of both procedural and outcome fairness, though, recent evidence clearly backs up Smith's assessment.

One recent analysis comparing pricing unfairness to other acts of business wrong-doing notes that, "Consumers have been shown to boycott firms that engage in blatant wrong-doing such as using child labor or paying less than minimum wages; to stop purchasing from firms that treat them badly, e.g., when firms provide bad service or hide charges in bills; and to voluntarily incur a monetary loss to punish people who violate social norms such as equal division of money, trust, and reciprocity" (Wang and Krishna 2012, p. 433). Commercial society, in Smith's view, creates the conditions under which abuses of self-interest take place, and nature creates the reactions to those conditions in the sense of resentment against injustice. This conception of commercial society is notable in how minimal are the demands it places on the individual: there is no social obligation to be benevolent in such a self-interested environment, and "we may often fulfill all the rules of justice by sitting still and doing nothing" (Smith 1976a, p. 82).

Smith's account of the foundational social role of justice provides an explanation for why consumers perceive certain marketing techniques as unfair or disrespectful: it is related to the phenomenon of consumer resentment. The problem to be addressed by Smith's view, however, is how the impartial social virtue of justice can coexist with the personal virtue of the players in the market. How, if at all, is it possible to preserve personal virtue in light of egoistically motivated market behavior?

Smith on Sympathy and Propriety

Smith argued that human beings are social by nature and that sympathy is a natural inborn function of the human mind. Sympathy is, in fact, the lynchpin of Smith's ethics as outlined in his great "Theory of the Moral Sentiments." Smith (1976a) defines sympathy broadly as "our fellow feeling with any passion whatever" (p. 10). Since we cannot actually experience another person's troubles (or pleasures), we imaginatively place ourselves in another's position and feel what he or she feels. Smith (1976a) claims, "By the imagination we place ourselves in his situation, we conceive ourselves enduring all the same torments, we enter as it were into his body, and become in some measure the same person with him, and thence form some idea of his sensations, and even feel something which, though weaker in degree, is not altogether unlike them" (p. 9). This function of imaginative sympathy is not, in Smith's view, an entirely voluntary act – people in general need only to observe another person's situation to be transported in this way. The result, in his view, is that it is quite difficult (though not impossible, particularly for those ruled by the "turbulent passions" of selfishness, anger, and so forth) to be entirely self-interested. Smith (1976a) claims in the first sentence of the Theory that, "How selfish soever 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" (p. 9). The businessperson, though rejecting benevolence as an operative principle of commercial exchange, cannot without considerable effort be free from

concern for others, even for strangers. In Smith's (1976a) view, he or she in fact depends on others for the recognition of right conduct: "the *sentiments of other people* is the *sole* principle which, upon most occasions, overawes all those mutinous and turbulent passions" (p. 263).

Smith's name for the mental mechanism created by this natural function of sympathy is "the impartial spectator." Individual adults possess both self-regarding sentiments and broader sentiments caused by the operations of sympathy. Unless someone has done something to deserve it, Smith (1976a) says of injury to others, "To disturb his happiness merely because it stands in the way of our own, to take from him what is of real use to him merely because it may be of equal or of more use to us, or to indulge, in this manner, at the expense of other people, the natural preference which every man has for his own happiness above that of other people, is what no impartial spectator can go along with" (p. 82). The impartial spectator is, in Smith's view, the result of both the natural mental function of sympathy and the influence of socialization, since we form our conceptions of ourselves from what we take to be other people's view of us. When reflecting on our own conduct from the standpoint of the impartial spectator, we "view ourselves not so much according to that light in which we may naturally appear to ourselves, as according to that in which we naturally appear to others" (Smith 1976a, p. 83).

In Smith's view, then, the natural sympathetic sentiments make it very difficult to engage entirely and unreservedly in that atmosphere of amoral self-interest so characteristic of the public sphere of the market. Commerce and nature are in conflict here. Smith's response to this peculiar dissonance between the egoism characteristic of the market and the natural sense of sympathy characteristic of the moral life suggests a ready answer to the problem raised for concerns about fairness and equality in marketing. Both the customer who perceives himself or herself to be the victim of unfair dealing and the business whose policies led to this perception are subject to same conflict. Both engage in self-interested behavior. But the recognition of the potential for injury, for the resentment related to the perception of injustice, is also present in both. The ability to anticipate the potential for resentment is made possible by the impartial spectator: each individual's ability to judge an act impartially as worthy of approval or not. Genuinely virtuous action, however – that is, praiseworthy and admirable action – is generally best seen in Smith's view as supererogatory. Such virtues would include courage, heroic self-denial, magnanimity, and so forth. These states of character are difficult for any but the most elevated individuals to achieve, and for this reason cannot be regarded as strictly obligatory.

One ought instead, in Smith's view, to settle for a lower standard of virtue. Smith's (1976a) name for this second-best state of character is "propriety": "In the suitableness or unsuitableness, in the proportion or disproportion which the affection seems to bear to the cause or object which excites it, consists the propriety or impropriety, the decency or ungracefulness of the consequent action" (p. 18). When we merely approve or disapprove of actions or characters, we judge them as possessing propriety or impropriety. They are, in other words, either "appropriate" or "inappropriate." Being a pleasant, agreeable, witty, clever, considerate, etc.

person is mere propriety. To fall below this standard is to simply be an unpleasant, or at worst an unjust person. It is the primary function of the impartial spectator to judge propriety or impropriety through the exercise of imaginative sympathy, i.e., putting oneself in the place of the other. An appropriate reaction to a given cause – say, the recognition that one's pricing schemes may offend one's customers – fulfills the condition of propriety in Smith's sense. On the other hand, the failure to recognize the potential for offense causes a perception of impropriety or, in worse cases, outright injustice. Where we cannot achieve moral perfection (and Smith is pessimistic that we can ever do so), we can at least aspire to it. If we fail to cut an admirable figure, we can at least display an inoffensive one. The propriety of one's actions – of their suitability for approval by the impartial spectator – is Smith's lowest level of permissibility. Propriety is, in Smith's (1976a) view, "…the idea of that degree of proximity or distance from this complete perfection, which the actions of the greater part of men commonly arrive at. Whatever goes beyond this degree, how far soever it may be removed from absolute perfection, seems to deserve applause; and whatever falls short of it, deserves blame" (p. 26). Self-interested behavior is, in Smith's view, morally permissible to the extent that it does not violate reasonable expectations of appropriateness. Self-interested behavior may, but need not always, lead to injury. When it does, one must fall back on justice.

Smith's answer to the businessperson who is concerned not to offend the customer, then, is to appeal to this sense of propriety. To the businessperson considering dynamic pricing scheme, Smith would put the simple question – would you approve of this maneuver if you were to encounter this situation yourself? If one judges it as inappropriate – as, Smith believes, one would – then the obvious response would be to avoid the policy as unnecessarily disruptive and offensive. The same reasoning applies also to the customer, of course: customers will certainly sometimes see offense and injustice where none exists. It is entirely possible to feel inappropriate resentment. This must be determined, in Smith's view, with a careful consideration of the relevant facts in each situation. The lowest level of morally permissible behavior depends, in Smith's view, on this ability to imaginatively shift positions, to put oneself in the other person's shoes. It is entirely natural to do so, in Smith's view, and for this reason difficult to not do so. This moral minimum, obvious though it might sound, might nevertheless meet with people who are, as Smith puts it, overrun with "turbulent passions." In such cases, justice takes over: the customer's resentment might in effect be punishment enough for the businessperson to change their ways. This was, in fact, the resolution of the dynamic pricing public relations issue for Amazon. From founder Jeff Bezos down to the public relations wing of the company, Amazon undertook a lengthy effort to roll back the hurt feelings and resentment of its customers. As ABC News reported in 2006, in an article entitled "Amazon Error May End 'Dynamic Pricing,'" "Amazon.com has been forced to apologize, issue refunds, and appease angry

customers" years after Bezos claimed to have ended the practice of dynamic pricing (Martinez 2006). Needless to say, it would not be the last time this would happen.

Conclusion

The discussion of this chapter has attempted to make use of traditional normative ethical theory as a guide for explaining and addressing problems in fairness and respect in marketing. Adam Smith's position as an economist and philosopher enabled him to offer a useful means to address such problems. On one hand, Smith recognized the role of self-interest in the market – a significant source of customer dissatisfaction with unresponsive businesses. On the other hand, Smith outlined a contrasting theory of the virtues to set beside the egoistic view of the market. For this reason, Smith's view stands in a promising position to address the resulting conflicts between the self-interested forces of the market and other-regarding demands of morality. It is important to note, however, that this chapter has not attempted to present an argument either for or against the practice of dynamic pricing – this is clearly a matter for the analysis of specific cases rather than for broad generalizations. This discussion merely addresses the possible role that one form of virtue ethics might play in addressing potentially unfair and disrespectful marketing tactics.

References

Ashworth L (1998) It's the principle that matters: the antecendents and consequences of procedural justice in a consumer setting." Dissertation, BComm, The University of British Columbia

Ashworth L, McShane L (2012) Why do we care what others pay? The effect of other consumers' prices on inferences of seller (dis)respect and perceptions of deservingness violation. J Retail 88(1):145–155

Bolton LE, Warlop L, Alba JW (2003) Consumer perceptions of price (un)fairness. J Consum Res 29(4):474–491

Gunderson L (2012) Amazon's "dynamic" prices get some static. http://blog.oregonlive.com/complaintdesk/2012/05/amazons_dynamic_prices_get_som.html

Hume D, Beauchamp T (eds) (1999) An enquiry concerning the principles of morals. Oxford University Press, New York

Huppertz JW, Arenson SJ, Evans RH (1978) An application of equity theory to buyer-seller exchange situations. J Mark Res 15(2):250–261

Ingram R, Skinner SJ, Taylor VA (2005) J Bus Ethics 62:237–252

Martinez M (2006) Amazon error may end "dynamic" pricing. http://abcnews.go.com/Technology/story?id=119399&page=1

Murphy PE (1999) Character and virtue ethics in international marketing: an agenda for managers, researchers, and educators. J Bus Ethics 18(1):107–124

Nguyen A, Meng J (2013) Whether and to what extent consumers demand fair pricing behavior for its own sake. J Bus Ethics 114:529–547

Smith A (1976a) The theory of the moral sentiments. University of Oxford Press, New York

Smith A (1976b) Wealth of nations. University of Chicago Press, Chicago

Tanner A (2014) Different customers, different prices, thanks to big data. http://www.forbes.com/sites/adamtanner/2014/03/26/different-customers-different-prices-thanks-to-big-data/

Tyler TR (1994) Psychological models of the justice motive: antecedents of distributive and procedural justice. J Pers Soc Psychol 67:850–863

Wang Y, Krishna A (2012) Enticing for me but unfair to her: can targeted pricing evoke socially conscious behavior? J Cons Psychol 22(3):433–442

Greenwashing and Green Marketing Virtues

Mary Lyn Stoll

Contents

Abstract

Many companies publicly promise that their business policies and products are environmentally sustainable. But while green promises abound, few companies have truly environmentally sustainable business practices, especially when the long-term consequences of business policies and products are factored into the equation. By pointing to a handful of seemingly sustainable business decisions, companies routinely distract consumers from general business patterns that are not actually environmentally sustainable. This chapter begins by explaining and defining the concept of greenwashing and then explores the economic and legal factors that systematically encourage greenwashing. Since moral agents cannot flourish without a healthy ecosystem to support them, greenwashing undermines the conditions necessary to a life of *eudaimonia*. Greenwashing also undermines virtue in companies since it entails dishonesty in one's relations with others as well as compromises the physical conditions necessary for sustained human flourishing. I will discuss the most common vices of greenwashing as well as the virtues embodied by companies that actually engage both in sustainable business

M.L. Stoll (✉)
Department of Philosophy, University of Southern Indiana, Evansville, IN, USA
e-mail: mlstoll@usi.edu

and in virtuously communicating those business practices to consumers and to the public at large.

Introduction

Humanity cannot flourish without healthy ecosystems that can provide what we need to live well. As such, virtuous corporations must consider the impact of their business practices upon the environment. A person who lives the best possible human life with excellent functioning has a life of what Aristotle refers to as *eudaimonia* or lifelong well-being and flourishing. Human beings who lack clean air and water have their health undermined and thus cannot flourish and live *eudaimon* lives. According to Aristotle, any human institution must ultimately be justified in terms of its contribution to flourishing. Virtue for Aristotle is excellent in function. While one of the proper functions of a company is to make money, as a human institution, this can never be its sole purpose (Aristotle 1925). Ultimately every company must contribute to *eudaimon* living in order for its continued existence to be justified. The importance of a healthy environment is likely part of why the demand for green products has increased (Lyon and Montgomery 2013). In an attempt to meet that demand, many companies publicly promise that their business policies are more environmentally sustainable, but few have truly sustainable business practices over the full life cycle of a product. Far too many companies engage in what is called greenwashing. Greenwashing occurs when a company publicly claims that its business practices or products are good for the environment, when in fact, they are not as good as claimed. Greenwashing also occurs when a company highlights a few instances of seemingly virtuous behavior in order to cover up general policies of environmental degradation. At its heart, greenwashing involves committing the red-herring fallacy and/or the fallacy of overgeneralizing. Just as one would drag a pungent red herring across the trail to throw dogs off the scent, companies point to singular examples of seemingly virtuous activity in order to hide the stench of repeated corporate misconduct. Fundamentally, greenwash involves the vice of chronic lying or misleading behavior, misrepresenting one's moral character so as to make it appear that one deserves greater moral praise than is actually justified. To understand both greenwashing and virtue in green marketing, it is helpful to look at cases of greenwashing to discern what truly virtuous green marketing efforts would look like in contrast to greenwashing.

Understanding Greenwashing

Greenwashing includes both false assertions and claims that exaggerate, misdirect, or mislead consumers about the environmentally beneficial features of a product (Feinstein 2013). As far back as 1966, Peabody Coal touted its "Operation Green Earth" program insisting that strip mined lands were key to conservation efforts in *The Saturday Evening Post*. Yet, even today, with better technology and tougher environmental standards, coal mining dumps over one billion pounds of toxic waste into the environment in the United States each year according to the Environmental Protection Agency (EPA) (Missouri Sierra 2005). Overselling the environmental benefits of corporate policies and products likely dates as far back as public concern over environmental impacts do. The term greenwashing did not become popular, however, until 1990 when DuPont, Chevron, Bechtel, the American Nuclear Society, and the Society of Plastics bragged about their ostensibly green business practices at a Washington, DC trade show. Greenpeace was incensed by attempts to whitewash the environmental misdeeds of some of the nation's worst polluters. In 1992, Greenpeace USA published its *Book of Greenwash* (Greenpeace 2013b). Green marketing boomed throughout the 1990s (Feinstein 2013). Since then, both green marketing and concerns about greenwashing have only intensified. According to Minitel, a consumer marketing company, at least 36 % of consumers always or regularly purchase green products (Pierre-Louis 2012). Green advertisements increased 300 % between 2006 and 2009 according to one study. Sales of green products and services are projected to rise from $230 billion in 2009 to $845 billion by 2015 (Lyon and Montgomery 2013). Meanwhile the *Newsweek*, the *Time*, the *Guardian*, and CNN have all run stories educating consumers on spotting greenwashing (MacDonald 2008). Nine out of ten consumers in a recent survey in the United Kingdom indicated that they were skeptical about green claims made by both governments and companies. Eighty percent of those surveyed wanted green marketing claims backed up by verifiable information (Gillespie 2008).

Despite the demand for greater transparency, the legal terrain for holding greenwashing companies accountable is murky at best. In the United States, the Lanham Act poses civil liability for false advertising, but only competitors can file suit. For example, Vermont Pure sued Nestle, owner of Poland Spring, for deceiving consumers about the source and purity of Nestle's Poland Spring water. Nestle settled out of court for $750,000 (Feinstein 2013). This kind of legal mechanism for holding greenwashing companies financially accountable only works in cases where competitors are not engaged in the same misleading marketing. If everyone in the market turned to greenwashing, suing one's competitor would simply result in a countersuit on the exact same grounds. Relying on competitors to sue in cases of greenwash would likely not do much good in the energy and water utility sector or in the automobile industry where greenwashing is most rampant (Gillespie

2008). The United States patent office prohibits deceptive trademarks insofar as trademarks are likely to affect consumer's purchasing decisions. The trademark for Organik Technologies, for instance, was not allowed because the patent office argued that the name might deceive consumers into thinking that the company's clothing would be made of organic cotton when there was no such guarantee (Feinstein 2013).

The Federal Trade Commission (FTC) also has the right to take action against deceptive acts or practices in commerce, but the FTC is only empowered to act when it can prove that the consumer is likely to be misled and that the ad would ultimately affect the consumer's purchasing decisions. Again, consumers who have been misled cannot themselves file suit. The FTC has released its Green Guides to provide some assistance, but the Green Guides do not have the force of law. They merely ask that companies self-regulate; the FTC pursues wrongdoers on a case-by-case basis according to the general truth in advertising requirements. Enforcement of any kind is very much subject to political whim. During the entirety of the George W. Bush administration from 2000 to 2009, not a single case of greenwashing was brought forward. The Obama administration rarely files against greenwashing companies, although it has pursued cases against Kmart, Tender Corporation, and Dyna-E for advertising products as biodegradable when they would not biodegrade under normal disposal conditions. Some states also have regulations. New York, California, and Minnesota give the Green Guides the force of law; New York State also has a green certified emblem (Feinstein 2013).

For the most part, however, it is incredibly easy for companies to profit from greenwashing. It is usually cheaper to invest in greenwashing than in practices that would actually deserve moral praise. There are third-party certifiers, but their standards may vary. Even when companies are ostensibly held legally accountable to the requirements of the FTC Green Guide, the courts routinely resort to a lax and vaguely defined reasonable person standard. This creates a social and legal context in which market uncertainty leads risk-averse companies to opt out of green marketing entirely, and ad hoc enforcement of existing laws systematically encourages greenwash (Feinstein 2013).

Greenwashing and Moral Vice

One of the best ways to understand how best to avoid greenwashing is to examine clear cases of greenwashing. Perhaps one of the most notorious greenwashing companies is British Petroleum (BP). Despite an attempt to green its operations in the 1990s and its ambitious $12 million Beyond Petroleum marketing campaign, BP is clearly not beyond puffery. BP increased its efforts to add solar panels to fueling stations and has donated to the Conservation Fund, Conservation International, and The Nature Conservancy. But while BP was actively selling green, the United States Occupational Safety and Health Administration (OSHA) slapped BP with one of the EPA's biggest Clean Air Act fines in history, $50 million, after a March 2005 explosion at BP's Texas City refinery in which fifteen persons died. BP

ignored basic safety requirements in allowing equipment to rot despite regular malfunctions. In Alaska, BP knew that its Prudhoe Bay pipeline was seriously corroded but did nothing. When the pipeline ruptured, 200 million gallons of crude oil created the largest spill ever recorded on Alaska's Northern Slope. A few solar panels are nothing compared to the irreversible harm visited upon sensitive wildlife habitat. If BP had spent a portion of the $12 million it purportedly gave to Ogilvy and Mather to launch its green marketing campaign on repairs instead, it might have been able to avoid the massive spill. BP also promised in 1997 that the company would put solar on equal footing with other divisions of the company. In 2007, a full 10 years later, BP had a $20.6 billion budget. BP spent $874 million on gas, power, and renewables combined, a category that includes solar as well as other investments BP deems green. Even with that kind of padding, this amounts to only 4 % of BP expenditures. In 2007, BP spent sixteen times as much, namely, $13.9 billion, on exploration and production for oil alone (MacDonald 2008). Perhaps the biggest blow to BP's ostensibly green image occurred in the 2010 Macondo well blowout. Despite issuing a Corporate Responsibility Report just five days prior, according to the United States government, the Macondo well blowout resulted in 4.2 million barrels of oil leaked into the Gulf of Mexico (Waller 2013). If we judge BP on its actions, it seems the company has valued appearing green far more than being green. Even as BP lobbied the United States Congress to authorize drilling in the Arctic National Wildlife Refuge, it worked with the National Wildlife Foundation to sell stuffed animals of endangered species at its gas stations (Mobus 2012).

The BP case demonstrates several sins of greenwashing as defined by TerraChoice, a Canadian environmental marketing firm. TerraChoice claims that the seven sins of greenwashing are:

1. The sin of hidden trade-offs (e.g., donating to local environmental organizations of dubious benefit when compared to harms caused by emissions).
2. The sin of no proof (e.g., claiming a shampoo is organic with no standard by which to judge the claim).
3. The sin of vagueness (e.g., calling a product natural when even arsenic is natural).
4. The sin of irrelevance (e.g., merely following federal regulatory requirements with respect to CFCs).
5. The sin of being the lesser of two evils (e.g., using a slightly less toxic but still environmentally damaging pesticide).
6. The sin of fibbing (an outright lie such as claiming a shirt is made of sustainable bamboo when it is in fact a petroleum-based acrylic).
7. The sin of worshipping false labels (e.g., third-party label certification is implied when no such certification exists) (Knight 2008).

Many of these coincide with the Green Guide guidelines which ask that environmental marketing (1) be sufficiently clear, prominent, and understandable; (2) be clear about what the claim refers to (as in the ingredients or packaging as opposed to the whole product); (3) does not overstate the environmental benefit;

and (4) if a comparative claim is made, the criteria for comparison must be clear (Feinstein 2013). Both of these sets of criteria for identifying greenwash overlap with Greenpeace's four sins of greenwash: (1) dirty business, i.e. touting the environmental programs of a business that is inherently environmentally polluting, (2) ad bluster, i.e., using advertising and public relations campaigns to exaggerate environmental gains, to divert attention from environmental harms, or spending more on advertising green endeavors than is spent on the green endeavor itself, (3) political spin, i.e., investing in green marketing while lobbying against existing or pending regulations that would benefit the environment, and (4) it's the law, stupid!, i.e., touting environmental achievements that are legally mandated (Greenpeace 2013a).

What all of these guidelines share is a concern that one must be fully honest about deserved moral praise or blame. BP violated this trust by outright lying (about how much it would shift to renewables), hidden trade-offs (money spent on ads instead of safety), bragging about donations that were primarily made in hopes of diverting attention from environmental misdeeds, and ads that overstated ostensive benefits in comparison to regular harms created by its business practices all while lobbying for environmentally damaging government policies, and yet it is also easy to see why BP did what it did. Greenwashing paid off, at least for a time. The editors of *Adweek* noted "Regardless of whether industry observers believe BP is truly "green," the company and its rebranding campaign have managed to convince the public that it is more ecofriendly than its competitors" (Adweek 2008). While BP may be finding it harder to maintain that reputation in light of more recent disasters, greenwashing boosted its brand despite several egregious misdeeds and repeated habit of dishonesty when it comes to its environmental track record.

Green Marketing Virtues

Given how easy and often profitable greenwashing can be and the lack of clear legal guidelines and divergence in definitions, green marketing may seem to be too big a challenge to do well. Yet, ultimately avoiding greenwashing is simple and rests on the virtue of honestly. Transparency is key to engaging in morally virtuous green marketing. Greenwashing stems directly from the moral vice of habitual dishonesty. Avoiding greenwashing also relies on avoiding basic logical fallacies like the fallacies of suppressed evidence, red herring, or overgeneralizing. So many of BP's mistakes resulted from disingenuous public relations and advertising campaigns. If BP had not launched the bold claim that it was Beyond Petroleum when that was clearly false, then it could have avoided much of the moral censure it faces for lying to the public. While BP was still duty bound to improve safety along with a slew of other morally questionable business practices, the company could at least avoid the charge of greenwashing if it had been more honest. The bottom line is clear. Practice virtuous habits of honesty so consumers can reliably make their own moral judgments concerning moral praise or blame.

Consumer consent to engage contractually in business ought to be premised upon voluntary informed consent. Consent cannot be morally adequate if it is not informed; consumers must rely upon businesses to provide relevant information in ways that are accessible and not misleading. Ideally, it would be better if government enforced false advertising regulations consistently, but given the current context, consumers will likely be forced to rely upon a combination of voluntary honesty and information gleaned from third-party certifiers and nonprofits. This means that the virtues of integrity and honesty on the part of business are essential if there is to be any hope of business contributing to the public good with respect to a healthy ecosystem. With lax government oversight, consumers need to know that at the very least their choices can reign in behavior that undermines the environment upon which we all vitally depend.

To be fully honest with consumers, companies must first make a collective examination of their own conscience. Often it may be assumed that if a product or policy is in any way good for the environment, the company must be environmentally good. But this is akin to an individual judging that she has the virtue of being kind because she gave her sister a birthday present, despite being stingy and mean-spirited most of the time. Part of why it is so easy for companies to greenwash is that few understand what habitual environmental sustainability requires. We live in a society that is itself structured to promote environmental harms. No one is without some blame which makes determining morally duty difficult. If ought implies can and truly sustainable virtuous business practice is not possible under current conditions, then no company can be expected to be 100 % green. Environmental harms are also the sorts of harms that are usually most problematic after a threshold point is reached. For example, if no one dumped any toxins in waterways, then one company dumping its toxins might not hurt that much. But in a context where many *are* dumping, the moral blame is both real and shared. Without an honest and full examination of conscience, a business will be too prone to the vice of dishonesty both in its internal self-evaluation and in its relations with outsiders. A virtuous company makes a regular habit of honest examination of conscience in order to develop and ensure morally virtuous corporate character that ultimately contributes to *eudaimon* living.

Finally, it is important to bear in mind that consumers often want to be misinformed on some level. Consumers are guilty of moral vices especially with respect to unsustainable habits of hyperconsumption. Habitual hyperconsumption makes the vice of gluttony seem good simply because it is seen as normal and a matter of habit. An audience that prefers to believe that they can shop their way to sustainability is more easily duped than an audience that is more honest and committed to sustainable living. The grayness in determining the moral minimum with respect to shared environmental accountability and the plentiful temptations to mislead may make it especially easy to feel one's company is virtuous when in fact basic corporate policy does far more environmental harm than good. Virtue does not occur in a vacuum. Virtuous individuals and virtuous institutions will find that the task of being virtuous is more arduous when those around them encourage vice. Thus, consumer vice may also encourage corporate vice.

To combat these disincentives, companies must be especially vigilant in evaluating the integrity of green marketing claims. Just as individuals likely benefit from outside counsel in examining their own conscience, so too companies benefit from third-party verification of green claims such as ISO 14001 (International Organization for Standardization) or Green Seal Scientific Certification Systems. Companies can also enlist the aid of consumers and nonprofit organizations in keeping them fully honest by being transparent about the evidence to back green claims. As with any attempt to become virtuous or to maintain virtue, the agent in question must find ways to sustain good behavior over time even in the face of temptation. This means designing for the full life cycle of a product, exercising moral imagination in working with suppliers to green production processes, and looking for opportunities to encourage future accountability. Ottman encourages companies to empower and educate employees about sustainability so they too can help keep the company honest and suggests companies lobby for stricter regulations. Philips, for example, lobbied the United States government to increase required light bulb efficiency saving billions and cutting energy waste (Ottman 2011). Pierre-Louis notes that companies must encourage their consumers to be greener too. Patagonia launched its Common Threads Initiative in 2011 with the goal of reducing the number of clothes consumers buy by making sure zippers, for instance, will last as long as the fabric (Pierre-Louis 2012). All agents need supportive moral contexts to encourage moral virtue. By working to create social and economic conditions that make virtuous green marketing pay off, a company can maintain virtue over the long haul. Grant argues that truly green companies need to innovate ways to transform how we buy and sell products to create a sustainable culture that can then help to sustain virtuous companies (Grant 2007). In short, even companies need to be the change they want to see in the world. Green companies thrive in a society that values sustainability so companies must find ways to help create that society.

Conclusion

In light of rampant greenwashing and the low likelihood of facing subsequent legal penalties, it can be tempting for companies to spend more on greenwashing than on actually becoming environmentally sustainable businesses. Moreover, even companies that are committed to sustainable business may find it challenging to advertise sustainability initiatives in ways that avoid overstating the environmental benefits in comparison to harms created by basic business operations. To facilitate *eudaimon* living, both environmental sustainability and the virtue of honesty are essential. This chapter has examined cases of greenwash to illustrate exactly which sins of greenwashing companies must avoid if they are to avoid the vice of habitual dishonesty. The examination of wrongdoing, however, also points the way toward how to develop and maintain authentic green marketing virtues. By striving for the virtue of honesty and working to create conditions that encourage corporate accountability to green advertising claims, companies committed to sustainability

can find ways to avoid temptation and to create social and legal contexts that encourage sustainable virtues not only for the company in question but for the society as a whole.

References

Adweek (2008) BP coloring public opinion? Adweek, January 2008

Aristotle (1925) The Nicomachean ethics (trans: Ross D and revised: Ackrill JL, Urmson J). Oxford University Press, New York

Feinstein N (2013) Learning from past mistakes: future regulation to prevent greenwashing. Boston Coll Environ Aff Law Rev 40(1). http://lawdigitalcommoms.bc.edu/ealr/vol40/iss1/6. Accessed 6 Dec 2013

Gillespie E (2008) Stemming the tide of "greenwash". Consum Policy Rev 18(3):79–83

Grant J (2007) The green marketing manifesto. Wiley, West Sussex

Greenpeace (2013a) Greenwash. http://www.stopgreenwash.org. Accessed 26 Jan 2014

Greenpeace (2013b) Greenwash history. http://www.stopgreenwash.org/history. Accessed 26 Jan 2014

Knight M (2008) It's not easy being green. CNN http://www.cnn.com/2008/TECH/science/07/16/greenwash/index.html. Accessed 23 June 2008

Lyon T, Wren Montgomery A (2013) Tweetjacked: the impact of social media on corporate greenwash. J Bus Ethics 118:747–757

MacDonald C (2008) Green Inc. An environmental insider reveals how a good cause has gone bad. The Lyons Press, Guilford

Missouri Sierra Club (2005) Peabody white paper. http://www.missouri.sierrablub.org/PressReleases/pr2005/PeabodyWhitePaper_cxoa1.htm. Accessed 6 Dec 2013

Mobus J (2012) CSR reporting by BP: revealing or obscuring reality. J Leg Ethical Regul Issues 15 (2):35–52

Ottman J (2011) The new rules of green marketing: strategies, tools, and inspiration for sustainable branding. Koehler Publishers, San Francisco

Peabody Coal (1966) Operation green earth. The Saturday Evening Post, 3 Dec 1966

Pearse G (2012) Greenwash: big brands and carbon scams. Black Inc., Collingwood

Pierre-Louis K (2012) Greenwashed: why we can't buy our way to a green planet. Ig Publishing, Brooklyn

Waller M (2013) BP, federal government fighting over leak totals in Gulf Oil spill trial in New Orleans. The Times Picayune, 9 Oct 2013. http://www.nola.com/news/gulf-oil-spill/. Accessed 31 Jan 2014

Suggested Further Reading

Anonymous (2008) Eco-buyer beware: green can be deceiving. Time, 11 Sept 2008. http://www.time.com/magazine/article/0,9171,1840562,00.html

Anonymous (2006) Corporate social responsibility reports a danger to sustainable future. The Ecologist 36(8):9

Aristotle (1925) The Nicomachean ethics (trans: Ross D). Oxford University Press, New York

Dale A (2008) Enterprise: green products gain from new price equation; they find new buyers as high energy costs hurt regular brands. Wall Street J, 24 June 2008: B7

Deardoff J (2010) Some companies greenwash in effort to clean up: what does "green" in label mean anyway? McClatchy-Tribune Business News, 7 May 2010

Esty D, Winston A (2009) Green to gold: how smart companies use environmental strategy to innovate, create, value, and build competitive advantage. Wiley, Hoboken

Lauffer W (2003) Social accountability and corporate greenwash. J Bus Ethics 43(3):253–261

Leonard A (2010) The story of stuff: the impact of overconsumption on the planet, our communities, and our health – and how we can make it better. Simon & Schuster, New York

Martin D, Schouter J (2011) Sustainable marketing. Prentice-Hall, Upper Saddle River

Ottman J et al (2006) Avoiding green marketing myopia: ways to improve consumer appeal for environmentally preferable products. Environment 48(5):22–36

Saha M, Darnton G (2005) Green corporation or green con. Bus Soc Rev 110(2):117–157

Stoll M (2002) The ethics of marketing good corporate conduct. J Bus Ethics 41(1):121–129

TerraChoice (2010) The sins of greenwashing: home and family edition. http://www.sinsofgreenwashing.org/index35c6.pdf

Vos J (2009) Actions speak louder than words: greenwashing corporate America. Notre Dame J Law Ethics Public Policy 23:673–697

Consumer Behavior: Vices, Virtues, and the Search for the Good Life

Pablo Garcia-Ruiz and Carlos Rodriguez-Lluesma

Contents

Abstract

Consumption has been amply disparaged by academics and public opinion alike for allegedly being a source of materialism, hedonism, and bad taste, among other personal and social maladies. Reckoning the potentially harmful effects of consumption, we complement this view by arguing that consumption can also become a context for people's ethical improvement. In studying the ethical dimension of consumption, scholars have focused on special-interest groups – such as fair-trade enthusiasts, ecovillage dwellers, and boycotters – and the moral dilemmas those consumers face ("what is the right choice to make"). Virtue ethics adds the question about the consumer's character development ("what kind of person do I want to be?"). MacIntyre's (After virtue. A study in moral theory. Duckworth, London, 2007) goods-virtues-practices-institutions framework and Beabout's (Bus Ethics Q 22(2):405–432, 2012) concept of a domain-relative practice help us argue that in engaging in consumption activities

P. Garcia-Ruiz (✉)
Department of Sociology, University of Zaragoza, Zaragoza, Spain
e-mail: pgruiz@unizar.es

C. Rodriguez-Lluesma
IESE Business School, University of Navarra, Madrid, Spain
e-mail: clluesma@iese.edu

agents may pursue goods internal to practices, further their individual narratives and contribute to the good of their communities, thus developing virtues that perfect themselves both as consumers and as human beings.

Introduction

Consumption features increasingly in both lay and academic discourses as an area of moral concern (Caruana 2007; Röcklinsberg and Sandin 2013). Current advertisement-fuelled consumption receives sharp criticism for promoting greed, self-indulgence, frustration, mass commodification, and even personality disorders (Schor 1999; Barber 2008). In contrast, scholars have also argued that consumption, beyond serving its primary purpose of catering to essential needs, may also contribute to such positive functions as social involvement, political awareness, and identity formation (Douglas and Isherwood 1979; Miller 2001). As a result of this heightened awareness of the ethical dimension of consumption among scholars and consumers, research on the ethics of consumption has grown noticeably, both in absolute terms and as a share of the discipline of marketing ethics.

The Ethical Consumer

The scholarly conversation on the ethical dimension of consumption has been cast around moral dilemmas (Vitell 2003; Barnett et al. 2005; Lewis and Potter 2011); e. g., whether eco-friendly food should be preferred or whether mass tourism should be avoided. Typical issues dealt with from these perspectives include clothing and fair labor conditions, ethical investment and banking, environmentally friendly farming, exploitative firms and children rights, cosmetics tested on animals, and sustainable transportation, among others.

Ethical consumers have been defined as those who in addition to considering price and quality, apply some additional (and sometimes, more important) criteria in their buying decision-making. "Ethical consumers are those who go to an ecotourism resort for a holiday rather than a conventional one, who bring their purchases home in their own bags rather than those provided by the shop, who refuse to buy cosmetics that have been tested on animals, who prefer the products of a company with a program of corporate social responsibility, who take a train rather than a plane" (Carrier and Luetchford 2012, p. 3).

Ethical consumers' decisions are shaped by their assessment of the moral nature of the objects and their social, environmental, economic, or political context. People may choose an "eco-labeled" washing powder because they think

environmental issues are important or a "fairly traded" coffee due to a concern for developing countries. A growing number of organizations and networks, such as Fair Trade, Slow Food, or Ethicalconsumer.org, have developed labels and certifications to help consumers identify which products are "ethical." Surely, the most visible and the most talked about of them is fair trade. This is a trading partnership, based on dialogue, transparency, and respect, which offers fair trading conditions to, and secures the rights of, marginalized producers and workers in the South (Redfern and Snedker 2002). The fair trade label guarantees that what you buy is produced by people working in humane conditions and that they get a fair share of what you pay. Fair trade aims to engage consumers in contributing to sustainable development and to a greater equity in international trade.

Ethical purchasers have political, religious, spiritual, environmental, social, or other motives for choosing one product over another (Harrison et al. 2005). The moral values that concern ethical consumption vary widely. In trying to realize those values, consumers may develop virtues. Virtue development through consumption has been put into relief – even if not couched in terms of virtue ethics – in the case of a few creative minorities that face our pervasive consumer culture by defending specific consumption patterns. The voluntary simplicity movement provides a clear illustration. The philosophy of voluntary simplicity (Etzioni 1998; Elgin 2010) calls into question the meaning of "the morally good life" in modern society and advocates a less materialistic lifestyle as a more personally fulfilling, spiritually enlightening, socially beneficial, and environmentally sustainable lifestyle. Voluntary simplifiers resist consumption-intensive lifestyles so that their lives become clearer, more direct, less pretentious, and less complicated by refusing to purchase items that fail to improve their level of happiness and by rejecting consumption activities that do not correspond to their self-concept.

While the role of these groups and networks is undoubtedly praiseworthy, the ethical dimension of consumption goes beyond the purchase of a subset of goods or services defined as "ethical" or to the participation in social or political causes such as antipollution boycotts or antisweatshop campaigns. It extends to all types of practices as long as they are integrated within the individual's search for a morally good life and contribute to the good of the community in which he or she lives (Barnett et al. 2005). Virtue ethics understands that simple, slow, sustainable, or fair-trade practices are worthy and must be carried out not only for their own sake but also as a means for consumers to develop virtues and flourish as human beings.

Consumers as Practitioners

Every practice (e.g., playing music, being an academic, fishing, parenting) has some internal goods that are only available through that practice. Access to those internal goods, however, is mediated by consumption (Sayer 2003). For example, playing music necessitates a good instrument, scholarship implies access to rigorous books and papers, fishing requires proper equipment, and the making and sustaining of family life cannot go forward without acquiring, using, and disposing

of consumer goods. For this reason, consumption can be conceived of as a "domain-relative" practice. The notion of a "domain-relative practice" (MacIntyre and Dunne 2002; Beabout 2012) refers to activities that, not being fully fledged practices, interlock with other practices, and (1) possess internal standards of excellence identifiable to practitioners and (2) are always related to another particular domain: one teaches a subject, writes or speaks on a topic, or coaches a sport, but there is no detached, pure, abstract form of teaching, coaching, or speaking. Teaching is never more than a means, because it has no point and purpose beyond the point and purpose of the activities to which it introduces students. Even so, teaching contains its own internal standards of excellence, which call for specific traits of character enabling the pursuit of that excellence. Analogously, consumption may be considered a domain-relative practice as long as (1) it possesses its own standards of excellence and (2) is related to other practices to which it is subservient.

Every practice involves standards of excellence, which serve to identify what counts as good or bad, genuine or spurious, exemplary or worthless. Consumption, as a domain-relative practice, is also guided by standards of excellence, which depend on the internal goods of the main practice with which those practices interlock.

Emerging new consumption communities (NCC) (Szmigin et al. 2007) provide a good example of the pursuit of goods internal to practices, as well as of the role of standards of excellence embodied and extended through consumers' expertise and shared learning. NCCs develop through consumer engagement in boycotts, voicing of concerns, and "buycotts" (Friedman 1996). They represent positive, localized, and context-specific consumer responses to unwanted societal and environmental consequences of consumer culture. NCC embody individual as well as communal discourses and practices, which range from patronage of organic produce; recycled paper; and green energy, through the reduction, modification, responsible disposal, and consumption avoidance. These communities involve a consciousness of belonging and the awareness of sharing specific goods accessible only to their members. For example, the allegedly spiritually richer life that results from a simple lifestyle cannot be accessed if not through the activities that constitute that life, as voluntary simplifiers hold. Again, the slow food movement promotes a harmony among people, planet, and plate that can only be obtained through respectful interaction, careful cooking, and respect for local traditions (Tencati and Zsolnai 2012). In pursuing the internal goods of such practices as voluntary simplicity or "slow food," agents exert great efforts in consuming in a way befitting the community's standards of excellence. One can always improve one's capacity to save water, purchase the right amount of food, make the most of available ingredients, and similar actions.

The existence of standards of excellence and the pursuit of goods internal to the practice of reference also obtain in everyday consumption practices. To illustrate, it is clear that provisioning and furnishing, which refer to the practice of homemaking, contain standards of excellence. Specialized press and media propose and diffuse certain activities and criteria that homemakers identify as shared standards.

Reaching excellence brings about personal satisfaction and pride. Those feelings can be noticed, for example, in the person who has redecorated his home or in the man who has skillfully cooked a barbeque. Judging whether the selection, purchase, and use of furniture or food denote skill or lack thereof implies subjecting those acts of consumption to the internal goods of homemaking.

Virtue Development in Consumption

Virtues are needed to pursue the goods internal to reference practices through consumption. The extant literature is correct in stressing that current overconsumption tends to bring about such vices as materialism, superficiality, hedonism, and bad taste (Sassatelli 2007). But this very fact makes it evident that consumption can also be an occasion for the development of virtues, as vices and virtues are, respectively, the negative and positive version of one and the same human potentiality. To illustrate, being stingy means that the person's capacity to relate to material goods has developed in such a way as to hinder his or her flourishing as a human being. A stingy person may, for example, refrain from hosting friends so as to save money, thereby favoring mutual estrangement. Alternatively, being temperate means that the person's capacity to relate to material goods will favor, rather than hinder, that person's flourishing. Temperate people will use material things so as to become more caring and loving, even if that means having less money for themselves.

Some virtues are needed for *any* practice. Constancy and humility are clear examples of these. Constancy is always needed because the achievement of the goods internal to every practice requires of the agent an ongoing commitment to the pursuit of the goods of the practice in such a way that it be sustained (Beadle 2013). Humility, in turn, is necessary because practitioners will have to submit to the standards of excellence and the best achievements available at the moment, which implies admitting one's own subordination to experts within the practice (Keat 2000). Learning requires acknowledging what is owed to whom, being willing to face any risk that may arise in the learning process, and heeding any hint as to one's own limitations and ineptitudes.

Some other virtues, however, seem particularly unique to consumption. Gambrel and Cafaro (2010), for example, propose "simplicity" as a specific virtue of consumption and characterize it as a conscientious and restrained attitude toward material goods that promotes human and social flourishing in liberating agents from excessive preoccupation with the material. Roberts (1998) defines a kindred virtue, frugality, as caring or sparingness in the use or supply of food and other resources. Temperance and austerity could also be referred to in this regard.

It can be argued that the central virtue of consumption is "moderation" (Garcia-Ruiz and Rodriguez-Lluesma 2014). It is the ability to make a proportionate use of resources that befits the standards imposed by the practice to which the consumption act refers. In doing so, it also furthers the goods of the reference practice, that of the consumer's personal life narrative, and those of his/her community and moral

tradition. Moderation, as any other virtue, enacts a golden mean between two vicious extremes – in this case, between overconsumption and underconsumption. Overconsumption includes such vicious behaviors as prodigality, wastefulness, gluttony, and obsession with material goods. Underconsumption refers to behaviors that hamper human flourishing such as avarice, meanness, stinginess, or the abstinence of food leading to health hazards. Between them lies moderation as a middle point that represents excellence in consumption. To achieve excellence, moderation needs the help of the virtue of practical wisdom because the mean between the two extremes is not the same for every consumer. As any other virtue, moderation is relative to the particulars of the case (Aristotle 2001, 1106a36-b7). A proportionate – that is, virtuous – amount of food for an athlete would mean gluttony for others. The purchase of a yearly pass to a concert hall may well be a proportionate spending for a young music student, even if it means going without what others may consider "more basic needs."

Practical wisdom is the habit of mind through which one is excellent in each case at judging the available means to accomplish a worthy end. Consumers need practical wisdom to reach the golden mean of moderation, that is, the adequacy between their consumption decisions, on the one hand, and the achievement of those goods internal to the related practice, on the other. By way of illustration, the practice of fishing calls for adequate equipment as well as the ability to discern, among other things, how to use it or when it is in need of repair or replacement. If one spends too little and purchases defective equipment, it will be difficult for him to engage productively in the practice. The crew will also run unnecessary risks. There is also, however, such a thing as spending too much. One may purchase a ship greatly exceeding one's capacities and commitment to the practice of fishing. This consumption decision may be a sign of ignorance, a lack of experience, or one's desire to show off and/or seek admiration or other goods external to the practice of fishing. For this reason, overspending usually attracts scorn on the part of experienced practitioners. In sum, such virtues as moderation, practical wisdom, along with others like humility and constancy, help consumers preserve the internal goods of the practices in which they engage by fending off deficient or excessive concern with the resources consumed.

A Narrative Account of Consumption

Virtues are needed to achieve not only goods internal to the practice to which consumption refers, but also the good of one's life as a whole. Selecting *consumption* goods can become the occasion to order and prioritize *moral* goods into a coherent individual narrative (Ahuvia 2005; Marion and Nairn 2011).

Provisioning, as characterized in Miller's (1998, 2001) ethnographic studies, offers a vivid case for consumption not only of its character as a practice relative to the practice of sustaining family life, but also of consumption as a context in which consumers weave a narrative of what the moral good is for them. Selecting consumer goods expresses a relationship between the shopper and a particular

other individual, such as a child or partner about whom the shopping agent cares. This task takes on a considerable moral and educational value that is due more recognition than it normally receives. Selfishness, impulsiveness, mindlessness, or the desire to belong in a group can be, and often are, reasons for shopping, and one can often make a poor choice in shopping for others even though the action is motivated by affection for them. However, Miller's abundant findings suggest that consumers (shoppers, in this case) effectively, even if not always consciously, use shopping as a vehicle to realize values and develop virtues like love, self-sacrifice, prudence, constancy. And those virtues help them obtain the moral goods internal to the making and sustaining of family life.

Moderate and wise consumption decisions, in contributing to the achievement of the internal goods of practices, also contribute to the good of the community and moral tradition in which those practices are embedded (Garcia-Ruiz and Rodriguez-Lluesma 2014). Virtuous consumption preserves not only the material resources of the community but also its moral fabric by keeping the external goods of practices at a reasonable level. Such decisions as which expenses are commensurate with the community's standards and financial capacity, which objects should be used for which purposes, or which spending limits are not to be surpassed help sustain practices focused on internal goods and to keep conversations focused on which goods are worth pursuing.

Creative minorities such as fair trade networks (Moore 2004), simplicity circles (Grigsby 2004), and slow food "convivia" (Andrews 2008) play an important role here. But mainstream consumers are also involved – more or less consciously – in community and tradition improvement. Homemaking can also illustrate the relation of consumption to community and tradition. Homemaking is a setting in which nonaffiliated consumers frequently engage in arguments about what constitutes the goods of their particular community – a family, in this case – what to do in case of a conflict among several goods and, in general, who should do what, when, and for which reasons. Given that virtue is relative to the particulars of the case, equally virtuous arrangements may vary from home to home according to income, schedules, or life projects. For instance, two-earner families with young children may follow a number of strategies in their difficult attempt to reconcile the demands stemming from work and family. Some families try to reduce the time they spend on work. Some others try to justify a decrease in the amount of labor required of even diligent homemakers. They may, for example, question the necessity of cleaning, doing the dishes, or washing the kids every day. Men tend to adopt a strategy of needs reduction. Some of them never go shopping because they feel they do not need anything. Others do not cook because they think they can go on a cereal diet. Even others do not need to take clothes to the laundry to be ironed because they do not mind wearing a wrinkled shirt (Hochschild 2012, pp. 196-198). Obviously, not everybody shares their understanding of what an appropriate level of spending in a home is. Families often debate precisely about that. Making decisions on which expenses are reasonable and which goods are worth pursuing, people engage in arguments about the tradition defining what good homemaking is. In so doing, they may enrich that tradition and further its progress. At the same time, they may

develop virtues such as mindfulness and elegance or vices like unconcern and dullness.

Conclusion

In summary, from a virtue ethics perspective, ethical consumption is not limited to discussions about ethical dilemmas, to the purchase of a subset of goods or services defined as "ethical," or to the participation in social or political causes. It extends to all types of practices as long as they are integrated into the individual's character development, in his or her search for a morally good life, and contribute to the good of the community in which he or she lives. Obviously, it will remain at the consumers' discretion – with the help or the hindrance of marketing departments, the advertising industry, the media, and other social agencies – to realize this possibility and to articulate a narrative order in which consumption practices become a context and occasion for the development of virtues.

References

Ahuvia AC (2005) Beyond the extended self: loved objects and consumers' identity narratives. J Consum Res 32(1):171–184

Andrews G (2008) The slow food story: politics and pleasure. Pluto Press, London

Aristotle (2001) Nicomachean ethics. In: McKeon R (ed) The basic works of Aristotle. Random House, New York, pp 935–1125

Barber BR (2008) Consumed: how markets corrupt children, infantilize adults, and swallow citizens whole. WW Norton, New York

Barnett C, Cafaro P, Newholm T (2005) Philosophy and ethical consumption. In: Harrison R, Newholm T, Shaw D (eds) The ethical consumer. Sage, London

Beabout GR (2012) Management as a domain-relative practice that requires and develops practical wisdom. Bus Ethics Q 22(2):405–432

Beadle R (2013) Managerial work in a practice-embodying institution: the role of calling, the virtue of constancy. J Bus Ethics 113(4):679–690

Carrier JG, Luetchford PG (2012) Ethical consumption: social value and economic practice. Berghahn Books, New York

Caruana R (2007) Morality and consumption: towards a multidisciplinary perspective. J Mark Manag 23(3-4):207–225

Douglas M, Isherwood BC (1979) The world of goods: towards an anthropology of consumption. Basic Books, London

Elgin D (2010) Voluntary simplicity: toward a way of life that is outwardly simple, inwardly rich. Harper, New York

Etzioni A (1998) Voluntary simplicity characterization, select psychological implications, and societal consequences. J Econ Psychol 19:619–643

Friedman M (1996) A positive approach to organized consumer action. the 'buycott' as an alternative to boycott. J Consum Policy 19(4):439–451

Gambrel JC, Cafaro P (2010) The virtue of simplicity. J Agric Environ Ethics 23(1–2):85–108

Garcia-Ruiz P, Rodriguez-Lluesma C (2014) Consumption practices. A virtue ethics approach. Bus Ethics Q 24(4):509–531

Grigsby M (2004) Buying time and getting by: the voluntary simplicity movement. SUNY Press, New York

Harrison R, Newholm T, Shaw D (eds) (2005) The ethical consumer. Sage, London

Hochschild A (2012) The second shift. Working families and the revolution at home. Penguin, New York

Keat R (2000) Consumer sovereignty and the integrity of practices. In: Keat R (ed) Cultural goods and the limits of the market. Palgrave, London

Lewis T, Potter E (2011) Ethical consumption. A critical introduction. Routledge, London

MacIntyre A, Dunne J (2002) Alasdair MacIntyre on education: in dialogue with Joseph Dunne. J Philos Educ 36(1):1–19

Marion G, Nairn A (2011) 'We make the shoes, you make the story'. Teenage girls' experience of fashion: Bricolage, tactics and narrative identity. Consum Mark Cult 14(1):29–56

Miller D (1998) A theory of shopping. Cornell University Press, Ithaca

Miller D (2001) The dialectics of shopping. The University of Chicago Press, Chicago

Moore G (2004) The fair trade movement: parameters, issues and future research. J Bus Ethics 53 (1/2):73–86

Redfern A, Snedker P (2002) Creating market opportunities for small enterprises: experiences of the fair trade movement. ILO, Geneva

Roberts A (1998) Three exceptional figures. The UNESCO Courier, pp 15–16

Röcklinsberg H, Sandin P (2013) The ethics of consumption: the citizen, the market, and the law. Academic Publishers, Wageningen

Sassatelli R (2007) Consumer culture. Sage, London

Sayer AR (2003) (De-)Commodification, consumer culture and moral economy. Environ Plann D: Soc Space 21(3):341–357

Schor J (1999) The overspent American. Harper, New York

Szmigin I, Carrigan M, Bekin C (2007) New consumption communities and the re-enabling of 21st century consumers. In: Cova B, Kozinets R, Shankar A (eds) Consumer tribes. Routledge, London

Tencati A, Zsolnai L (2012) Collaborative enterprise and sustainability: the case of slow food. J Bus Ethics 110(3):345–354

Vitell SJ (2003) Consumer ethics research: reviews, synthesis and suggestions for the future. J Bus Ethics 43(1/2):33–47

Part XXII

Virtues in Production and Manufacturing

Is There Any Virtue in the ISM Purchasing Code of Conduct?

David Hollingworth and Christine Glieden

Contents

Abstract

Current interest in supply chain management (SCM) coincides with an increasing interest in virtue ethics. Furthermore, in recently published research in business, the ethics literature suggests that organizational approaches to ethics may be more effective when they are based upon multiple, rather than single, ethical perspectives (e.g., virtues, deontology, and utilitarianism/consequentialism). The Institute for Supply Chain Management (ISM) – a large professional organization that promotes SCM knowledge and practice – actively promotes a professional code of conduct that at first glance, appears to be a deontological approach to managing ethics in supply chain decisions and relationships.

D. Hollingworth (✉) • C. Glieden
Department of Management, College of Business and Public Administration, University of North Dakota, Grand Forks, ND, USA
e-mail: david.hollingworth@und.edu; cglieden@gmail.com

However, there is reason to believe that the ISM code of conduct has deep roots in virtue ethics. This study asks, "To what degree does the (ISM) professional code of conduct for SCM has a basis in virtue ethics?" In addition, we also consider how a virtue-based professional code of conduct could lead to virtue-related outcomes. As a means of addressing the research question, this study integrates research from virtue ethics, supply chain management, and other areas of inquiry. This synthesis results in research propositions that can be investigated empirically. It also identifies additional research questions that would further the generation of knowledge in the relatively under-researched areas of virtue ethics in supply chain management.

Keywords

Virtue ethics • Supply chain management • Purchasing • Ethical codes of conduct

Introduction/Literature

The topic of this study exists at the confluence of two research streams which are experiencing increasing interest: virtue ethics and supply chain management. Western derivations of virtue theory are grounded primarily in Greek philosophy, primarily in the writings of Plato and Aristotle, and focus on the role of one's character. Supply chain management has been defined as:

> The management of a network of relationships within a firm and between interdependent organizations and business units consisting of material suppliers, purchasing, production facilities, logistics, marketing, and related systems that facilitate the forward and reverse flow of materials, services, finances and information from the original producer to final customer with the benefits of adding value, maximizing profitability through efficiencies, and achieving customer satisfaction. (Stock and Boyer 2009, p. 708)

While interest in ethics and supply chain management is increasing, it is still relatively underdeveloped and fragmented (Ferrell et al. 2013). Furthermore, very few studies address issues at the intersection of virtue ethics and SCM.

Recognition of the virtuous basis of the ISM code of conduct can influence its implementation so that it is viewed as a means of guidance toward virtuous ends, rather than merely a set of rules that must be followed. Furthermore, to the extent that the ISM code of conduct is firmly rooted in virtue ethics, it should facilitate outcomes that are expected from virtue ethics – in addition to those that might be expected from a strictly deontological approach. Because research at the confluence of virtue ethics and SCM is in its infancy, we first discuss research in SCM ethics. Next, we turn to virtue ethics, and finally, we note the limited research at the intersection of SCM and virtue ethics.

SCM Ethics

The field of supply chain management has long been concerned with ethics. Mayer (1970) considered the importance of management taking responsibility for ethical decision-making in purchasing. The SCM literature has also been informed by contributions via a marketing perspective (e.g., Ferrell and Gresham 1985; Hunt and Vitell 1986). For example, these (and other similar studies) provide models indicating how ethical decision-making in the business context proceeds from an individual's recognition of an ethical issue, judgments made by the decision-maker regarding the issue, behavioral intentions regarding the issue, and actual behaviors with respect to the issue. Additionally, these studies identify a host of individual, organizational, and other factors, many of which later research finds influence on ethical decisions in the business context. Recently, some business scholars have sharpened their focus from business ethics to SCM ethics. Examples of ethical issues in the supply chain are illustrated by Gilbert and Wisner (2010) discussing ethical issues in Mattel's supply chain; Doorey (2011), addressing ethics in SCM at Nike and Levi Strauss; and Lucas et al. (2012) discussing ethical issues in Apple's supply chain. However, while there is "growing concern with ethics, corporate social responsibility, and sustainability, the current state of the (*SCM ethics*) field is fragmented" (Ferrell et al. 2013, p. 260). In response to these conditions, they provide "A Framework for Understanding Ethical Supply Chain Decision Making." Together, the purchasing and marketing literature combines providing perspectives from different, complementary points of view.

Another stream of literature contributing to the discussion includes the operations research/management science field, which focuses primarily on issues of how and when to include ethics in operational/supply chain decision-making models (e.g., Singer and Singer 1997; Gallo 2004; Le Menestrel and Van Wassenhove 2004; Brans and Gallo 2007). More recently Drake et al. (2011) adapt a model of corporate social performance to create a framework that can be used to facilitate socially and ethically responsible quantitative model development and use for operational and supply chain-related decision-making. Further, their work is useful for "identifying risks associated with moral hazard by addressing principles, processes, and outcomes" (Drake et al. 2011, p. 2) of operations research/management science models.

Similarly, the quality management-focused literature has also considered ethics, primarily from a managerial and operational perspective. Examples include Wicks (2001) who argues that the value system underlying TQM implicitly incorporates ethical values and Rothschild (2000), who identified ethical values embedded in TQM. Other studies consider supplier quality and supplier evaluation systems, but relatively few directly address quality in the supply chain with ethics in the supply chain.

But why this interest in supply chain ethics? Rottig et al. (2011, p. 189) explain that "The supply management profession is perhaps more vulnerable to unethical

choices because there are simply plenty of opportunities for abuse." (Here we note that the use of supply management refers to a subset of SCM, in that it refers primarily to those activities associated with the acquisition of goods and or services for a focal organization.) In addition to the presence of opportunities, the ever-present pressures to act unethically in supply chain decisions can be intense and potentially overwhelming (Osborn and Hunt 1974; Ferrell and Gresham 1985; Carter 2000; Rottig et al. 2011). Indeed, "Such pressure may invite unethical choices as supply management personnel may succumb to corporate demands to pursue otherwise unattainable goals. In other words, to meet organizational goals, the supply management may engage in unethical practices" (Rottig et al. 2011, p. 190). Prior research indicate these pressures may directly or indirectly encourage behaviors such as "revealing of confidential bids, allowing a select group of suppliers to re-quote, preferential treatment of suppliers, exaggerations of situations to get a better deal, reciprocity, and many other unethical practices" (Rottig et al. 2011, p. 190). In addition to managerial pressures upon supply management, individuals may see opportunities to enhance personal gain through unethical practices, which among other things may include "the acceptance of bribes/kick-backs, payment for fictitious orders and invoices, gifts, entertainment, trips, lavish meals, the favoring of one supplier because of personal interest, and placing orders for him-/herself" (Rottig et al. 2011, p. 190). The existence of significant and continuing ethical challenges and issues in supply chain management suggests the need for continuing scrutiny, both academically and in practice.

Virtue Ethics

Past research in business ethics (and supply chain ethics) has focused primarily on deontological and consequentialist/utilitarian perspectives. However, the continuation of ethical issues faced by organizations and their supply chains suggests the need for a more comprehensive view of business ethics. The recent interest in virtue ethics is one means of broadening the scope of the discussion of supply chain ethics. The three main approaches to business ethics include (a) virtue ethics, wherein the ethics of a situation or action are judged by the character of the person acting and virtues represent "ideal" character traits; (b) consequentialism/utilitarianism, wherein ethics are evaluated by the outcomes they produce (means to an end tend to not matter here as long as the ends are desirable); and finally (c) deontology, wherein ethics are evidenced by adherence to rules. Some scholars reason that ethical approaches may be more effective when they are based upon more than one of these approaches (e.g., Solomon 1992; Whetstone 2001). In this study, we acknowledge that line of reasoning as we evaluate the degree to which a widely recognized, SCM-oriented, professional code of conduct exhibits a basis in virtue ethics.

The application of virtue ethics theory to business ethics has become "increasingly popular from the late 1990s" (Chun 2005, p. 268). In order to understand virtue ethics as applied to business, it is useful to refer back to Solomon's (1992)

discussion of Aristotelian ethics, corporate roles, and personal virtues, which addresses the application of ethics at the level of the individual in the business context and identifies six dimensions of virtue ethics that are meaningful in the business setting. It is important to recognize that Aristotelian ethics requires an overall telos of living the good life, or achieving eudemonia, and that a life of excellence includes or at least implies the following:

- Creating and supporting a community to which one belongs, which in the case of business ethics, includes the organization in which one works. Other communities to which one belongs are also relevant, as discussed under holism. This perspective assumes that an individual derives meaning in life from belonging to and contributing to community.
- Excellence, or doing one's best in one's role within a community (work organization), allows maximum contribution to the community and, thus, maximum meaning in life. As a member of a community, one has both personal obligation and responsibility to the community and that fulfilling these obligations and responsibilities to the best of one's ability provides the greatest meaning from life.
- Acknowledging one's role in the community and being "loyal" to the community are also important as meaning is derived from community membership/ association. Because different roles exist within a community and since different roles require different "virtues," roles within the community define the virtues necessary for appropriate contribution to the community. Therefore, learning and acting effectively within one's role are essential to maximizing meaning in the organization and in life.
- Another necessary dimension of virtue ethics in business is integrity, which in this context means following the rules and practices that define one's job or role in the community – being true to one's role within the organization.
- A fifth dimension of virtue ethics in the business community is judgment. This means being adept at taking into account all relevant factors when making decisions. Solomon's (1992) discussion of this dimension suggests that judgment is learned via upbringing, education, and experience.
- Holism, or the integration of virtue in all aspects of life, is also an important dimension of virtue ethics. The holistic individual recognizes their part in each community to which they are attached. This necessarily includes the work organization, but also professional organizations, the family organizations, civic or political communities, and others. Integration of roles across these different communities is the ideal.

These dimensions of virtue ethics inform and underpin additional discussion of virtue ethics and discussion of virtues.

A discussion of virtues is often complicated by disagreements over what are the relevant virtues and how are they measured. In this study, we take the position that virtues are viewed as relatively stable character traits which can be learned and changed over time through education and experience. Virtues define/describe

one's character in a general sense. The goal of the virtuous life is to live the good life (eudemonia), and doing so requires the recognition, internalization, and behavior of the virtues necessary for the specific roles within the specific communities to which one is attached (Solomon 1992). From Solomon (1992), it is apparent that the relative value of a particular "virtue" in a given role and a particular community is socially constructed (Solomon 1992) within that community. Thus, ethical virtues in business may be recognized and observed as evidenced by individuals' attitudes and behaviors in their work context (situation, role, organization).

Integrative approaches to theory of personality, which suggests that dispositions (character traits plus experiences) and situational characteristics will predict behavior (e.g., Fleeson 2004; Zayas and Shoda 2009), seem to be consistent with Solomon's (1992) discussion of Aristotelian virtue ethics. Each organizational context may define what is ideal differently; therefore, individuals within different organizations would be expected to learn and exhibit thinking and behavior consistent with the socially constructed virtues of a particular organization. However, because an individual is a member of many communities, each of which influencing the individual's social construction of the meaning and value of each virtue, it is highly likely that homogeneity regarding the perception and value placed on a given virtue will decrease as a sample or population exhibits greater diversity in terms of the communities to which its individuals are attached.

The theory of planned behavior (e.g., Ajzen 1991) has been used for years to explain the linkages between an individual's beliefs, attitudes, behavioral intentions, and behaviors. Later research demonstrates how individual variables as well as work and organization context influence the linkages between these constructs. Since an organization's work culture/context is relatively stable, as is the "character" of an individual, it is reasonable to expect that the ethical decision-making process of an individual, particularly, with respect to specific virtues, would be relatively consistent over time. However, per social learning theory, changes in the individual occur as one gains experience (learning) and/or adapts to new roles within an organization or becomes part of another work organization (communities). These changes may influence how the individual views and interprets virtues and what is virtuous. Organizations with weak cultures/contexts would have a lesser impact upon individual virtues, and therefore, we expect greater variation from individual to individual in their "virtues" and their virtuous decision-making. Similarly, we expect that individuals in organizations with more diverse memberships (in terms of additional external communities of association for their members) will exhibit greater variation in virtues. These factors are particularly relevant when discussing virtue ethics in the supply chain because supply chain professionals, while grounded in a focal organization, tend to have more external ties and relationships than the typical member of an organization, and as such, they may exhibit a greater variance in their virtues, unless strong organizational and or professional forces unify their view of virtues. The ISM code of principles and conduct is one such potential unifying force.

The Confluence of SCM and Virtue Ethics

In one of the rare discussions of virtue ethics in the supply chain, Drake and Schlachter (2008) illustrate how viewing supply chain relationships through the lens of virtue ethics provides insight into collaborative supply chain relationships. To do this, they identify two types of supply chain collaborations: those based upon the development of trust and those based upon power. Then, using Aristotle's descriptions of "friendships of utility" with "friendships among the virtuous" as analogies for power- and trust-based collaborations, the study's authors "...discuss the dichotomy between the use of power and the development of trust in supply chain collaboration" (Drake and Schlachter 2008, p. 852). They reason that "what separates sustainable collaboration from dictatorial collaboration is that the character of the relationship is not determined by the purposes agreed upon, but by the means employed from the very start" (Drake and Schlachter 2008, pp. 861–862). In particular, the means that businesses use which resemble personal friendship (e.g., incentive sharing, communication, trust) identify the potential for sustainable collaboration, while "dictatorial collaboration" methods are not a viable means of sustainable collaboration, as they "do not fulfill the overall aim of reducing the costs of collaborating with other firms" (Drake and Schlachter 2008, p. 861). Finally, they conclude that "even given the great challenge of initiating trust-based collaborative efforts, such relationships can be sustainable and productive over long periods of time, whereas power driven dictatorial methods are often volatile and more unpredictable over similar time frames" (Drake and Schlachter 2008, p. 862).

The present study, while not specifically oriented toward collaborative supply chain relationships, nevertheless seeks to apply a virtue ethics perspective to provide additional insight into supply chain management. The application of virtuous decision-making in SCM decisions is particularly relevant because the opportunities and pressure to make unethical decisions are ever present and no single code of conduct can ever accomplish the objective of identifying and effectively managing every ethical contingency that may arise in the SCM context. However, a virtue-based code of conduct is more likely to more effectively address commonly occurring ethical issues, as well as provide a principled framework for dealing with situations which may exist outside of a given rule-based ethical decision-making system (e.g., rule-based code of conduct).

Codes of Conduct and Virtues

This study asks: is there any "virtue" in the ISM purchasing code of conduct? One begins by stating that a code of conduct, by definition, is deontological in that it is based on rules; however, this study proceeds by exploring the possibility that a code of conduct can have a virtuous basis. Then, the study focuses on a particular SCM code of conduct, the ISM purchasing code of conduct, and identifies not only its rules or "standards." These are compared with Solomon's (1992) six dimensions of

virtue ethics. Following that, the underlying "principles" of the ISM code of conduct are evaluated in terms of both Solomon's (1992) six dimensions of virtue ethics and in terms of commonly referenced business ethics virtues.

Ethical Codes of Conduct and the ISM Principles and Standards of Ethical Supply Management Conduct

A code of ethical conduct is typically a formal written document which includes moral standards to help guide individual behavior (e.g., Hosmer 1991; Stevens 1994; Schwartz 2001). Additionally, most codes address both the "letter" of the law and the "spirit" or intent of the law (e.g., White and Montgomery 1980; Cressey and Moore 1983), and therefore, codes of ethical conduct clearly include normative guidelines for behavior (Schwartz 2005, p. 27). Robin et al. (1989, p. 27) state that codes should not be rule based, but value based, which "could then be the basis for a very effective code of ethics." Robin et al. (1989) did not clearly identify the specific moral values to be included in a code of conduct (Schwartz 2005); however, this is not surprising, given Solomon's (1992) discussion of the role specificity of virtues. What remains then, is the need to identify virtues relevant to the role of supply chain management. Therefore, what is proposed here is not a deontological approach to application of virtues, but a virtuous approach to ethical decision-making in the SCM context, providing practical guidance on the recognition of and most appropriate (virtuous) responses to situations most likely to occur in supply chain management (Schwartz 2005, p. 27).

Professional and corporate codes of conduct relating to SCM (e.g., Principles and Standards of Ethical Supply Management Conduct (Novak 2012), Governmental Purchasing and University Codes of Conduct (Benton 2007), as well as other "rule"- or "right"-based approaches to SCM ethics) have arisen out of different organizational contexts, evolving over time in response to the specific needs of the community (organization or profession) in which they operate. This study necessarily limits itself to the examination of one widely used professional code of SCM conduct promoted by the Institute for Supply Management (ISM). In the following section, the ISM code of conduct (Principles and Standards of Ethical Supply Management Conduct) is discussed, including its conceptual connections to virtue ethics. The standards of Ethical Supply Management Conduct (Novak 2012) are:

1. *Impropriety*. Prevent the intent and appearance of unethical or compromising conduct in relationships, actions, and communications.
2. *Conflict of Interest*. Ensure that any personal, business, and other activities do not conflict with the lawful interests of your employer.
3. *Influence*. Avoid behaviors or actions that may negatively influence, or appear to influence, supply management decisions.
4. *Responsibilities to your employer*. Uphold fiduciary and other responsibilities using reasonable care and granted authority to deliver value to your employer.

5. *Supplier and customer relationships*. Promote positive supplier and customer relationships.
6. *Sustainability and social responsibility*. Champion social responsibility and sustainability practices in supply management.
7. *Confidential and propriety information*. Protect confidential and proprietary information.
8. *Reciprocity*. Avoid improper reciprocal agreements.
9. *Applicable laws*, *regulations*, *and trade agreements*. Know and obey the letter and spirit of laws, regulations, and trade agreements applicable to supply management.
10. *Professional competence*. Develop skills, expand knowledge, and conduct business that demonstrates competence.

We evaluate these standards by observing how they related to Solomon's (1992) six dimensions of virtue ethics. First, the relevant communities in the ISM code include the employer and the SCM profession (2, 4, 6, 10, and, implicitly, 1, 5, 7). Next, excellence in one's role as a supply chain professional within an organization is addressed explicitly in items 9 and 10 and implicitly in items 4 and 6. Understanding and acting within the scope of one's role is addressed via items 4, 9, and 10 in particular and is implied in at least items 5, 6, 7, and 8 as well. Integrity – being true to one's role in the organization – is addressed in all items, as they are all role specific; however, items 1, 3, 7, and 9 have the most direct ties to integrity within the SCM role in an organization. Judgment requires both knowledge and perspective and is most closely related to items 1, 3, 7, and 8, with items 9 and 10 forming the necessary knowledge base in which judgment can be applied. Finally, holism requires moral and ethical maturity and perspective are addressed most directly in item 5. From this discussion, we conclude that the normative guidelines (standards) of ethical action in SCM are highly consistent with Solomon's six dimensions of virtue-based business ethics.

However, of greater interest is an evaluation of how the "principles" upon which the ISM standards are established relate to commonly acknowledged business ethics virtues. The ISM principles (Novak 2012) include:

- Integrity in your decisions and actions
- Value for your employer
- Loyalty to your profession

Chun (2005, p 270) noted that

One of the barriers in operationalizing virtue is that the word 'virtue' itself is ambiguous (Solomon 1992), and does not provide sufficient information as to what it really means in the business world. The focus in virtue ethics is on character traits, not on a particular decision. Williams (1985 p. 8–9) refers to virtue as a disposition of character to choose or reject actions because they are of a certain ethically relevant kind.

Various scholars have suggested a short list of business-related virtues. For example, Paine (1991) described a person of virtuous character as one who regularly and consistently exhibits the character of honesty, fairness, reliability, trustworthiness, and commitment to others. Murphy (1999) suggests integrity, fairness, trust, respect, and empathy, while Schwartz (2005, p. 27) identified trustworthiness, respect, responsibility, fairness, caring, and citizenship.

So, how do the ethical virtues of business "virtues" align with the ISM "principles"? The first ISM "principle" focuses on integrity in individual behavior. Moberg (1997) notes that integrity is one of the most frequently identified corporate ethical values. However, integrity has many meanings. Solomon (1992) defines it in terms of following the rules and practices that define one's job or role in the community – being true to one's role within the organization – while Butler and Cantrell (1984) state that integrity may be identified as a reputation for trustfulness and honesty. Paine (1991), Murphy (1999), and Schwartz (2005) all identify honesty, trust, and/or integrity in the listings of business virtues. Certainly behaviors that betray trust or that are discovered to be dishonest would be considered in most circumstances to be lacking in integrity. Likewise, behaviors that tend to place individuals or organizations in an unfair position might also be considered as a failure of integrity. ISM standards 1, 2, 3, 6, 7, and 8 all address situations where integrity is necessary for ethical action. Thus, we conclude that the first principle of ethical conduct within the SCM role addresses the business and SCM-relevant virtue of personal integrity and the closely related virtues of trust and honesty. In this context, integrity also implies that one will act in a way that places others on an equal footing and treat them with respect and civility in all aspects of professional interaction.

Value for your employer refers to both providing value for your employer and having a mutually respectful (and meaningful) relationship with your employer. Solomon (1992) agrees that this principle is very important to living a life of excellence because it suggests that substantial meaning can be obtained in life through demonstrated excellence within their job/role for an employer. Thus, value for your employer can be interpreted to mean feeling an attachment to your job (e.g., job involvement) and being loyal and committed to your employer who provides the meaningful job/role. Thus, as one experiences meaningful work and provides valuable contributions to the employer who provides the work, an individual exhibits excellence in their work contribution to the organization. One mechanism that has been used to explain the development of affective organizational commitment is "identification," which reasons that "employees want to remain and are willing to exert effort on behalf of the organization because of the benefits they derive from the relationship" (Meyer and Allen 1991, p. 76). Prior research has found that normative and, in particular, affective commitment to an organization is strongly and positively related to an individual's job involvement or attachment to the job (e.g., Allen and Meyer 1990; Mathieu and Zajac 1990; Meyer and Allen 1991). ISM standards 4, 6, 9, and 10 provide normative guidelines that illustrate examples of the operationalization of loyalty to one's employer. This discussion suggests that the ISM principle of loyalty to one's employer is

conceptually related to the business ethics virtues of reliability and commitment to others (Paine 1991), respect (Murphy 1999; Schwartz 2005), and responsibility and citizenship (Schwartz 2005).

The "loyalty to one's profession" principle reveals the duality of an SCM professional's membership in not only the work organization but also in the broader SCM profession. Membership in a broader professional community provides professional role-specific meaning for the individual who performs supply chain-related work. While the professional organization is likely not as proximal to the individual supply chain professional as their employer, it is still reasonable to believe that an individual who is associated with a professional community also draws some degree of meaningfulness from their association with, membership in, and work performed in this particular field of work. To some extent, standards 1, 6, 9, and 10 address issues relating to professionalism and loyalty to the SCM profession and illustrate normative guidelines supportive of behaviors which are likely to reflect positively upon the SCM profession. Thus, a member of the SCM profession demonstrates loyalty to the profession by developing a deep understanding of the profession, behaving in ways which reflect that knowledge in a positive manner within the profession. Ultimately, this must include holistic behavior acknowledging the network of impacts of every supply chain action and decision upon individuals in the firm, individuals within their supplier's and customer's firms, as well as the broader impact upon the geopolitical and other communities in which the individual and their employer are embedded. Thus, the SCM professional who is "loyal" to the profession is one that respects others in the profession and is also respected for their contributions by those both inside and outside the profession (e.g., Murphy 1999; Schwartz 2005). In addition, loyalty to profession suggests the acceptance of a responsibility toward the profession and a recognition of one's multiple citizenships (e.g., Schwartz 2005) in work, profession, civic, national, etc. Additionally, several of the business virtues identified by Murphy (1999) are particularly relevant here, including fairness, respect and empathy for professional associates, as well as those affected by professional actions.

The preceding discussion has served to illustrate that the standards identified in the ISM code of conduct are clearly related to the dimensions of virtue ethics, as described by Solomon (1992). Furthermore, the standards were derived from the underlying "principles" of the same code of conduct and that those "principles" are conceptually connected to multiple business ethics "virtues." In the following section, these "connections" are further considered, and propositions are introduced which illustrate some of the possible conceptual relationship between the principles of the ISM code of conduct and accepted business ethics virtues.

Propositions: The Virtuous Basis of the ISM Code of Conduct

Based upon the preceding discussion, this section of the chapter presents several propositions which will guide further investigation into the potentially virtuous nature of the ISM code of conduct. These propositions provide a basis for future

theoretical development leading to empirically testable hypotheses. Virtue theory is quite similar to basic trait theory in that it focuses on relatively stable behaviors. However, as noted earlier in the chapter, individual virtues are developed over time through education or training and experience. This suggests that virtues can be developed and their development is a matter of conscious choice. From there, it is not a great leap to assert that virtuous individual ethical decision-making also includes conscious choice. Thus, we expect that ethical decision-making models previously examined in the literature are applicable here (e.g., Ferrell and Gresham 1985; Hunt and Vitell 1986; Rest 1986; Treviño 1986; Dubinsky and Loken 1989; Jones 1991). While strict behaviorists might scoff at this perspective, it is indeed quite difficult to deny that virtues are not considered when ethical decisions are made. Proponents of the "trait" and behavioral perspective of virtue theory suggest that virtues deeply embedded within the individual operate as or facilitate the development of pseudo scripts (e.g., Treviño 1986, etc.) which serve to facilitate efficiency in the ethical decision-making process. Furthermore, the nature of a virtue suggests that it must be considered on its own merits, and this implies conscious individual effort in identification of the virtuous aspects of a decision-making situation.

Proposition 1 Virtue-based ethical decision-making in SCM will follow the previously discussed process of recognition > judgment > behavioral intention > behavior.

Empirical evaluation of the virtuous nature of the ISM code of conduct presupposes that an appropriate measurement instrument can be developed. The proposition stated above suggests that evaluation of the ISM code of conduct can take several forms. First, judgments about the ethical issues in a particular situation must be informed by one's recognition of relevant, applicable virtues. In the context of SCM ethics, where the ISM code of conduct can be reasonably applied, this is unlikely to happen without the individual first having knowledge of the ISM code of conduct and finding it an acceptable basis for making SCM-related ethical decisions. This suggests that an attitudinal measure of the ISM code of conduct is useful in examining the first proposition. In addition, a substantial theoretical and empirical basis exists in the ethical decision-making literature strongly supporting the view that attitudes lead to behavioral intentions and ultimately to behaviors. While attitudes are considered more malleable than behavioral traits, we assert that in the short term, attitudes based on or arising out of virtues are less malleable than typical attitudes. While it might also be argued that one must observe decisions over time and determine their correspondence to a particular virtue, this is likely to be exceedingly difficult, if not impossible. Therefore, we propose the following:

Proposition 2 Measurement of the ISM code of conduct as an attitudinal variable is an effective means to developing a deeper understanding of the virtuous nature of the ISM code of conduct and its role in ethical decision-making.

A measurement instrument that captures the ISM standards and principles is likely to have multiple dimensions, because it is based upon multiple (three) "principles" or virtues. Novak (2012) indicated that the ISM code of conduct is **based on** the "principles of Integrity in Your Decisions and Actions, Value for Your Employer, and Loyalty to Your Profession." Earlier in this chapter, we reasoned that these principles are very likely to be related to multiple business ethics virtues. We also reasoned that the individual standards in the ISM code of conduct are also likely related to both the ISM standards and multiple business ethics virtues. Therefore, we propose the following:

Proposition 3 A measurement instrument in the ISM code is likely to have three or more sub-factors.

Based upon the previous discussion in this chapter, a measure of the ISM code of conduct is expected to be related to multiple business ethics virtues. This is a reasonable expectation, as it was demonstrated earlier that both the principles underlying the standards of the IMS code of conduct as well as the standards have a virtuous basis. We suggest that such a measurement instrument is likely to exhibit multiple subdimensions. Furthermore, prior discussion in this chapter suggests that each dimension is not likely to be related equally to each of several business virtues. Unfortunately, the precise factor structure of a measure of the ISM code of conduct is unknown, and therefore, it is exceedingly difficult to precisely determine which subdimensions of an ISM code of conduct measure will relate to specific business ethics virtues. However, we feel it likely that each subdimension will not exhibit the same pattern of relationships with each business ethics virtue. Therefore, we propose the following:

Proposition 4a A measure of the ISM code of conduct is related to the following business ethics virtues: integrity, honesty, trust/trustworthiness, fairness, respect, empathy/caring, reliability, responsibility, commitment to others, and citizenship.

Proposition 4b The individual dimensions/factors of an ISM code of conduct measure will be differentially related to the following business ethics virtues: integrity, honesty, trust/trustworthiness, fairness, respect, empathy/caring, reliability, responsibility, commitment to others, and citizenship.

The literature suggests that when positive virtues are viewed positively by individuals, "satisfaction can be a useful dependent variable to test the predictive validity of potential virtue dimensions" (Chun 2005, p. 271). Indeed, Chun (2005, p. 281) states that relevant "outcomes include not only financial performance but also non-financial outcomes such as employee and customer satisfaction, loyalty, retention and differentiation." Therefore, individuals who value or possess these virtues are likely to feel greater attachment to the communities (e.g., work and other organizations) to which they belong. Furthermore, research on ethical conflict can be drawn upon to elaborate how the attachment mechanisms are reinforced when

ethical conflicts between individual and organization are minimal. Additionally, research on person-organization fit (e.g., French et al. 1974; Caplan 1987; Edwards 1991) generally supports the idea that better person-job, person-organization, and person-environment fits result in a variety of improved outcomes in terms of individual attitudes and work outcomes. Therefore, it is proposed that:

Proposition 5a Individuals are more likely to experience job satisfaction and organizational commitment and be less inclined to intend to leave (or actually leave) employment as they feel and/or demonstrate higher levels of SCM-relevant business virtues.

Proposition 5b Likewise, employees are more likely to experience job satisfaction and organizational commitment and be less inclined to leave (or actually leave) their employer as they exhibit higher degrees of attitudinal and/or behavioral levels of the ISM code of conduct.

Proposition 5c Decreased ethical individual-organizational conflict (with regard to business ethics and also the ISM code of conduct) will result in further enhancements of individual job satisfaction, organizational commitment, and reductions in turnover intentions and voluntary turnover.

Conclusion

This chapter makes the argument that virtue ethics are embedded in and provide a foundation for the ISM purchasing code of conduct. This is accomplished by demonstrating how the principles and standards of the ISM code of conduct address all sides of Solomon's (1992) dimensions of virtue ethics, as well as how they relate to commonly identified business ethics virtues. From there, several research propositions were developed to guide future studies which will enhance understanding of the virtuous basis of the ISM code of conduct.

The study and application of virtue ethics in SCM are still in its infancy. While we propose several potentially fruitful avenues of inquiry, others also exist. For example, while the preceding discussion does not address the issue of organizational culture/context in detail, a literature supporting a relationship between organizational culture and ethics is available. Thus it may be possible to construct propositions and eventually hypotheses linking a measure of the ISM code of conduct and business ethics virtues to organizational culture/context. Not having established sufficient background to support such propositions, we do not do so in this chapter, but suggest future studies might pursue this line of inquiry. Additionally, given virtue ethics' emphasis on friendship (Drake and Schlachter 2008) and community (Solomon 1992), it is likely that a relationship may exist between the ISM code of conduct and its associated principles and virtues. Similarly, future studies might consider linkages between the ISM code of conduct and individual or organizational behaviors, such as pro-social behaviors, organizational citizenship

behaviors, and corporate social responsibility, and other related concepts/constructs. All of these behaviors embody a recognition of the obligations one has in relationships – and each of these may be manifested in the operational and supply chain-related activities of organizations. These are just a small sampling of possible directions that future research might pursue while applying virtue ethics in the supply chain management context.

While the ISM code of conduct can be viewed as a rule-based approach to SCM ethics, we suggest that its virtuous basis as a particular strength should be emphasized to obtain maximum benefits in its actual implementation. Regarding the embedded nature of virtues in organizations, Chun (2005, p.281) notes that:

> While increasing pressure for companies to fulfill their social obligation has attracted standardized social audits, global reporting standards, or ethical codes, developing distinctive strategic virtues can certainly help a firm create emotional differences in its stakeholders' minds, and ultimately competitive advantage. In fact acting on strategic virtues in a consistent manner is where most corporations fall down (Natale and Ford 1994). The manager's role is then to make sure the strategic virtues are also embedded in member's cognition in everyday organizational life.

In this matter, the role of leaders and managers is paramount, as their influence can dramatically affect the behavior of subordinates. However, we do not wish to minimize the impact that many virtuously acting individuals can have on their own lives, the organization and the lives of others in the organization, as well as the lives of those they interact with in the supply chain (outside the organization). As noted by Bass and Steidlmeier (1999), "...the moral life rests upon foundations of individual virtue and that the individually virtuous person transforms others as well as the social environment."

References

Ajzen I (1991) The theory of planned behavior. Org Beh Hum Dec Proc 50:179–211

Allen NJ, Meyer JP (1990) The measurement and antecedents of affective, continuance and normative commitment to the organization. J Occ Psychol 63:1–18

Bass BM, Steidlmeier P (1999) Ethics, character, and authentic transformational leadership behavior. Leadersh Q 10:181–217

Benton W Jr (2007) Purchasing and supply management. McGraw-Hill/Irwin, New York

Brans JP, Gallo G (2007) Ethics in OR/MS: past, present and future. Annals Oper Res 153:165–178

Butler JK, Cantrell RS (1984) A behavioral decision theory approach to modeling dyadic trust in superiors and subordinates. Psychol Rep 55:19–28

Caplan RD (1987) Person-environment fit theory and organizations: commensurate dimensions, time perspectives, and mechanisms. J Voc Behav 31:248–267

Carter CR (2000) Ethical issues in international buyer–supplier relationships: a dyadic examination. J Oper Manage 18:191–208

Chun R (2005) Ethical character and virtue of organizations: an empirical assessment and strategic implications. J Bus Ethics 57:269–284

Cressey DR, Moore CA (1983) Managerial values and corporate codes of ethics. Calif Manage Rev 25:53–77

Doorey DJ (2011) The transparent supply chain: from resistance to implementation at Nike and Levi Strauss. J Bus Ethics 103:587–603

Drake MJ, Gerde VW, Wasieleski DM (2011) Socially responsible modeling: a stakeholder approach to the implementation of ethical modeling in operations research. OR Spectr 33:1–26

Drake MJ, Schlachter JT (2008) A virtue-ethics analysis of supply chain collaboration. J Bus Ethics 82:851–864

Dubinsky AJ, Loken B (1989) Analyzing ethical decision-making in marketing. J Bus Res 19:83–107

Edwards JR (1991) Person-job fit: a conceptual integration literature review and methodological critique. In: Cooper CL, Robertson IT (eds) International review of industrial and organizational psychology. Wiley, New York

Ferrell OC, Gresham LG (1985) A contingency framework for understanding ethical decision-making in marketing. J Market 49:87–96

Ferrell OC, Rogers MM, Ferrell L, Sawayda J (2013) A framework for understanding ethical supply chain decision making. J Market Channels 20:260–287

Fleeson W (2004) Moving personality beyond the person-situation debate: the challenge and the opportunity of within-person variability. Cur Dir Psychol Sci 13:83–87

French JRP Jr, Rodgers WL, Cobb S (1974) Adjustment as person-environment fit. In: Coelho G, Hamburg D, Adams J (eds) Coping and adaptation. Basic Books, New York

Gallo G (2004) Operations research and ethics: responsibility sharing and cooperation. Eur J Oper Res 153:468–476

Gilbert J, Wisner J (2010) Mattel lead paint and magnets: ethics and supply chain management. Ethics Behav 20:33–46

Hosmer LT (1991) The ethics of management. Irwin, Boston

Hunt SD, Vitell S (1986) A general theory of marketing ethics. J Macromarket 6:5–16

Jones T (1991) Ethical decision-making by individuals in organizations: an issue-contingent model. Acad Manage Rev 16:366–395

Le Menestrel M, Van Wassenhove LN (2004) Ethics outside within or beyond OR models. Eur J Oper Res 153:477–484

Lucas K, Kang D, Li Z (2012) Workplace dignity in a total institution: examining the experiences of Foxconn's migrant workforce. J Bus Ethics 114:91–106

Mathieu JE, Zajac DM (1990) A review and meta-analysis of the antecedents, correlates, and consequences of organizational commitment. Psychol Bulletin 108:171–194

Mayer RR (1970) Management's responsibility for purchasing ethics. J Purch 4:13–20

Meyer JP, Allen NJ (1991) A three-component conceptualization of organizational commitment. Human Res Manage Rev 1:61–89

Moberg DJ (1997) Trustworthiness and conscientiousness as managerial virtues. Bus Prof Ethics J 16:171–194

Murphy PE (1999) Character and virtue ethics in international marketing: an agenda for managers researchers and educators. J Bus Ethics 18:107–124

Natale SM, Ford JW (1994) The social audit and ethics. Managerial Auditing Journal 9(1):29–33

Novak P (2012) Principles and standards of ethical supply management conduct with guidelines. Institute for Supply Management, Tempe

Osborn RN, Hunt JG (1974) Environment and organizational effectiveness. Admin Sci Q 19:231–246

Paine LS (1991) Ethics as character development: reflection on the objective of ethics education. In: Freeman RE (ed) Business ethics: the state of art. Oxford University Press, New York

Rest JR (1986) Moral development: advances in research and theory. Praeger, New York

Robin D, Giallourakis M, David FR, Moritz TE (1989) A different look at codes of ethics. Bus Hor 32:66–73

Rothschild J (2000) Creating a just and democratic workplace: more engagement less hierarchy contemporary sociology. Utopian Visions: Engaged Sociologies for the 21st Century 29:195–213.

Rottig D, Koufteros X, Umphress E (2011) Formal infrastructure and ethical decision making: an empirical investigation and implications for supply management. Dec Sci 42:163–204

Schwartz M (2001) Fhe nature of the relationship between corporate codes of ethics and behaviour. J Bus Ethics 23:247–262

Schwartz MS (2005) Universal moral values for corporate codes of ethics. J Bus Ethics 59:27–44

Singer AE, Singer MS (1997) Management-science and business-ethics. J Bus Ethics 16:385–395

Solomon RC (1992) Corporate roles personal virtues: an Aristotelean approach to business ethics. Bus Ethics Q 2:317–339

Stevens B (1994) An analysis of corporate ethical code studies: where do we go from here. J Bus Ethics 13:63–69

Stock JR, Boyer SL (2009) Developing a consensus definition of supply chain management: a qualitative study. Int J Phys Dist Logistics Manage 39:690–711

Treviño LK (1986) Ethical decision-making in organizations: a person–situation interactionist model. Acad Manage Rev 11:601–617

Whetstone JT (2001) How virtue fits within business ethics. J Bus Ethics 33:101–114

White BJ, Montgomery BR (1980) Corporate codes of conduct. Calif Manage Rev 23:80–87

Wicks AC (2001) The value dynamics of total quality management: ethics and the foundation of TQM. Bus Ethics Q 11:501–536

Williams B (1985) Ethics and the limits of philosophy. Harvard University Press, Cambridge, MA

Zayas V, Shoda Y (2009) Three decades after the personality paradox: understanding situations. J Res Pers 43:280–281

Supply Chain Collaboration Through a Virtue Ethics Lens

Patrick Cellie and Matthew J. Drake

Contents

Abstract

Firms are working more closely with their supply chain partners over the past few decades than they ever have before. These new business relationships have created an ethical issue with respect to the management of these partnerships. Firms now have to grapple with the question of their commitment to their partners and the possibility of sacrificing short-term benefits for long-term gains. This chapter builds on previous research that analyzes supply chain partnerships from a virtue ethics perspective. Supply chain partnerships can be categorized as either dictatorial or sustainable depending on the distribution of the benefits between the parties. The chapter provides examples of each type of collaboration and discusses why sustainable collaboration relationships are preferable for both parties in the long run.

P. Cellie (✉) • M.J. Drake
Palumbo–Donahue School of Business Administration, Duquesne University, Pittsburgh, PA, USA
e-mail: celliep@duq.edu; drake987@duq.edu

Introduction

The development of the field of supply chain management (SCM) in the 1980s has fundamentally changed the way many firms operate. Organizations are working more closely with their suppliers and customers than ever before to ensure that the final customers' requirements are met. While most of this collaboration still occurs with immediate suppliers, some forward-thinking organizations are extending their influence by working with suppliers' suppliers (such as raw material suppliers) and customers' customers (such as retailers or end users). Coordinating activities between multiple organizations and ensuring that each party's interests are satisfied is a significant challenge in contemporary supply chains. The benefits of successful supply chain collaboration, however, can easily justify this effort because customers' needs can be fulfilled at a lower cost and with less environmental impact. World-class supply chain collaboration can provide firms with a sustainable competitive advantage in their industries.

These close relationships between firms can also generate some ethical issues that firms have not had to face in the past. The impact of these issues is exacerbated when the firms are unequal in terms of their power to control the relationship. Often either a large manufacturer is in position to dominate a smaller component supplier or a large retailer is able to control smaller manufacturers. The nondominant firm generally assumes a disproportionate amount of business risk in these collaborative relationships; therefore, they stand to lose most if the relationship sours. Drake and Schlachter (2008) were among the first authors to consider these particular ethical implications of collaborative supply chain activities. This chapter expands and updates their work by providing additional practical examples of dominant as well as mutually beneficial collaborative efforts.

The remainder of the chapter is organized as follows. The next section presents a brief summary of Drake and Schlachter (2008) and a review of the subsequent related literature. Section "Practical Examples of Dictatorial Collaboration" discusses several examples of dominant collaborative relationships in supply chain, and section "Practical Examples of Sustainable Collaboration" details examples of mutually beneficial collaboration. The final section provides concluding remarks.

Literature Review

Drake and Schlachter (2008) apply Aristotelian virtue ethics to analyze collaborative practices in supply chains. They argue that the conditions for successful collaboration – alignment of incentives, communication, and trust between the

parties – mimic many of the characteristics of friendships among virtuous people that Aristotle identified. Firms that align their incentives create an environment that is beneficial to the relationship in much the same way that virtuous people interact together because it is in each person's interest. Advanced levels of communication between partner firms, as in friendships, enable each party to identify important factors and considerations for the other party. Over time, collaboration builds the trust that helps to extend and strengthen the relationship, as is the case with friendships as well.

To characterize and distinguish dominant collaborative relationships and mutually beneficial collaboration, Drake and Schlachter (2008) develop the terms *dictatorial collaboration* and *sustainable collaboration*. Dictatorial relationships occur when one party in a supply chain controls or significantly influences the plans or operations of other parties to optimize its own benefits, often to the detriment of the other parties and the supply chain as a whole. This conflicts with the usual purpose of supply chain collaboration, which is to maximize the performance of the entire system to provide a surplus so that all members can benefit. Sustainable collaboration refers to supply chain relationships that are truly collaborative, where all parties adopt a long-term perspective and seek to maximize the performance of the entire channel to benefit all members.

Several research studies have subsequently built on the theory and results developed by Drake and Schlachter (2008). Drover et al. (2012) present results from a survey that studies the way that business ethics perspectives have evolved. They compare these results to two previous studies, the oldest of which was from 1984, to provide a historical view of the development of ethical issues that spans 30 years. General business ethics research studies that discuss collaboration from a virtue ethics perspective include de Bruin (2013), Dierksmeier (2013), Hartman (2013), and Ferrero and Sison (2014). McGowan et al. (2011) consider collaboration specifically within the realm of information technology projects and implementations. Fulmer and Gelfand (2012) provide a review of the recent literature on trust between both individuals and organizations.

While these studies provide a more general business ethics perspective, several recent publications have examined ethical issues specifically related to SCM. Many of these studies have focused on integrating sustainability or corporate social responsibility (CSR) issues into SCM. Vurro et al. (2009) develop conditions whereby different supply chain governance models can successfully generate sustainable supply chains. Soundararajan and Brown (2014) advocate a supply chain governance model that manages stakeholder utility and shared value, which can be in conflict with traditional supply chain incentive and power structures. Risso (2012) presents four qualitative case studies of large companies implementing CSR in international supply chains in which they do not have the power to control their suppliers. Each of these case studies demonstrates a collaborative solution to the problem. Vurro et al. (2014) find that firms who collaborate with their supply chain partners to implement sustainability initiatives tend to realize larger benefits and enhanced supply chain performance.

Several other studies have examined specific aspects of managing collaboration within supply chains. Sianipar and Yudoko (2014) evaluate the effect of social media activities on facilitating human collaboration in supply chains. Zelbst et al. (2010) investigate the operational benefits for supply chains that are possible through implementing radio frequency identification (RFID) technology. Rantasila et al. (2014) analyze the adoption of RFID technology with Finnish companies and discuss the implications of the new technology on supply chain performance.

The next two sections provide examples of dictatorial and sustainable collaboration in practice. Several examples discuss scenarios with dominant buyers, and others focus on dominant suppliers. All of the examples show that dictatorial collaboration often generates problems in the relationship especially for the weaker party, while sustainable collaborations usually have a positive outcome for all parties involved.

Practical Examples of Dictatorial Collaboration

This section presents several examples of supply chain relationships that would best be classified as a form of dictatorial collaboration. In each of these cases, one party is using its disproportionate amount of power to wield control of the relationship for its own gain rather than the benefit of the entire supply chain.

Dominant Buyer: Apple

The recent case involving GT Advanced Technologies and Apple provides insights into the potential consequences of a relationship where a dominant buyer has the power to dictate the terms. Even though all of the information about the initial development of the relationship is not public as the result of a private agreement between the parties, this example can serve as a warning to companies that are considering an exclusive agreement with a major buyer.

GT Advanced is a manufacturer of sapphire furnaces. The firm signed an agreement with Apple in 2013 whereby GT Advanced would supply furnaces for a plant that Apple owned in Mesa, Arizona. The plant would use these furnaces to produce scratch-resistant sapphire for Apple's smartphone screens. It is clear that this agreement did not provide sufficient benefit for GT Advanced because the firm filed for Chap. 11 bankruptcy protection on October 6, 2014. It was not able to discuss any details because its contracts with Apple required confidentiality. The bankruptcy filing subsequently released by the court has shed some light on the relationship between GT Advanced and Apple (Randewich 2014).

When negotiations between the two firms began, Apple proposed to purchase 2,600 sapphire furnaces from GT Advanced, who would run the furnaces on Apple's behalf. Difficult negotiations lasting several months led Apple to offer a final proposal whereby it would lend GT Advanced funds to manufacture the furnaces and produce the sapphire. Then GT Advanced would sell the sapphire to

Apple at a price below market value. GT Advanced would not be able to sell the sapphire to any other buyers. GT Advanced claimed that the lengthy negotiation process with Apple prevented the firm from working with any other smartphone providers; thus, GT Advanced basically had no choice but accept the unfavorable contract with Apple (Randewich 2014).

For its part, Apple disputes GT Advanced's claims that they were coerced into the agreement. Apple says that GT Advanced was a willing partner and notes that its stock price increased by more than 20 % when the deal was announced in late 2013 (Randewich 2014).

Regardless of the validity of each side's claims against the other, both parties had a negative outcome from this collaborative agreement. GT Advanced suffered financial distress, while Apple's reputation took a hit. It is likely that these negative consequences could have been avoided by using a different and more sustainable approach to collaboration.

Dominant Supplier: Intel and Microsoft

Sometimes a supplier can be the dominant part of a supply chain relationship, dictating the terms of a relationship as much as a dominant buyer would. Two of the largest corporations in the hardware and software business, Intel and Microsoft, represent recent examples of this behavior to the point that both have been condemned by courts in many countries for the way they imposed unfair clauses on contracts with buyers that resulted in violations of the competitive market rules.

Intel is the largest semiconductor manufacturer in the world. The market for semiconductors is limited to very few competitors, which places the firms in the market under enhanced scrutiny from antitrust regulators. In 2009, the European Commission imposed a record fine of €1.06 billion on Intel for a violation of the European Union antitrust law concerning conduct by dominant companies in a market. This fine was upheld in an appellate ruling in June of 2014 (Kanter 2014).

The case centered on Intel's practice of offering rebates to computer manufacturers who would commit to purchasing the majority of their semiconductor chips from Intel. From 2002 to 2007, the suit claims that Intel offered these rebates to Dell, Hewlett-Packard, NEC, and Lenovo to prevent them from purchasing chips from Intel's major competitor, Advanced Micro Devices (AMD). Intel also provided payments to Media-Saturn-Holding, a German retailer, to induce the retailers to sell only computers with Intel chips in its stores (Chee 2014). While rebates are not illegal in and of themselves, the commission cited Intel's dominant position in the market along with the exclusive use requirement as of most concern from an antitrust perspective (Kanter 2014). Intel's practices have drawn criticism from antitrust regulators in the United States and South Korea in recent years as well (Fairless 2014).

Microsoft provides another example of a company that faced antitrust scrutiny for its attempts to control the distribution channel. The US Department of Justice along with 19 states sued Microsoft in 1998 for restricting competition in the

Internet browser market by installing its browser along with its Windows operating systems thereby excluding other browsers from being installed on new computers at the factory (Brinkley 2000). Microsoft ultimately escaped a threat to break it up by agreeing in 2002 to a court settlement and a consent decree to prevent some of its past behavior from occurring in the future (Chan 2011).

The Intel and Microsoft cases suggest that firms' attempts to exploit the excessive leverage of their dominant position in supply chains by imposing strict terms to buyers to enhance their competitive position can result in legal action and possibly significant fines. While all demonstrations of power by suppliers will not draw the attention of antitrust regulators, these (mostly) one-sided, dictatorial arrangements will not achieve the bevy of benefits for the entire supply chain that the sustainable forms of collaboration that we discuss in the next section can generate.

Practical Examples of Sustainable Collaboration

This section presents examples of collaborative efforts in supply chains that try to engender benefits to all parties in the relationship.

Nestlé

Nestlé is a large, multinational company that produces a wide variety of food products in locations around the world. One of their major product lines is Nespresso, a single-cup coffee and espresso machine that brews beverages from capsules containing an exact amount of high-quality ground coffee. It can be difficult for Nestlé to ensure that it will have access to enough high-quality coffee from farmers in poor regions of Latin America and Africa. These farmers struggle to overcome productivity, quality, and environmental challenges to meet Nestlé's needs (Porter and Kramer 2011).

Nestlé attempted to overcome these challenges by building collaborative relationships with its farmers. Nestlé shared its knowledge of advanced farming practices and techniques, provided guarantees for the farmers' loans from banks, and helped the farmers secure their own inputs such as fertilizers and pesticides. Nestlé also set up quality assessment operations close to the farmers' fields which enabled the company to identify and pay more for high-quality coffee beans. These funds went straight to the farmers without any intermediaries taking a cut, thereby increasing the farmers' revenue. The farmers also realized a greater production yield of high-quality coffee through Nestlé's intervention, and the negative environmental impact from their operations was reduced. At the same time, Nestlé was able to ensure that it had access to a more reliable supply of high-quality coffee for its Nespresso line (Porter and Kramer 2011).

It is clear that both sides were able to benefit from this collaborative relationship.

IKEA and H&M

Two Swedish companies can be considered leaders in managing supply chains based on the sustainable model. Both IKEA, the world's largest home furnishing retailer, and H&M, one of the major global apparel retailers, have developed collaborative relationships with their suppliers with the mindset of creating value for the whole supply chain (themselves, suppliers, and customers). These efforts have supported their global success.

IKEA follows a detailed process to find suppliers that fit the business model it wants to develop based on high-quality products at a low price. Suppliers are carefully selected and monitored, and once they are chosen in most cases, they become long-term partners (Normann and Ramirez 1993).

This provides the suppliers a number of direct and indirect benefits. The suppliers are able to sell their products worldwide, and they receive access to leased equipment from IKEA. IKEA also provides technical assistance and helps with improving the quality of the suppliers' production processes. If a supplier is having a difficult time identifying a vendor for a raw material that it needs, IKEA will assist the supplier by sharing its contacts with raw material suppliers in its network that may be able to meet the need (Normann and Ramirez 1993). Through these activities, IKEA is *developing* its suppliers instead of simply requiring a certain level of performance (Andersen and Skjoett-Larsen 2009). In this way, IKEA is acting much like a virtuous person in an Aristotelian friendship by sharing its abundant resources with the smaller supplier to benefit both parties.

IKEA creates value for its customers mainly through one proposition. If the customer is willing to complete tasks such as assembly and home delivery of the furniture – tasks that are traditionally performed by a home furnishings company – IKEA will provide designer products at low prices. IKEA's stores are designed to make the process of shopping for furniture more of an outing than just a simple shopping excursion by offering strollers, child care, playgrounds for children, and a full restaurant. Customers also have access to tape measures, pens, and paper so that they can make their selections without the help of salespeople on the floor. In this way, IKEA invites customers to become a partner in *creating* value instead of simply *consuming* value (Normann and Ramirez 1993).

This model can seem costly especially considering that IKEA's suppliers are dispersed in more than 50 countries, but the strong relationships built by IKEA have granted high levels of quality and efficiency and have led to creation of value for all parts of the supply chain from suppliers to customers.

Apparel designer and retailer H&M operates in a similar way by using a partnership approach with suppliers. This relationship is built on compliance with H&M's code of conduct, a document that includes the basis to make the supply chain more sustainable. It outlines the requirements for suppliers and their sub-contractors to adopt high-level working conditions and environmental practices in their operations. H&M only sources materials from first-tier suppliers that sign and comply with its code of conduct.

In H&M's vision, long-term partnerships with key suppliers provide mutual benefits. It allows the firms to plan ahead and exchange information, thereby learning from each other. H&M has a direct relationship with its first-tier suppliers. It visits them periodically throughout the year and performs an audit with respect to the code of conduct. The results are discussed together, and if any issue arises, there is an immediate effort to solve it together. H&M commits to work together with suppliers to make long-lasting improvements. Communication plays a key role in situation where a noncompliance situation is revealed, and suppliers are made aware about the business risks they could face and are educated by H&M on how to avoid risks and proceed with further development. H&M supports this supplier development by sharing knowledge and providing training on sustainability practices and management to suppliers and their workers. H&M also works with some second-tier suppliers such as fabric and yarn mills to ensure that responsible business practices extend further upstream in its supply chain (H&M nd).

Collaborative Distribution

A particularly innovative type of supply chain collaboration has developed in recent years. Some companies have begun working with their competitors to establish a shared distribution facility that can serve common customers, which are usually major retailers. The firms in the relationship use the same transportation providers to build joint loads for their customers. This results in increased transportation efficiency and lower environmental impact for all parties. It is not essential that the firms be competitors for a collaborative distribution relationship to be successful, but the firms should have some common customers so that they can benefit from the resulting transportation efficiency.

Several multinational manufacturers have realized significant benefits from implementing collaborative distribution. Kimberly-Clark has used the strategy in Europe for over a decade, beginning with a pilot program with Lever Fabergé in the Netherlands where the two firms shared trailer space on deliveries to joint customers. Based on the success of this program, Kimberly-Clark has established a shared distribution center with Unilever (Lever's parent company) in the Netherlands and works with Kellogg in the United Kingdom and France. Kimberly-Clark has been able to reduce its inventory investment while enjoying increased product availability through its collaborative distribution strategies (Cooke 2011). Competing fruit juice giants Ocean Spray and Tropicana coordinate the backhauls of railroad boxcars between New Jersey and Florida. The firms are able to reduce their transportation costs while simultaneously limiting their carbon emission impact (Bradley 2013).

While it can be especially tricky to balance the interests of competitors in a collaborative relationship, effective collaborative distribution operations can greatly enhance a supply chain's efficiency.

Conclusion

Collaborative supply chains have proven to provide firms with a sustainable competitive advantage in their respective industries. The long-term viability of these relationships, however, is dependent upon the structure of the relationships between the parties. Relationships where one party benefits often at the expense of the others are subject to the risk of becoming unstable and ultimately breaking down. Truly collaborative relationships that seek to maximize the benefits to the entire system as a whole, on the other hand, are much more likely to sustain into the future.

If firms approach collaborative efforts as they would a potential friendship between the two companies, they would be in a better position to develop sustainable partnerships. These long-term collaborative relationships must be built on a foundation of the alignment of incentives, communication, and trust, which are also essential in fruitful friendships. If a friendship gets to be too one-sided, the party giving too much to the other will eventually be fed up enough to dissolve the friendship. It should be no surprise that businesses tend to act the same way with regard to their supply chain partners.

References

Andersen M, Skjoett-Larsen T (2009) Corporate social responsibility in global supply chains. Supply Chain Manag Int J 14(2):75–86

Bradley P (2013) Collaboration bears fruit. Supply Chain Q 7(2):34–36

Brinkley J (2000) U.S. vs. Microsoft: the overview; U.S. judge says Microsoft violated antitrust laws with predatory behavior. New York Times (online). http://www.nytimes.com/2000/04/04/business/us-vs-microsoft-overview-us-judge-says-microsoft-violated-antitrust-laws-with.html. Last accessed 27 Dec 2014

Chan SP (2011) Long antitrust saga ends for Microsoft. Seattle Times (online). http://seattletimes.com/html/microsoft/2015029604_microsoft12.html. Last accessed 27 Dec 2014

Chee FY (2014) Intel loses court challenge against $1.4 billion EU fine. Reuters (online) http://www.reuters.com/article/2014/06/12/us-intel-court-eu-idUSKBN0EN0M120140612. Last accessed 27 Dec 2014

Cooke JA (2011) Sharing supply chains for mutual gains. Supply Chain Q 5(2):38–41

de Bruin B (2013) Epistemic virtues in business. J Bus Ethics 113(4):583–595

Dierksmeier C (2013) Kant on virtue. J Bus Ethics 113(4):597–609

Drake MJ, Schlachter JT (2008) A virtue-ethics analysis of supply chain collaboration. J Bus Ethics 82(4):851–864

Drover W, Franczak J, Beltramini RF (2012) A 30-year historical examination of ethical concerns regarding business ethics: who's concerned? J Bus Ethics 111(4):431–438

Fairless T (2014) EU court upholds record $1.43 billion fine against Intel. Wall Street Journal (online) http://www.wsj.com/articles/eu-court-upholds-record-1-43-billion-fine-against-intel-1402562641. Last accessed 27 Dec 2014

Ferrero I, Sison AJG (2014) A quantitative analysis of authors, schools, and themes in virtue ethics articles in business ethics and management journals (1980–2011). Bus Ethics Eur Rev 23(4):375–400

Fulmer CA, Gelfand MJ (2012) At what level (and in whom) we trust: trust across multiple organizational levels. J Manag 38(4):1167–1230

H&M (nd) Choose and reward responsible partners – our conscious actions. H&M (online). http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/about.html. Last accessed 31 Dec 2014

Hartman EM (2013) Virtue in business: conversations with Aristotle. Cambridge University Press, Cambridge, UK

Kanter J (2014) European court upholds $1.44 billion fine against Intel. New York Times (online). http://www.nytimes.com/2014/06/13/business/international/european-court-upholds-1-06-billion-fine-against-intel.html. Last accessed 27 Dec 2014

McGowan RJ, McGowan MK, McGowan GJ (2011) Ethics of collaboration. In: Ekins S, Hupcey MAZ, Williams AJ (eds) Collaborative computational technologies for biomedical research. Wiley, New York

Normann R, Ramirez R (1993) From value chain to value constellation: designing interactive strategy. Harv Bus Rev 71(4):65–77

Porter ME, Kramer MR (2011) Creating shared value. Harv Bus Rev 89(1/2):62–77

Randewich N (2014) GT advanced says fell victim to "bait-and-switch" by apple. Reuters (online). http://www.reuters.com/article/2014/11/07/us-gt-advanced-tech-bankruptcy-apple-idUSKBN0IR2G220141107. Last accessed 25 Dec 2014

Rantasila K, Hinkka V, Pilli-Sihvola E, Permala A (2014) Unveiling the RFID business: a survey of the Finnish RFID sector. Int J Radio Freq Identif Technol Appl 4(3):244–259

Risso M (2012) A horizontal approach to implementing corporate social responsibility in international supply chains. Int J Technol Manag 58(1/2):64–82

Sianipar CPM, Yudoko G (2014) Social media: toward an integrated human collaboration in supply-chain management. Adv Intell Syst 53:249–266

Soundararajan V, Brown JA (2014) Voluntary governance mechanisms in global supply chains: beyond CSR to a stakeholder utility perspective. J Bus Ethics. doi: 10.1007/s10551-014-2418-y (forthcoming)

Vurro C, Russo A, Perrini F (2009) Shaping sustainable value chains: network determinants of supply chain governance models. J Bus Ethics 90(4):607–621

Vurro C, Russo A, Costanzo LA (2014) Sustainability along the value chain: collaborative approaches and their impact on firm performance. Symp Emerg Issues Manag 2:1–15

Zelbst PJ, Green KW Jr, Sower VE (2010) Impact of RFID technology utilization on operational performance. Manag Res Rev 33(10):994–1004

Aristotelian Friendship in Supply Chain Management

Esther Roca

Contents

Abstract

The work relations and commercial deals established between customers and suppliers represent specific cases of the varied array of practices that members of any business organization might develop. This chapter investigates the circumstances in which such relations might be understood and categorized according to the Aristotelian concept of friendship. The analysis in turn seeks to contribute to a more general controversy, regarding whether commercial transactions between customers and suppliers might constitute routes to human friendship and virtuousness in an Aristotelian sense.

Keywords

Friendship • Justice • Utility • Trust • Practice • Cooperation • Customer–supplier relationships • Virtue

E. Roca (✉)
Department of Management and Technology, Bocconi University, Milano, Italy
e-mail: esther.roca@unibocconi.it

Introduction

Intensified competition in many industries has led to the expansion of various types of collaborative relationships among firms. Competition demands that companies cultivate cooperative relationships to respond to dynamic, unpredictable changes in their environments, as well as to face threats that require greater supply chain efficiency and competency (Lazzarini et al. 2008). Collaborative relationships within supply chain have received substantial research attention, largely because they offer such promising alternatives to firms that are reluctant to engage in complete vertical integration. Because few competitive or strategic goals can be achieved individually, partnerships between customer firms and their suppliers take a great variety of forms, depending on the intensity of their commitment and their willingness to assume some level of risk (Dyer and Singh 1998). On the spectrum of relations – from simple, sporadic exchanges of goods to complex, sustainable work relations – the more long-term, latter form implies that firms establish supply chain management as a core element of their management strategy. Yet collaborative relationships also induce costs and risks for both parties. Deep commitment to a collaboration creates the threat of significant losses if the relationship ends.

Theoretical approaches to collaborative relations take two main forms: Conventional economic theory assumes that partnerships are driven by market forces and evaluated according to the transaction costs generated (Coase 1937), which may arise from negotiating contract terms for delivery, monitoring, or enforcing the contract. When transactions become more frequent and complex, compensation through internalizing these processes may increase, but so do the relevant internalization costs, such as augmented fixed cost and investments. The new institutional economics perspective represents an attempt to identify different, intermediate forms of interfirm collaboration that fall between these two extremes, such as supply chain partnerships (Williamson 1986). In addition, some sociologists cast a questioning eye on economic arguments based on the efficiency of market, suggesting instead that forms of interfirm exchange are not necessarily developed as rational responses to market conditions. An institutional sociology approach indicates, for example, that the development of partnerships is influenced less strongly by market competition than by social institutions. From this point of view, interfirm relations in general and partnerships in particular are shaped mainly by their institutional environments. This perspective explores the development of partnerships according to a general framework of business systems, influenced by other existing social institutions (Di Maggio and Powell 1983; Whitley 1994). Hoyt and Huq (2000) offer an interesting summary of the historical evolution of buyer–supplier relationships over the past two decades.

Business competencies related to supply chain management include close ties to suppliers and trusting relations. Many studies also recognize the growing importance of trust for successful supply chain collaboration; practitioners and scholars both conclude that every relationship demands at least some element of trust between parties (Das and Teng 1998; Lane and Bachmman 1996; Lorenz 1999; Sako 1992; Zucker 1986). The degree of trust established among supply chain

partners then determines their potential level of collaboration. Trust encourages information sharing among channel partners and reduces some of the risk associated with cooperation. Sharing information and data, without fear that a partner will use it opportunistically, increases the efficiency of the relationship, helps firms improve their supply chains, and can offer competitive advantages for both firms. However, trust is elusive. In buyer–supplier interactions, trust implies a mutual willingness to contribute more than is formally required by the agreement (Sako 1992); it entails shared expectations, reliability, honoring commitments, fulfillment of agreed conditions, and the possibility of anticipating behavior. In turn, trust building requires time, because its construction demands constant investments in the other party, in accordance with mutual evaluations. When trust comes into play in a customer–supplier relationship, the parties assess the purposes and ends of the other firms involved, and their exchanges acquire a dimension beyond commercial transactions. They are collaborative, involve some concern for the other's well-being, extend beyond a single transaction, and rely on more than buying or selling products to obtain short-term benefits (Drake and Schlachter 2008).

Such developments might imply that buyer and supplier relationships could go beyond justice and be grounded in friendship. To explore this possibility and analyze the complex relations between customers and suppliers in greater depth, this study turns to the Aristotelian concepts of justice and friendship (Aristotle 1985), in keeping with prior research that applies neo-Aristotelian virtue ethics to organizational studies (McCloskey 2006; Moore 2005; Provis 2010; Sisòn 2011; Solomon 1999, 2004; for an overview, see Tsoukas and Cummings 1997). The concepts and themes recovered from Aristotelian traditions have inspired multiple management studies; the present study seeks to apply the Aristotelian concept of utility friendship to clarify the relations established between a firm and its suppliers.

Trust-Based Deals and Justice in Exchanges

At the core of any business organization is some essential practice (e.g., retailing, manufacturing) that relies on other, varied, specific practices, including commercial interchanges between customers and buyers. Customer–supplier relations result from deals, and deals are based on mutual need and fairness in the exchange (Cordero 1988). Mutual need makes the exchange proportional and equal: You have something that I need, and I have something you can need, so both of us are interested in entering into an agreement, because there is some balance between what is given and what is received. At 1132b21 in Book V of the *Nicomachean Ethics*, Aristotle discusses the notion of justice in deals and exchanges, which can be applied to a wide range of economic interactions. In this part of the book, justice is understood as reciprocal and proportional. A fair deal requires some equality and proportional terms, such that the parties involved are equal in need and also need each other equally. Thus in commercial dealings, buyers and suppliers initiate a collaboration when they are equally interested in obtaining something the other has (products, services, information), and the equalization of the exchange stems from

their voluntary agreement to enter into the deal. The equalization of the commodities exchanged often relies on a justified price, though not always; the complexity of some relations means that the fairness or justice of a deal cannot be summarized solely by price.

Fairness and justice in exchanges constitute prerequisites of trusting relationships. Only if the deal is fair and provides mutual advantage is solid trust between the customer and supplier possible. Sustained trust in a deal is associated with the Aristotelian conceptualization of justice that goes beyond simple respect for established rules and conditions. In this version, each party exchanges goods for its own sake but also realizes that the deal must be equal in terms of what the other party values. The parties evaluate the purposes and ends of all involved companies, in an effort to balance them. This recognition of the other provides a starting point for the exercise of virtue, in the sense that a trusting deal is a win–win relationship, in which virtuous parties are disposed toward justice and the exercise of its related virtues, such as loyalty and honesty. The establishment and preservation of their relation thus is a practice that allows for the exercise of virtue by both the supplier and the buyer.

Practices are socially established, complex, cooperative human activities (MacIntyre 1985) that offer opportunities for virtues to flourish and be cultivated (Moore 2008). From this perspective, the different activities involved in a buyer–supplier relation are practices and potential occasions for the exercise of virtue by all actors.

Practices, Virtues, and Equality

In Aristotelian ethics, community is the primary context in which moral virtue can be nurtured. Practices take place within the community, so virtues acquire sense only in the social context and in reference to a social group. An actor can be virtuous only by benefitting others as well as the self. In a business context, it could mean that a manager exercises honesty and justice when motivated to do so by concern for the company's welfare or stakeholders' well-being. In a customer–supplier context, virtues arise in commercial interactions when generating internal goods, such that decisions and actions actively cultivate trustworthiness, honesty, loyalty, sensitivity, and so forth. The practice then gives rise to two kinds of internal goods: the perfection of the individual in the process and the excellence and quality of products and services (Moore 2012). External goods and rewards (e.g., survival, prestige, money, success) are secondary and have value only insofar as they enable the achievement of internal goods (MacIntyre 1985; Moore 2012).

Virtues also help understand how moral people behave. Virtues developed within a relationship support predictions of behavior, such as whether the partner will follow the agreement; make an effort to deliver the materials or service on time, even if demand for those provisions increased in the period; and do its best to provide maximum quality and service. A virtuous and just person can assess if the

other party perceives the relationship as equal, anticipate exhibitions of honesty and loyalty, and thus estimate the other party's conduct. In the specific case of buyer–supplier relations, they can devise a win–win relationship if their agreement is based on proportional equality, such that it features proportionality in the internal goods and virtuous behavior that each party contributes to the relationship.

The concept of equality employed by Aristotle suggests two other essential concepts: justice and friendship. Justice is akin to friendship, because both are based on some equality of the parties and an interest in the other's well-being. Friendship tends toward equality and surpasses justice in fulfilling what is owed. These notions, when applied to business institutions, entail two controversial questions that might seem analogous in some aspects: First, is it possible to regard business transactions, whose immediate ends tend to be utilitarian and lucrative, as occasions for virtue? Second, can commercial deals between buyers and suppliers provide routes for developing human friendships (Hartman 2011)?

Friendship in Customer–Supplier Relations

Friendship is an essential element of Aristotelian virtue ethics that recently has entered the business arena (Drake and Schlachter 2008; Koehn 1998; Sommers 1997). The term denotes relationships that vary in their intensity and stability, such that "friends" might be permanent relations with beloved persons known for decades (our spouse, our sister) or casual relations with an acquaintance who is a member of the same club. Friendly relationships also vary with the motives for maintaining these links, such as economic, political, or virtuous motives.

A general meaning of friendship implies some level of solidarity and reciprocity, founded in a common exchange between the parties. Reeves (1992) cites three features that categorize a relationship as a friendship: (1) a reciprocal wishing of good, (2) a mutual awareness of this reciprocal wishing, and (3) equal exchanges. This analysis evokes Aristotle's views on friendship in the *Nicomachean Ethics*, such that friends must wish good things for others and be aware of it (1156 a7-5) and friendship is an equality (1157b36). Similarly, Aristotle distinguishes three forms of *philia*, based on three motives for exchanges: excellence, pleasure, and utility (1155b19-10).

Utility friends love each other because each is useful or advantageous to the other. The relations that a firm establishes with its suppliers and most business relations likely constitute utility friendships, because the firm is drawn to suppliers by their promise to provide some utility. However, some authors contend that utility and pleasure friendships are not true friendships and belong, at best, to a secondary category of friendship (Koehn 1992, 1998; Sommers 1997), because they are inherently selfish. This claim may be overly simplistic though (Koehn 1998); even virtue friends might be regarded as selfish in a sense. Still, in a utility friendship, it may be hard to define the parties involved in a commercial transaction as friends, and not all profitable relations should be considered friendships in an Aristotelian sense. The transactions that firms establish with their stakeholders, and

in particular their suppliers, instead should be labeled friendly in an Aristotelian sense, insofar as they are marked by *reciprocal, conscious wishes for good that can make the partners virtuous*. In this case, parties do not hope for one another's good only insofar as the other is merely useful. Rather, they share activities, goals, information, and expertise in an equal and proportional exchange. Without explicitly reciprocated good will, it is not possible to talk about friendship in an Aristotelian sense. A supplier that hopes to benefit its customers offers high-quality products and delivers on time; doing so results in a happy, loyal customer that reciprocates with increased orders or perhaps a proposal to collaborate on a new product. This customer in turn hopes that the supplier benefits, which helps ensure its own success too. Thus, utility friendships imply that both parties hope the other is profitable, for its sake and their own. In such relations, there is no clear demarcation between the other's benefit and self-interest.

Yet utility friendships still require the exercise of some virtues; the very ability to recognize another's well-being and include it in the decision-making process presumes the presence of virtue and the exercise of practical wisdom. A voluntary transaction between customer and supplier likely grows friendly only if the parties are equal in the exchange and perform their agreed duties of loyalty and honesty – that is, if they behave in the transaction as actors with moral virtue. Virtue sustains profitable relationships by guiding honest choices, based on the recognition of the partner's welfare. Success and competitive advantages ultimately depend on the virtues developed by each partner and trust in the other's virtues. In this sense, utility friendship works through expectations of the other party's virtue. Imagine a situation in which a firm must decide whether to place an important order with a loyal, well-known supplier or to change suppliers for this particular deal, because another supplier would offer a lower price than the traditional supplier. In a utility friendship, the customer firm might reason:

> Even during critical periods of very high demand, when market prices were very high and this supplier was really busy, it always reciprocated our commitment and fidelity with adjusted prices, high quality materials, reliable delivery, and even 'privileged' information about market oscillations. So, I should order from this supplier today, even if its price is higher than other providers'. I know this partner is not trying to cheat or take advantage of me; probably he cannot offer a better price now, because it is facing low demand at the moment. If I accept the offer posed by another, potentially less reliable supplier at this critical moment, my partner likely will sense opportunism and disloyalty on my part. It could lead to the breakdown of a very valued relationship that has been built over several years through mutual trust.

In such a utility friendship, the customer must learn to listen to suppliers and understand their interests during negotiations, which supposes the exercise of some practical wisdom and virtues, such as patience, loyalty, and magnanimity. The exercise of practical wisdom in buyer–supplier commercial relations encourages reflections on past experiences and moral behaviors. It also permits the development of working relations in a mutual well-wishing context, for the sake of reciprocal utility. The transactions between buyers and suppliers are deals that

provide opportunities for each party to appreciate the other's skills, predict moral behaviors, and make wise decisions. Thus business relations developed with suppliers can offer a challenge to the moral character of each party, as well as a testing ground for gaining practical wisdom and exercising virtue.

Conclusion

This chapter reflects on the possibility of conceiving the relations established within supply chains as practices governed by friendship. Almost inevitably, it raises as many questions as it provides answers. The most obvious challenge is the idea that commercial transactions might not be based on any kind of friendship, because these relationships are founded essentially on profitability criteria. Thus, a key consideration is specifying which type of friendship is at issue. The Aristotelian concept of utility friendship helps overcome ambiguity and offers a novel perspective, in which business dealings represent occasions for partners to exercise virtues. In customer–supplier relationships, friendship exists when each party desires a stable relationship, wishes for the other's prosperity, and encourages it within the context of their dealings. The mutual recognition of the other as a person promotes good choices, and these make virtues.

Without expecting that this chapter can resolve this debate, I believe it makes a novel and useful contribution to understanding the complex customer–supplier interactions that commonly are observed as agency relations, regulated solely by the fear of opportunism.

References

Aristotle (1985) Nicomachean ethics (trans: Irwin TH). Hackett Publishing Company, Indianapolis

Coase R (1937) The nature of the firm. Economica 4:386–405

Cordero R (1988) Aristotle and fair deals. J Bus Ethics 7:681–690

Das T, Teng B (1998) Between trust and control: developing confidence in partners' cooperation in alliances. Acad Manage Rev 23:491–512

Di Maggio P, Powell W (1983) The iron cage revisited: institutional and collective rationality in organizational fields. Am Sociol Rev 48:147–160

Drake M, Schlachter J (2008) A virtue-ethics analysis of supply chain collaboration. J Bus Ethics 82:851–864

Dyer J, Singh H (1998) The relational view: cooperative strategy and sources of interorganizational competitive advantage. Acad Manage Rev 23:660–679

Hartman E (2011) Virtue, profit and the separation thesis: an Aristotelian view. J Bus Ethics 99:5–17

Hoyt J, Huq F (2000) From arms-length to collaborative relations in the supply chain. Int J Phys Distrib Logist Manag 30:750–764

Koehn D (1992) Toward an ethic of exchange. Bus Ethics Q 2:341–356

Koehn D (1998) Can and should business be friends with another and with their stakeholders? J Bus Ethics 17:1755–1763

Lane C, Bachmman R (1996) The social constitution of trust: suppliers relations in Britain and Germany. Organ Stud 17:365–395

Lazzarini S, Claro D, Mesquita L (2008) Buyer-supplier and supplier-supplier alliances: do they reinforce or undermine one another? J Manag Stud 45:561–570

Lorenz E (1999) Trust, contract and economic cooperation. Camb J Econ 23:301–315

MacIntyre A (1985) After virtue. University of Notre Dame Press, South Bend

McCloskey D (2006) The bourgeois virtues: ethics for an age of commerce. University of Chicago Press, Chicago

Moore G (2005) Humanizing business: a modern virtue ethics approach. Bus Ethics Q 15:237–255

Moore G (2008) Re-imagining the morality of management: a modern virtue ethics approach. Bus Ethics Q 15:237–255

Moore G (2012) Virtue in business: Alliance Boots and an empirical exploration of MacIntyre's conceptual framework. Organ Stud 33:363–387

Provis C (2010) Virtuous decision-making for business ethics. J Bus Ethics 91:3–16

Reeves C (1992) Practices of reason: Aristotle's Nicomachean ethics. Clarendon, Oxford

Sako M (1992) Prices, quality and trust. Cambridge University Press, Cambridge

Sisòn A (2011) Aristotelian citizenship and corporate citizenship: who is a citizen of the corporate polis? J Bus Ethics 100:3–9

Solomon R (1999) A better way to think about business: how personal integrity leads to corporate success. Oxford University Press, Oxford

Solomon R (2004) Aristotle, ethics and business organization. Organ Stud 25:1021–1043

Sommers M (1997) Useful friendships: a foundation for business ethics. J Bus Ethics 16:1453–1458

Tsoukas H, Cummings S (1997) Marginalization and recovery: the emergence of Aristotelian themes in organization studies. Organ Stud 18:655–683

Whitley R (1994) Societies, firms and markets: the social structuring of business systems. In: Whitley R (ed) European business systems. Sage, London

Williamson O (1986) Vertical integration and related variations on a transaction-cost economics theme. In: Stiglitz JE, Matheson GF (eds) New developments in the analysis of market structure. International Economic Association, Macmillan, London

Zucker L (1986) Production of trust: institutional sources of economic structure 1820–1920. Res Organ Behav 8:53–111

Part XXIII

Virtues in Finance and Accounting

A Virtue Ethical Approach to Organizational Culture in Finance

Marco Meyer

Contents

Abstract

Ethical failings of financial institutions such as banks, pension funds, and insurance firms are often blamed on their culture, rather than on the conduct of a few malicious individuals. But while appeals to culture have proven popular to explain organizational failure in finance, it is often left unclear what organizational culture precisely is and how it connects to ethical behavior. I distinguish three ways to understand organizational culture, which I call the intellectualist view, the value view, and the virtue view, and argue that the virtue view provides the best account of organizational culture. According to the virtue view, organizational culture is best understood in terms of organizational traits. These traits are virtuous if they tend to support an organization in achieving its social purpose. Hence, reflecting on the social purpose of financial organizations turns out to be crucial to assess and improve organizational cultures of financial institutions. I discuss whether financial institutions can be required to serve a social purpose and how to go about identifying it.

M. Meyer (✉)
University of Cambridge/University of Groningen, Cambridge, UK
e-mail: mm822@cam.ac.uk

Introduction

It is often claimed that ethical failings of financial institutions are in part rooted in their culture, rather than in the conduct of a few malicious individuals. Researchers have long argued that organizational characteristics matter a great deal for ethical decision making in business generally (Treviño et al. 1998; Ashkanasy et al. 2006; Kish-Gephart et al. 2010; Treviño and Nelson 2010). A recent study by Cohn et al. suggests that the culture of banks specifically promotes dishonest behavior (2014). Financial regulators stress the importance of good culture in banking as well. The Financial Stability Board has issued a guidance document on risk culture emphasizing the importance of culture for decision making at financial institutions (FSB 2014, p. 1). In a speech on the importance of changing the culture of financial institutions for the better, the president of the New York Federal Reserve, William Dudley, argued that firms must take a comprehensive approach to improving their culture (Dudley 2014).

Despite these frequent appeals to take organizational culture in finance seriously, it is often left unclear what precisely organizational culture is, and how it is supposed to cause unethical behavior (Sinclair 1993). Regulators are reluctant to give substantial guidance to financial institutions as to what a good culture for financial institutions would look like (PRA 2014, p. 3). The aim of this chapter is to clarify the notion of organization culture and to show how virtue ethics can contribute to our understanding of the connection between culture and ethics in financial institutions.

In section "Three Views of Organizational Culture," I distinguish three conceptions of organizational culture, which I call the intellectualist view, the value view, and the virtue view. The virtue view identifies organizational culture with organizational traits, which can be manifested in a broad range of ways, including shared practices, hierarchies, incentivization schemes, as well as shared assumptions and values. Organizational traits are virtuous if they promote the social purpose of an organization. In section "The Case for the Virtue View of Organizational Culture," I define three desiderata for an account of organizational culture and argue that the virtue view meets these desiderata best. Section "The Social Purpose of Finance" returns to the issue of social purpose. I discuss whether financial institutions can be required to serve a social purpose and how to go about identifying it.

Three Views of Organizational Culture

In this section, I distinguish three conceptions of organizational culture, which I call the intellectualist view, the value view, and the virtue view. These conceptions differ regarding what they identify as the nature of organizational culture – shared

assumptions, shared values, and organizational virtues, respectively. Of these three views, the virtue view is often particularly well suited for thinking about the ethical culture of organizations.

The intellectualist view. The debate about organizational culture has long been dominated by views of culture taken from sociology. Many sociologists think about organizational culture as a pattern of basic factual assumptions about how the world works. Members of an organization arrive at these assumptions, often unwittingly, because they helped them to cope with challenges the organization faced in the past (Schein 1984, p. 3., 1995, 1999– cp. Reidenbach 1991). Once a group has created a culture for itself, it gets passed on to new members and shapes their way to perceive, think, and feel in relation to those problems. For example, a bank may assume that for every piece of feedback they receive from retail customers, there are at least 1,000 customers with similar opinions that remain unexpressed. This assumption shapes how the bank perceives and reacts to customer feedback. The intellectualist view of organizational culture also suggests an approach to improving organizational culture. First, the tacit assumptions that constitute culture need to be made explicit. Second, problematic assumptions need to be identified and corrected.

The value view. Most debates on ethical banking implicitly rely on a rather different view of organizational culture. Whereas the intellectualist view looks for culture in the tacit factual assumptions members of organizations unwittingly make, the value view identifies culture with the publically professed and privately endorsed values shared by members of an organization (Dempsey forthcoming; Santoro and Strauss 2012; Salz et al. 2012, esp. Appendix B). Anthony Salz' review of the culture at Barclays is a good example of the value view in operation. In the report, Salz criticizes Barclays for having become "too focused on profits and bonuses rather than the interests of customers" (BBC 2013). The value view and the intellectualist view have in common that culture is identified with certain cognitions. They differ in that the intellectualist view emphasizes factual assumptions, whereas the value view emphasizes normative assumptions. Hence the value view suggests a somewhat different approach to improve organizational culture. According to the value view, a bad culture is based on a flawed appreciation of what members of an organization have reason to value. Hence improving culture starts from reviewing what is worth achieving as an organization.

The virtue view. While both the intellectualist view and the value view hold important insights, I want to suggest that a third approach is often more suited to thinking about organizational ethics. According to what I call the virtue view, organizational culture is best understood in terms of organizational traits. If these traits tend to support achieving the organization's social purpose, they are virtues; if they hinder it, they are vices. The virtue view draws on ideas from virtue ethics, which is a strand of ethics first developed by ancient authors such as Plato and Aristotle (Moore 2005; Solomon 2004). The backbone of virtue ethics is a certain view of moral psychology. According to virtue ethics, cultivating an excellent character is crucial to the ethical behavior of individual agents. Excellent character traits are called virtues, and deficient character traits are called vices. Virtues and vices determine how their bearers tend to perceive and conceptualize situations and

how they react to them. People with a virtuous character will give due attention to all morally relevant features even in challenging and new situations and react in morally excellent ways.

Familiar virtues are justice, beneficence, and courage. Courage, for instance, concerns acting well in the face of danger. Once virtuous agents understand they are in danger, the virtue of courage enables them to react appropriately. But virtue does not only concern actions. Virtues such as humility, empathy, and prudence aim in the first place at thinking and feeling about issues in the right way (Annas 2011). Such virtues are critically important to decision making as well, because excellent action presupposes excellent cognition. The most courageous agents will fail to react appropriately to danger if they do not recognize danger in the first place (Bandura 2000; Ford and Richardson 1994).

The moral psychology suggested by virtue ethics is a powerful starting point to think about moral behavior, but it is incomplete. In addition to individual character, environmental factors also heavily influence ethical behavior (Homiak 2011, Sect. 5; Miller 2007; Victor and Cullen 1988). Research in social psychology shows that changes in environmental factors can have a huge effect on how people act, overshadowing any effect character might be thought to have. For example, one experiment showed that people were much more likely to spontaneously pick up papers that were dropped in front of them if they had found a dime in a public telephone a moment before (Isen and Levin 1972). This social psychological research has sometimes been understood as a challenge to virtue ethics with its strong emphasis on individual character. I want to suggest that virtue ethicists should acknowledge that individual agents are strongly influenced by environmental factors and broaden their theoretical perspective accordingly. When individuals act in the context of organizations, we should allow for organizational culture to influence ethical behavior and theorize organizational culture in terms of organizational virtues and vices. Far from embarrassing virtue ethics, the results from social psychology can then be taken to show that we should take the task of designing organizational culture at least as seriously as training people's character (Doris 1998, p. 515). Organizational culture can be seen as virtuous or vicious depending on whether it supports or hinders virtuous action by members of the organization (Solomon 1999).

For the financial industry, the first step is to build organizational culture discouraging criminal behavior, as observed, for instance, in some of the scandals surrounding the financial crisis and the LIBOR scandal. Criminological research suggests that corporate crime has an important social dimension. If an organizational culture accepts techniques of neutralization, this significantly increases the likelihood of corporate crime (Heath 2008). A second step would be to promote cultures that actively support ethically good behavior in finance. For example, in many banks sales personnel is currently strongly incentivized to look after the interests of the bank even at the expense of customers. This may contribute to making employees insensitive to the interests of customers. Better organizational cultures would support virtuous action by individuals by incentivizing sales personnel to put customer interests first.

Virtue ethics also provides a framework for thinking about what makes a feature of an organization virtuous or vicious. According to Aristotle's doctrine of the mean, virtue is a mean between two vicious extremes. Courage, for instance, is the mean between cowardice and recklessness. To identify the virtuous mean for a given trait, we need to ask about the social purpose the bearer of the trait is supposed to serve. Of soldiers, courage requires to risk their life. Risking one's life, however, would be considered reckless in most other lines of work, including finance. But even though financial professionals are rarely morally required to risk their life, the virtue of courage is still applicable to them. Understanding why there are different requirements of courage in finance and soldering requires reflecting on the different social purposes armies and financial institutions serve. Such an investigation may yield the result that courage in financial professionals requires, among other things, to speak up to a superior or to take responsibility for a decision many others have signed off as well.

In sum, on the virtue view, an organization's culture consists in the organizational traits that influence the moral behavior of its members (de Bruin 2014; Solomon 1992, 2000). Organizational traits may manifest itself in the form of factual assumptions, as the intellectualist view will have it, or values, as the value view proposes. But importantly, such traits may also manifest themselves in characteristics overlooked by either view, such as shared practices, hierarchies, rules, or incentivization schemes. Hence the virtue view contrasts with both the intellectualist and the value view in that it identifies culture with organizational traits rather than narrowly with certain cognitions, factual or normative.

The virtue view of organizational culture suggests a distinctive way of improving organizational culture. Aristotle thought that virtues are acquired by engaging in appropriate activity. For example, he suggested teaching children courage by sending them off to the woods. This emphasis on habit-forming training contrasts with the emphasis on cognitive interventions endorsed by the intellectualist and value views. On the virtue view, a key driver of behavior is what members of organizations are in the habit of doing. Thus, according to the virtue view, the first step to improve culture is to identify the habit-forming mechanisms in an organization, which may include incentivization schemes, standards for promotion, rules and guidelines, rituals during onboarding, and on-the-job training. The second step is to align these mechanisms with the target organizational culture, as defined by the social purpose of the organization.

The Case for the Virtue View of Organizational Culture

Having outlined these three views of organizational culture, the obvious question to ask is whether we should prefer one view to another. This leads to the prior question what the desiderata for an account of organizational culture are in the first place. I will argue that a good theory of organizational culture should, first, be *neutral* regarding the nature of environmental factors driving ethical behavior; second, provide a structure able to *capture the commonalities* of good and bad organizational

cultures; and, third, be *practically useful* in identifying environmental characteristics which can ideally be influenced by leadership and guiding leadership in how to influence these characteristics so as to improve culture.

In formulating desiderata for a theory, it is useful to be conscious of the pragmatic purpose which is giving rise to theorizing. We started from the hunch, somewhat solidified by research in the social sciences, that unethical decision making in financial institutions and more generally in large and complex organizations is not entirely explicable in terms of individual characteristics. We are interested in organizational culture insofar as it captures the environmental characteristics that support or hinder ethical decision making in financial organizations. While identifying these environmental characteristics bears intrinsic interest, an important part of the motivation for the analysis is the hope that organizational cultures can be changed for the better.

The pragmatic purpose for theorizing organizational culture motivates all three desiderata for an account of organizational culture. The first is an adequate degree of *empirical neutrality*. We bring to our investigation the hypothesis that environmental factors matter for ethical decision making. But it is an empirical matter which environmental characteristics turn out to be most decisive in this regard. It would be a mistake for a theory of organizational culture to settle this question per definition. Yet this is precisely what the intellectualist and value views do, by building it into the definition of organizational culture that shared factual or normative cognitions are the decisive environmental factors for ethical decision making. In contrast, the virtue view operates on a higher level of abstraction, by positing the notion of organizational traits. As pointed out above, such traits can manifest themselves in a wide variety of ways, including factual assumptions and values, but also in practices, rules, hierarchies, incentivization schemes, etc.

The second desideratum is that the theory captures the commonalities of good and bad cultures, respectively. The intellectualist view does not meet this desideratum, because the factual assumptions relevant for ethical decision making are highly specific to individual organizations. It is possible that bad cultures have in common that they rest on some false assumptions about the world. But in all likelihood, good organizational cultures will be able to tolerate a fair amount of wrong factual assumptions as well. All said, the intellectualist view lacks a unifying of what distinguishes good from bad organizational cultures. The value view has the appropriate structure to meet the desideratum, as it appeals to values, which can apply across a broad range of organizations. The challenge for the value view is that the values that organizations with good and bad cultures invoke often seem to be identical. Sifting through the value statements of organizations with excellent and poor track records concerning ethical decision making casts grave doubt on the hypothesis that shared values could possibly identify relevant distinguishing factors of good and bad organizational cultures. The virtue view, in contrast, usefully distinguishes between the abstract level of *organizational virtues* such as trustworthiness, honesty, and prudence, which are highly general and good candidates for capturing commonalities of cultures across organizations on the one hand, and the level of the *manifestations* of these organizational virtues, which will often be highly

specific to particular organizations on the other hand. The social purpose of organizations mediates between these two layers, by settling how the abstract virtue of, say, trustworthiness needs to be manifested in a particular organization.

The third desideratum is that a theory of organizational culture should be practically useful in identifying environmental characteristics which can be influenced by leadership and guiding leadership regarding the direction of change to improve culture. All three views appeal to environmental characteristics that can at least in part be affected by management. However, the virtue view offers more by way of guidance to improve culture than the other views, such as the notion of social purpose introduced above as defining the virtuous mean between vicious extremes.

In sum, the virtue view is best able to meet the three desiderata for an account of organizational culture outlined above. It is worth noting that the virtue view has also already successfully been applied to study organizational culture. Kaptein (2008) has conducted empirical studies that demonstrate the usefulness of the virtue view for modeling organizational culture. Kaptein proposes eight organizational virtues to capture the culture of corporations and a questionnaire to assess whether organizations possess these organizational virtues. Additional research has shown that Kaptein's proposed measure is correlated with ethical outcomes (Kaptein 2011; DeBode et al. 2013).

The Social Purpose of Finance

Theorizing organizational culture in terms of its relation to organizational virtues gives us access to the rich vocabulary of virtue theory to describe and assess organizational culture. Some organizational virtues that are particularly important for financial institutions are trustworthiness, honesty, prudence, and integrity (Solomon 2003). The trouble is that by themselves, these concepts do not tell us much about how they apply to finance. The reason is that while we are familiar with the application of virtue terms to everyday interpersonal relations, we are less experienced with thinking about the often arcane activities in complex financial institutions in these terms. In this section, I examine how to give determinate meaning to virtue terms in finance for employees and organizations. Only then can we answer the question what it means for a financial institution to have a good culture in concrete terms.

As indicated above, in working out the specifics of an ethical organizational culture, we need to start from the social purpose of financial organizations. For some organizations, the question of its purpose is relatively clear. For example, the purpose of a court may be administering justice, and the purpose of a hospital is to heal patients (Oakley and Cocking 2001). But what is the social purpose of financial organizations? Do they even have a social purpose? Someone might say that it is a mistake to think that financial institutions serve a social purpose. There are two variants of this objection. The descriptive version maintains that it is factually wrong that financial institutions serve a social purpose. Rather, finance professionals are

merely animated by making money for themselves and their firms (Santoro and Strauss 2012).

To address this version of the objection, it is important to distinguish two distinct concepts which both take shelter under the term "purpose" in ordinary language (Lenman 2011). To say that financial professionals are animated by some motive, say to make money, is to give an *explanation* of why financial professionals do what they do. But we are here concerned with purpose in a different sense of the word, which is given by *justifying reasons*. Justifying reasons become relevant when we are asked to make a case why what we were doing is worthwhile or at least not morally wrong. Explanations and justifications can come apart. Even if the best explanation of why farmers show up for work is that they need to earn a salary, their work can still be justified by citing the purpose of providing people with food.

The normative version of the objection says that financial institutions do not need to justify their activity by appeal to any social purpose. Indeed, we do not normally press most businesses to come up with justifying reasons. We are usually content if firms produce something that other people are willing to buy, be these products socially useful or not. But even if we grant this view for businesses generally, financial institutions are still in need of a justificatory purpose because of the systemic risk of financial crises they impose on society (James 2012). Hence financial institutions are in need of justifying their "license to operate" by appeal to a social purpose.

But what then is the social purpose of financial institutions? Reflection about the function of finance has not kept up with the increasing diversity of the financial system. The purpose of financial institutions given in economics textbooks is usually that they improve the allocation of capital and thus contribute to economic growth by collecting savings from households and channeling these savings to productive investments (Diamond 1984). While this is part of what financial institutions do, it is certainly not most of what they do most of the time. Globally, about half of the credit extended by banks to the private sector is to households, not businesses. In developed countries, more than 70 % of credit goes to households, mostly in the form of mortgages (Beck et al. 2008).

In a recent book on the proper role of finance in society, the economist Robert Shiller has developed a better definition of the role of finance (2012). Shiller starts from the idea that finance is the science of goal architecture. Financial activity aims at structuring the economic arrangements necessary to achieve a set of goals and of the stewardship of the assets needed for that achievement (Shiller 2012, p. 6). On this view, the crucial question is how finance can be used to pursue the right goals for the right people. He sees the purpose of finance in helping households, small businesses, corporations, civic institutions, and governments to achieve goals like paying for education, financing retirement, opening a restaurant, or creating a social security system. The main task of financial innovation from his perspective is to democratize the opportunities that finance currently only provides for some people.

The questions that arise in the response to Shiller's proposal, and which he acknowledges, are whether everything that financial institutions do is necessary to achieve the purposes he lists and whether all of these purposes are morally important

enough to justify the imposition of systemic risk of financial crises they bring in their wake. Ultimately, this justification needs to proceed at the level of individual financial institutions, for even if what financial institutions do is justified in general, the activities of some particularly reckless financial institution might still turn out to be unjustified in the light of the risks it imposes on society. But we need to tread carefully in calling into question the social purpose of specialized financial activities. Activities like the trading of derivatives or foreign exchange do not appear to serve a social purpose directly, but may make markets for other financial activities serving a social purpose. If virtue ethicists want to contribute to the debate over the social purpose of finance, they need to develop a sophisticated understanding of the workings of the financial system.

Conclusion

I have distinguished three views of organizational culture and argued that the virtue view has important advantages over the competing accounts. The virtue view extends virtue theory as an account of the ethical behavior of individuals to organizational culture. According to the virtue view, an organizational culture is best understood in terms of organizational virtues and vices. The virtue view meets the desiderata of empirical neutrality, identification of commonalities, and practical usefulness. A further advantage of this approach is that it opens up the rich vocabulary of virtue to reflect on organizational culture. However, to give these virtue concepts determinate meaning, we need to reflect on the purpose of financial institutions. Such accounts should be developed at the level of individual financial institutions.

References

Annas J (2011) Intelligent virtue. Oxford University Press, Oxford
Ashkanasy NM, Windsor CA, Treviño LK (2006) Bad apples in bad barrels revisited: cognitive moral development, just world beliefs, rewards, and ethical decision-making. Bus Ethics Q 16 (4):449–473
Bandura A, Caprara G-V, Zsolnai L (2000) Corporate transgressions through moral disengagement. J Hum Values 6(1):57–64
BBC (2013) Barclays' Salz review blames bank culture. BBC Website. http://www.bbc.co.uk/news/business-22012261. Accessed 20 Dec 2015
Beck T, Büyükkarabacak B, Rioja F, Valev N (2008) Who gets the credit? And does it matter? Household vs. firm lending across countries. https://openknowledge.worldbank.com/handle/10986/6855
Cohn A, Fehr E, Maréchal MA (2014) Business culture and dishonesty in the banking industry. Nature 516:86. Advance online publication

De Bruin B (2014) Ethics and the global financial crisis: why incompetence is worse than greed. Cambridge University Press, Cambridge

DeBode JD et al (2013) Assessing ethical organizational culture refinement of a scale. J Appl Behav Sci 49(4):460–484

Dempsey J (2015) Moral responsibility, shared values, and corporate culture. Business Ethics Quarterly, Cambridge Journals Online Web, pp. 319–340

Diamond DW (1984) Financial intermediation and delegated monitoring. Rev Econ Stud 51 (3):393–414

Doris JM (1998) Persons, situations, and virtue ethics. Noûs 32(4):504–530

Dudley W (2014) Enhancing financial stability by improving culture in the financial services industry. http://www.ny.frb.org/newsevents/speeches/2014/dud141020a.html

Financial Stability Board (2014) Guidance on supervisory interaction with financial institutions on risk culture. http://www.financialstabilityboard.org/wp-content/uploads/140407.pdf

Ford RC, Richardson WD (1994) Ethical decision making: a review of the empirical literature. J Bus Ethics 13(3):205–221

Heath J (2008) Business ethics and moral motivation: a criminological perspective. J Bus Ethics 83 (4):595–614

Homiak M (2011) Moral character. In: Zalta EN (ed) The Stanford encyclopedia of philosophy. http://plato.stanford.edu/archives/spr2011/entries/moral-character/

Isen AM, Paula FL (1972) Effect of feeling good on helping: cookies and kindness. J Pers Soc Psychol. pp. 384–388. APA PsycNET Web

James A (2012) Financial crises. In: Fairness in practice: a social contract for a global economy. Oxford University Press, New York

Kaptein M (2008) Developing and testing a measure for the ethical culture of organizations: the corporate ethical virtues model. J Organ Behav 29(7):923–947

Kaptein M (2011) Understanding unethical behavior by unraveling ethical culture. Hum Relat 64 (6):843–869

Kish-Gephart JJ, Harrison DA, Treviño LK (2010) Bad apples, bad cases, and bad barrels: meta-analytic evidence about sources of unethical decisions at work. J Appl Psychol 95(1):1–31

Lenman J (2011) Reasons for action: justification vs. explanation. In: Zalta EN (ed) The Stanford encyclopedia of philosophy. http://plato.stanford.edu/archives/win2011/entries/reasons-just-vs-expl/

Miller S (2007) Social institutions. http://seop.illc.uva.nl/entries/social-institutions/

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Oakley J, Cocking D (2001) Virtue ethics and professional roles. Cambridge University Press, Cambridge/New York

Prudential Regulation Authority (2014) The use of PRA powers to address serious failings in the culture of firms. http://www.bankofengland.co.uk/pra/Documents/publications/policy/2014/powersculture.pdf

Reidenbach RE, Robin DP (1991) A conceptual model of corporate moral development. J Bus Ethics 10(4):273–284

Salz A, Collins R (2012) Salz review: an independent review of Barclays' business practices. Barclays PLC

Santoro MA, Strauss RJ (2012) Wall street values: business ethics and the global financial crisis. Cambridge University Press, Cambridge/New York

Schein E (1984) Coming to a new awareness of organizational culture. Sloan Manage Rev 25 (2):3–16

Schein E (1995) The role of the founder in creating organizational culture. Fam Bus Rev 8 (3):221–238

Schein E (1999) The corporate culture survival guide. Jossey-Bass, San Francisco

Shiller RJ (2012) Finance and the good society. Princeton University Press, Princeton

Sinclair A (1993) Approaches to organisational culture and ethics. J Bus Ethics 12(1):63–73

Solomon R (1992a) Corporate roles, personal virtues: an Aristotelean approach to business ethics. Bus Ethics Q 2(3):317–339

Solomon R (1992b) Ethics and excellence: cooperation and integrity in business. Oxford University Press, New York

Solomon R (1999) A better way to think about business: how personal integrity leads to corporate success. Oxford University Press, New York

Solomon R (2000) Business with virtue: maybe next year? Bus Ethics Q 10(1):339–341

Solomon R (2003) A better way to think about business: how personal integrity leads to corporate success. Oxford University Press, New York

Solomon R (2004) Aristotle, ethics and business organizations. Organ Stud 25(6):1021–1043

Treviño LK, Nelson KA (2010) Managing business ethics. Wiley, New York

Treviño LK, Butterfield KD, McCabe DL (1998) The ethical context in organizations: influences on employee attitudes and behaviors. Bus Ethics Q 8(3):447–76

Velasquez MG (1983) Why corporations are not morally responsible for anything they do. Bus Prof Ethics J 2(4):1–18

Victor B, Cullen JB (1988) The organizational bases of ethical work climates. Adm Sci Q 33(1):101–125

Virtue Theory and Accounting

Christopher J. Cowton

Contents

Abstract

After a period in which accounting has been implicated in a succession of corporate scandals, virtue theory offers considerable, and so far unfulfilled, potential for understanding and improving accounting practice. A virtue perspective should pick out those characteristics particularly associated with "good" accountants, while recognizing that accountants work in many different contexts and undertake a wide variety of different tasks. In seeking to construct an overarching view of the virtuous accountant, this chapter begins by a consideration of professionalism – something that unites accountants and differentiates them from many, but not all, occupational groups. This analysis reveals the importance of both integrity and competence, which is consistent with the Greek notion of *arete* as an excellence (i.e., not just *moral* virtue). In order to develop a more detailed picture that would apply particularly to professional accountants as a group, the chapter then examines the IESBA Code of Ethics for Professional Accountants and derives from its five fundamental principles and the

C.J. Cowton (✉)
University of Huddersfield Business School, Huddersfield, UK
e-mail: c.j.cowton@hud.ac.uk

associated commentary a set of adjectives that pick out, as a first approximation, the characteristics that might constitute the virtuous accountant.

Introduction

During the twentieth century, accounting came to be recognized as a major feature of modern life. No longer viewed "as a mere assembly of calculative routines, it now functions as a cohesive and influential mechanism for economic and social management" (Burchell et al. 1980, p. 6). Either side of the turn of the new millennium, though, several accounting scandals served to undermine the credibility of accounting information and the trust placed in accountants – especially auditors, whose role is to express a professional opinion on, or attest, the published financial statements. That these problems became public "scandals" underscores the importance of accounting in modern economic life. They led to much debate and several policy initiatives intended to reform accounting practice and reassure key economic actors. While certain cases in the 1960s and 1970s had resulted in increasingly detailed technical regulation in the form of accounting standards (now financial reporting standards), what has been notable about the later scandals and the shift from merely business or professional to public concern is the element of the discourse that has centered on issues related to ethics and professionalism. This has led to both renewed attention to codes of ethics in the professional sphere and a growth in academic literature on the ethics of accounting. However, the latter contains very little sustained moral philosophical analysis (Bampton and Cowton 2013), and virtue ethics has been severely neglected. Duska et al. (2011) are a rare example; having covered utilitarian and deontological perspectives, they move on to briefly consider virtue or character. The lack of attention might be surprising, given the revival of interest in virtues in philosophy and more recently in business, as reflected in this volume.

This chapter is therefore less concerned with reviewing a current body of literature on virtue theory and accounting than with sketching a way forward, taking for granted the potential value of a virtue perspective. Since several different perspectives on virtue theory exist, the position adopted here is outlined in the next section. The following section then makes some important points regarding the nature of accounting, in order to avoid the over-narrow focus that characterizes the current literature on accounting ethics. With those two pieces of groundwork in place, the next two sections explore how virtue might be thought about in the context of accounting by means of two framing devices: first, insights from the literature on professions and second, the principles contained in a major code of accounting ethics, from which a "first approximation" of the virtues particularly associated

with a "good" accountant is derived. Finally, the Conclusion not only summarizes the key points of the chapter but also points to some of the ways in which a "virtue and accounting" project might be taken forward.

On Virtue Theory

The analysis in this chapter does not entail any particularly distinctive commitments; other than that virtue theory is a legitimate perspective that could be usefully employed further in the context of accounting. It does not depend on a particular account of the virtues, although the following general points may be made, some of which are consciously picked up in later sections.

First, the position taken is not exclusivist. In other words, a virtue approach is taken to be complementary, in some way or ways, to other, more impersonal, approaches to ethics, such as deontological and consequentialist perspectives – what Whetstone (2001, p. 102) refers to, in the business ethics literature, as a "tripartite ethics formulation."

Second, while virtue is generally taken to mean moral virtue in some sense, the Greek root *arete*, which connotes excellence in a more general sense, is recognized here. Thus, for example, the *arete* of a knife might be its sharpness.

Third, a consideration of vice (from which "vicious") as well as virtue is taken to be of potential value within a virtue approach.

Fourth, an open position is taken with regard to a central issue in virtue theory, namely, the unity of virtue or of the virtues (Richmond 2005). Nevertheless, it is taken that virtues tend to work together, even if they might be in tension on occasions. Consider, for example, the value of courage being coupled with wisdom.

Fifth, while there might be merit in examining virtue in some corporate or collective sense, perhaps with a focus on businesses, professional firms, or even – of particular relevance here – professional bodies, the focus of this piece will less contentiously be on virtue at the level of the individual.

Finally, even though the focus here is on the individual, virtue has a social component in the sense that it does not take place in a vacuum (Pence 1993). Virtue is practiced and developed in a social context. Moreover, what is considered virtuous – or vicious – is context specific. This is often discussed in terms of different societies. Thus the virtues appropriate to the ancient Greek city state are different from the virtues that might be desired today, and conceptions of virtue show variation across different national cultures. More importantly for current purposes, even within a particular society with a common understanding of the good life, there will be some variation in the virtues called forth from different actors. Thus, even if there are elements in common, the virtues of a good accountant will tend to differ, in content and emphasis, from those of a good footballer or even a good manager. The next section therefore makes some brief comments about the varied practices of accounting itself.

On Accounting

While it is important to relate notions of virtue to a particular social context, the task of this chapter is to say something more specific about accountants. What is of most significance are the particular virtues that should be picked out, given the roles that accountants are expected to fulfill, and how the development of those virtues might be supported. However, just as the general list of appropriate virtues might be expected to vary across social contexts, it should be noted that accounting itself is highly varied. Not all virtuous accountants need be identical in the virtues they display, for they undertake a wide variety of roles and tasks, and their responsibilities vary considerably. With a common popular focus on accounting scandals and hence financial reporting and auditing, this is often underappreciated. Indeed, the academic literature on accounting ethics tends to focus on financial reporting and auditing (Bampton and Cowton 2013). An account of virtue theory and accounting should, however, take account of the other work that accountants do. In many countries, particularly those with an "Anglo-Saxon" economic and legal tradition, accounting encompasses far more than financial reporting and auditing; it also includes management accounting, tax accounting, and forensic accounting, for example. Moreover, many qualified accountants undertake general management functions, either in addition to or instead of their technical financial tasks.

The different nature of the tasks involved in different forms of accounting and the different priorities and constraints to which they are subject mean that a fully worked-out account of virtues might likewise differ between them. An alternative approach, which is particularly suited to a piece of this nature and length, is to begin with a more general perspective on accounting. Given that even qualified accountants who work outside technical accounting areas are still subject to professional demands and expectations, a suitable starting point is an understanding of accounting as a profession. The next section therefore begins the analysis proper with an examination of the notion of a profession.

On the Virtues of Professionalism

In everyday speech, the term "profession" is used quite loosely to refer to a wide range of occupational groups. However, in identifying a particular occupational group as a "proper" profession, such as accounting, many writers highlight some characteristics that professions are expected to possess. Those characteristics are subject to some debate, but the literature (e.g., Abbott 1988) tends to agree on the importance of the following features, which will tend to be present if an occupational group is to be considered a profession:

- There exists a widely agreed and extensive specialist skill and knowledge base, the latter often of a relatively theoretical or abstract/intellectual kind.

- Acquisition of the requisite skill and knowledge base involves a long period of training, with formal certification of competence (usually involving written examinations) and, frequently, some form of license to practice.
- The deployment of the knowledge base involves the use of discretion and (professional) judgment, not just the application of rules to routine circumstances.
- Independence and self-regulation are jealously guarded, with control over the requisite knowledge base, setting of entry standards and criteria for membership, and responsibility for the disciplining of members.
- There are ethical codes (often formal but not exclusively so), independent of contract or state law, and these are self-enforced.
- In many cases, high levels of personal and financial reward.
- Operation in the public interest.

Not all observers are convinced that professions really do serve the public interest, quite the contrary. For example, there have been sustained Marxist and other critiques of professional groups' attempts to secure economic rent and social privilege, a view more recently also articulated in consumerist terms (see Johnson 1972; Larson 1977; Reed 1992; Macdonald 1995). This is not a key question for this chapter, but it may be argued that, while there are risks evident in the content of the critiques, the worthwhileness or not of professions tends to vary from place to place and from time to time (Cowton 2008, 2009). Thus their being of societal value is a contingent rather than a necessary feature of professions, and if so, that value can presumably be influenced by means of both internal and external forces. The definitional characteristics of a profession can therefore be seen as desirable or normative, if not always empirically present. This provides an opening for considering the desirable characteristics, or virtues, of individual accountants. A "good" accounting profession is more likely if there are "virtuous" accountants.

One notable feature of the list above is that there are two strands or categories. One is centered on "competence," with the idea of the development, learning, and implementation of a body of knowledge. The second is centered on what might broadly be termed "integrity," with the promulgation of an ethical code and disciplining of members. This dual aspect fits well with the concept of *arete* or excellence underlying traditional ideas of virtue, as explained earlier. Without committing to a strong view on the unity of virtue, there is important complementarity between the two strands. It is clear that both competence and integrity are desirable. Indeed, consider the situation where one strand is missing or severely deficient. On the one hand, competence without integrity is potentially vicious, because it is in the nature of professional work that the professional has far greater expertise than her client, and this difference in expertise produces power asymmetry, especially when it is difficult for the client to judge the quality of the work, even after it has been performed (a so-called credence good: see Darby and Karni (1973) and Cowton (2009)). The client is open to being deliberately exploited. On the other hand, integrity without competence risks significant harm to the client, however well-intentioned the professional. A lack of integrity undermines trustworthiness via inappropriate, or vicious, motivations – likely an unduly self-centered or selfish

attitude. A lack of competence undermines trustworthiness via a lack of reliability. Trustworthiness is an attractive and valuable attribute of any professional, including accountants, secured by being both competent and ethical, where the precise meaning or content of both will, at some level, be related to the particular context.

Moreover, recognizing the two strands again, not only are professionals expected to possess superior expertise, but, as Davis (1997) makes clear, a code of professional ethics must require something that ordinary morality merely permits in order to have real value. It should be "higher" or more demanding than ordinary morality and the law. As De George (2006, p. 93) comments, "Professions carry with them special obligations that members of that profession take on, both individually and collectively." At one level, this can be interpreted as the "price" that professionals have to pay for the privileges they receive (Cowton 2009). The next section explores the possible connections between a professional code of ethics and virtues.

From Principles to Virtues

Having examined the nature of a profession and what that might begin to mean in terms of virtue, this section seeks to ground the discussion more firmly in a consideration of accounting and accountants, while recognizing, as discussed earlier, that accountants vary greatly in both their accounting and non-accounting roles and tasks. Nevertheless, as professional accountants, they are subject to codes of professional ethics that contain general content, even if there is also specific guidance relating to particular areas of activity. Furthermore, such codes tend to display commonalities across the world, notwithstanding different cultures. Such similarities have been reinforced by the convergence agenda of the International Federation of Accountants (IFAC), which established the International Ethics Standards Board for Accountants (IESBA) under its auspices. IESBA has been responsible for issuing the "Code of Ethics for Professional Accountants," which has been adopted, sometimes with local adaptations or embellishments, by professional accounting bodies across many parts of the world.

Just as there is a debate on the value of professions, the effectiveness of codes of ethics, and what is required to enhance this, has been much discussed. Perhaps a code on its own can make but a limited contribution to the establishment of strong professional ethics. However, that is not the relevant issue here. Rather, the intention is to use the IESBA Code to derive a set of virtues that might be expected of accountants.

The Code is principle based, but it also contains significant guidance. This approach not only accords with general advice for writing a good code of ethics (Webley and Werner 2008) but is also consistent with the general need for professionals to exercise discretion and judgment in their work. Five "fundamental principles" are set out. Much could be said to expand each principle (as the Code does) or even to critique them (philosophically or pragmatically), but that is not the concern here. Rather, the Code is being taken as a reasonable indication of the

principles that professional accountants should follow and from that starting point to derive a "first approximation" of appropriate virtues. One way of proceeding would be to take each of the principles and to attempt to infer the related virtues. This would raise methodological questions of a philosophical nature. However, a simpler approach is taken here, which avoids imposing too much interpretation on the meaning of the principles. Specifically, each principle and its associated initial commentary contain words that point toward certain desirable characteristics or virtues that accountants should possess. These putative virtues are then collated to form a provisional virtue profile for accountants. Focusing on words that "loom large" by appearing in the initial explication of the principles is consistent with the intention to identify virtues that might be especially important for accountants to possess.

The five fundamental principles – integrity, objectivity, professional competence and due care, confidentiality, and professional behavior – will be cited in turn below, together with the Code's initial elucidation of what the principle means.

(a) *Integrity*

The principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships. Integrity also implies fair dealing and truthfulness.

Integrity was already identified in the previous section as a key term within professional ethics. It is a very general term that is capable of many interpretations, but what is interesting for current purposes is how the Code begins to "unpack" what it is taken to mean in an accounting context. The Code initially offers two particular adjectives to help identify integrity-related characteristics that professional accountants should display; they are to be "straightforward" and "honest."

Like integrity itself, both terms are capable of different interpretations, but that is not necessarily a problem; many of the most important concepts in life are vague ones, and however much a concept is unpacked, there is unlikely to be some unambiguous core to it, unless some particular, and ultimately arbitrary, assumptions are introduced into the process.

"Honest," or the related virtue of "honesty," is probably reasonably easy to understand at a certain level, even if philosophical reflection might be capable of bringing to light hidden depths and complications. In most, if not all, situations, an honest professional accountant should be able to answer the question, "what is the honest thing to do?," even if other considerations might also need to be weighed.

"Straightforwardness," on the other hand, is probably less simple (or straightforward?) to grasp. In order to understand a virtue better, it can be useful to consider the possible opposite vices. For "honesty," the simple antonym is "dishonesty," which perhaps adds not a great deal of insight. However, attempting to find a vice that is the mirror image of "straightforwardness" might be useful in trying to grasp its nature. For example, is straightforward the virtuous side of "deceptive" or "tricksy," say? This might be explored further with more space;

indeed, the Code itself provides further commentary on each principle. However, for the purpose of this exercise, two virtues have now been identified: honesty and straightforwardness.

Finally, the commentary on the principle also highlights "fair dealing" – which might suggest "fairness" – and "truthfulness"; the latter is discussed further below.

(b) *Objectivity*
   The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgment because of bias, conflict of interest, or the undue influence of others.

Section 120 of the Code links objectivity to the idea that accountants should not *compromise* their professional or business judgment. In ordinary usage, "objectivity" seems to be a further principle that points toward truth-telling without actually stating it explicitly. An everyday intuition would be that accounts should tell the truth about a situation – especially given the various scandals alluded to earlier. However, such an intuition misunderstands the nature of the "accruals accounting" that underlies the principal financial statements, including profit numbers (Cowton 2013). When it comes to questions relating to truth, because of the nature of accruals accounting, it might be better to refer to the quality of the accountant rather than the nature of the financial statements and their correspondence with "reality"; even if it is inappropriate to refer to truth, at least in the case of many accounting numbers, it is useful to speak of truthfulness on the part of the preparers of those numbers, as in the case of the first principle. It is apposite, therefore, that Duska et al. begin their summary of virtues by saying, "Accountants should be *truthful* in all their professional dealings" (2011, p. 67, emphasis added).

"Objectivity" might describe not only a principle in the Code but also a virtue for a good accountant to possess; an objective accountant is what is called for. The further comments about the principle in the Code imply further possibilities. Not to allow bias might suggest not only a determination to resist conscious bias but also a will to develop qualities that would foster freedom from bias, such as a skeptical mindset, while not to allow a conflict of interest points toward independence. Both are very familiar themes from the literature on auditing, but useful qualities in many other accountants too, given accountants' responsibilities for providing information and stewarding financial resources.

(c) *Professional Competence and Due Care*
   The principle of professional competence and due care imposes the following obligations on all professional accountants:
   (a) *To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service*
   (b) *To act diligently in accordance with applicable technical and professional standards when performing professional activities or providing professional services*

Professional accountants are expected to be knowledgeable and diligent, which accords with the dual general requirement to be competent, and to apply their expertise with integrity, which emerged from the discussion of professions in the previous section. The idea of a continuing duty to maintain that expertise after initial qualification has been achieved is important in the context of a lengthy and potentially varied career, in a rapidly changing environment. However, for present purposes, this seems to add little, since accountants who were not up-to-date in terms of the knowledge and skills required to fulfill their current responsibilities could no longer be considered competent.

(d) *Confidentiality*
   The principle of confidentiality imposes an obligation on all professional accountants to refrain from:
   (a) *Disclosing outside the firm or employing organization confidential information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose*
   (b) *Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties*

This principle helps to highlight that the first fundamental principle, integrity – which consists particularly in being straightforward, honest, and truthful – is not served by complete openness. Although confidentiality entails particularly obligations in particular situations, it can perhaps be summed up under the characteristic of being "discreet" – but not secretive or uncommunicative. The key is that the retention of information is in the client's or employer's interest, rather than the accountant's as such. Thus an accountant should be truthful yet discreet. This is not to say that discretion completely embraces, or implies the detail of, the application of professional confidentiality. However, a person who is discreet is likely to find it easier, even "second nature," to understand and apply what it means to maintain appropriate confidentiality, and an indiscreet accountant is likely to find this difficult and be prone to breaching confidentiality.

(e) *Professional Behavior*
   The principle of professional behavior imposes on all professional accountants an obligation to comply with relevant laws and regulations and avoid any action that the professional accountant knows or should know may discredit the profession.

Relevant laws apply to everyone, but as mentioned earlier, accountants, as professionals, are meant to operate beyond ordinary morality and the law. To some extent, at least, the principles and regulations that surround and underpin accounting work toward providing the public benefit of a higher standard of behavior. The most obvious adjective to derive from the first part of the fifth

fundamental principle above might be "compliant." However, in practice "compliant" is often interpreted as "*merely* compliant" or "box ticking." It seems to lack the interiority that would be expected in the case of a virtue. A highly reluctant and calculating person might be compliant with law and regulations all the time. Some people do not break the law because they think there is a chance of being caught with undesirable consequences following. "Compliant" might describe their behavior but not their disposition. An accountant who is "naturally" law-abiding is going to find it easier to enact the fifth principle. "Law-abiding" (or law-and-regulation-abiding) might seem a good description, but it does not connote an obvious noun, and again, it might include those who calculate that breaking the law is not for them. Perhaps "uprightness," though maybe an old-fashioned term, is closer to what is being sought here. An upright person, assuming he/she possesses true uprightness and is not wearing a hypocritical mask (Crisp and Cowton 1994), is also unlikely to discredit the profession; indeed he/she is likely to enhance its reputation.

Having examined through the five fundamental principles, the various suggested virtues that have emerged are gathered together in Table 1 below.

There will be other virtues (moral and otherwise) that the virtuous accountant might be expected to possess, many of which would be common to another type of professional, business person, or, indeed, citizen. Virtues associated with implementing the principles – such as courage – might be important. However, in referring to the five fundamental principles in the IESBA Code, an attempt has been made to identify those characteristics particularly associated with "good" accountants in general, while recognizing that it might be desirable that different accountants, in different contexts, also display other characteristics.

The list can no doubt be debated, embellished and explored in greater detail, and compared with classic accounts of virtues, but it provides a useful first approximation in applying virtue ethics to accounting, grounded in the profession's own language. Moreover, it provides a perspective that complements the more abstract principles of the IESBA Code. One advantage might be in the self-development of accountants. Instead of looking at the principles and wondering how they might apply – and perhaps wishing for rules with which they could merely comply – an accountant might take the

Table 1 Deriving a provisional profile of virtues for accountants from the IESBA Code of Ethics

Fundamental principle	Associated virtues
Integrity	Honesty Straightforwardness Truthfulness
Objectivity	Objectivity Skepticism Independence
Professional competence and due care	Competence Diligence
Confidentiality	Discretion
Professional behavior	Uprightness

list and ask themselves appropriate questions. For example, in relation to the fourth principle, confidentiality, an accountant might ask the following:

- Am I discreet? When am I at risk of being indiscreet?
- Have I been indiscreet recently? If so, why? How could I avoid that next time?
- Do I know someone I admire for their discretion? How could I be more like them?

Such a process of self-examination offers the potential for better implementing – and indeed embodying – the fundamental principles contained in the IESBA Code for Professional Accountants, providing a path to the practice of virtue.

Conclusion

In seeking to explore the application of virtue theory to accounting, this chapter has sought to ground the analysis in both an understanding of accounting as a professional activity and in a major code of ethics for professional accountants. The first approximation provided as a result of that analysis leads to the following statement:

A good (or virtuous) accountant is honest, straightforward, and truthful; objective, skeptical, and independent; competent and diligent; discreet; and upright.

Further work might modify the above statement, if it were considered that other virtues should loom larger, and the terms themselves are capable of further scrutiny and elaboration. However, it is suggested that as a depiction of the good accountant, it is a very promising starting point.

References

Abbott A (1988) The system of professions. Chicago University Press, Chicago.
Bampton R, Cowton CJ (2013) Taking stock of accounting ethics scholarship: a review of the journal literature. J Bus Ethics 114:549–563
Burchell S, Clubb C, Hopwood A, Hughes J, Nahapiet J (1980) The roles of accounting in organizations and society. Accounting, Organizations and Society 5:5–27
Cowton CJ (2008) Governing the corporate citizen: reflections on the role of professionals. In: Conill J, Luetge C, Schönwälder-Küntze T (eds) Corporate citizenship, contractarianism and ethical theory: on philosophical foundations of business ethics. Ashgate, Aldershot
Cowton CJ (2009) Accounting and the ethics challenge: re-membering the professional body. Account Bus Res 39:177–189
Cowton CJ (2013) Accounting ethics. In: LaFollette H (ed) International encyclopedia of ethics. Wiley-Blackwell, Hoboken
Crisp R, Cowton C (1994) Hypocrisy and moral seriousness. Am Philos Q 31:343–349
Darby M, Karni E (1973) Free competition and the optimal amount of fraud. J Law Econ 16:67–88
Davis M (1997) Professional codes. In: Werhane PH, Freeman RE (eds) Encyclopedic dictionary of business ethics. Blackwell, Malden

De George RT (2006) Business ethics, 6th edn. Prentice Hall, Upper Saddle River

Duska R, Duska BS, Ragatz JA (2011) Accounting ethics, 2nd edition. Wiley-Blackwell, Hoboken

Johnson T (1972) Professions and power. Macmillan, London

Larson MS (1977) The rise of professionalism: a sociological analysis. University of California Press, Berkeley

Macdonald KM (1995) The sociology of the professions. Sage, London

Pence G (1993) Virtue theory. In: Singer P (ed) A companion to ethics. Blackwell, Oxford

Reed M (1992) The sociology of organizations. Harvester Wheatsheaf, London

Richmond SD (2005) Virtue, unity of. In: Honderich T (ed) The Oxford companion to philosophy, new edn. Oxford University Press, Oxford

Webley S, Werner A (2008) Corporate codes of ethics: necessary but not sufficient. Bus Ethics Eur Rev 17:405–415

Whetstone JT (2001) How virtue fits within business ethics. Journal of Business Ethics 33:101–114

Building Character into the Profession of Financial Engineering: An Application of Virtue Ethics Theory

John Dobson

Contents

Abstract

Financial engineering has become a central feature of all developed economies. This rise to prominence has been rapid, and the regulation and social stature of this arcane area of business has understandably lagged behind its influence on the broad economy. In this paper I argue that financial engineering needs to take its social impact and thus social responsibility, seriously. This can best be achieved by recognizing financial engineering as a true profession. I invoke virtue ethics theory as an effective way of providing sound guidelines for how to place financial engineers in the position of true professionals.

Keywords

Financial engineering • Virtue ethics • Professionalism • Regulation

J. Dobson (✉)
College of Business, California Polytechnic State University–San Luis Obispo, San Luis Obispo, CA, USA
e-mail: jdobson@calpoly.edu

Introduction

Broadly defined as the application of mathematics to the development and pricing of complex securities, financial engineering (FE) seems an odd focus for a heated debate on social ethics. However, this is just where FE has found itself over the past five years. To some extent FE has been a victim of its own success. FE's mathematics has spawned vast markets for an ever broader and richer array of financial derivatives developed and traded by hedge funds, investment banks, and private equity firms (Butler 2012). Almost every aspect of business activity has now been securitized, priced, and traded thanks to the innovations of FE. Success, particularly success that is hard to understand, inevitably attracts scrutiny. In the case of FE, this scrutiny has come from the Securities and Exchange Commission (SEC), the Commodities Futures Trading Commission (CFTC), and various congressional subcommittees formed in the wake of the financial market crisis (Masters and Scannell 2011).

This scrutiny has led to regulation. Some of FE's more successful manifestations, in the form of credit default swaps (CDSs) and collateralized debt obligations (CDOs), have been blamed for actually causing and/or exacerbating market downturns and volatility. Rather than being viewed as socially valuable innovations, such securities are now often portrayed as socially harmful. Pressure has been exerted on regulators to curtail or actually ban their use. One only has to glance at the evergrowing Dodd-Frank bill to see the extent of this regulatory concern. Careers in finance are now viewed, not just by the general public but also by some university administrators, as socially useless or worse (Masters and Scannell 2011).

In this chapter, I argue that FE needs to recognize that it has now come of age. Its products are now a critical and extensive part of the global economic architecture. FE also rests theoretically on an extensive history of research and innovation that is ever more complex and extensive. In short, financial engineering practitioners (FEPs) need to recognize that they are engaged in a profession.

The label of "profession" should not be taken lightly. FEPs should recognize that as professionals they can uphold certain standards of conduct, but more importantly they can project their activity in a different light. FE needs to be a profession and needs to be seen to be a profession by the broader community. This is how to self-regulate and socially rehabilitate FE and concomitantly FEPs. There needs to be a reorientation in self-perception. In what follows I draw on recent developments in virtue ethics theory to develop an ethic for FE both at the individual level and at the level of the institution. At the individual level the ethic is that of the true professional pursuing the internal goods of the practice. At the institutional level, I draw on the notion of corporate character (Moore 2005) to invoke a practice-based community in which the FEP as true professional can thrive.

The True Professional

> [A] manager should not just give their [sic.] employees what is just but must give them the environment and the encouragement to grow and to find fulfillment in their job.

Notions of professionalism are often tied in with the idea of pursuing some higher calling. As Oakley and Cocking put it, ". . .good professional roles must be part of a good profession, and a good profession. . .is one that involves a commitment to a key human good, a good which plays a crucial role in enabling us to live a humanly flourishing life" (p. 74). Similarly Dare defines a profession as "a vocation in which a professed knowledge of some department of learning is used in its application to the affairs of others. . .". Virtue ethics dovetails neatly with this notion of professionalism as "pursuing-a-higher-calling." Indeed, a defining characteristic of virtue ethics that distinguishes it from other theories of ethics is its focus on aspirations, rather than rules: "It [virtue ethics] contrasts with other normative frameworks in the Western tradition because it addresses the question 'Who should I be?' rather than 'What should I do?' . . .It provides for and accounts for motivation, making it a central aspect of professional ethics in a way that rule-directed approaches generally do not" (Blackburn and McGhee 2004, pp. 103–114). Typical lists of virtues in the current context would include the following: "Fortitude, temperance, justice, and prudence" (Moore 2005, p. 676) or "[h] onesty, fairness, trustworthiness, toughness, loyalty, honor, empathy, self-control" (Blackburn and McGhee 2004, pp. 110–111). It is the successful pursuit and nurturing of these virtues or character traits that defines the professional in virtue ethics. So, for example, as Hartman notes, "[a] group of investment bankers who enjoy working in an atmosphere of trust and cooperation to create a financial instrument that is far riskier than it appears to potential customers is not acting virtuously, whatever internal goods characterize their praxis" (2011, p. 5). Here Hartman captures the essence of the professional as not merely a rule or standard follower. Professional conduct requires a broader, all-encompassing, appraisal. The mere adherence to some standard of conduct is not sufficient: "There are several negative aspects of using a professional code or standards approach to regulate behavior in business. . . .Codes typically have a low degree of precision . . . [and] do not provide ironclad guarantees of clarity and transparency" (Blackburn and McGhee 2004, pp 97–98).

A useful conceptual framework here is the dichotomy of "internal" and "external" goods, originally enumerated by Aristotle in the *Nicomachean Ethics*. Aristotle's approach has the benefit of being both descriptive and prescriptive. He recognizes the multifarious nature of human motivation but also gives guidance for an optimal balance. In the *Nicomachean Ethics*, Aristotle begins with the fundamental observation that all human activity aims ultimately to achieve some perceived good: "Every art and every enquiry, and similarly every action and pursuit, is thought to aim at some good; and for this reason the good has rightly been declared to be that at which all things aim" (1094a19).

Aristotle splits goods into internal and external. External goods are akin to the conventional goods of economics, symbolized by material wealth and what it can provide: security, honor, prestige, influence, and power. External goods tend to be viewed as some individual's property or possession; they are finite in supply and therefore tend to engender competition (MacIntyre 1984; Kekes 1988). Internal goods, in contrast, can be characterized as possessing three basic attributes. First, they are unique to a particular activity: "the achievement of a certain highly particular kind of analytical skill, strategic imagination" (MacIntyre 1984, p. 188).

Second, they are not limited in supply; my achievement of the internal good of job satisfaction, or analytical skill, in no way limits your ability to attain this or other internal goods. Third, they are intangible in the sense that they do not readily lend themselves to simple definition, quantification, or measurement. This may explain their relative absence from explicit performance-measurement criteria and indeed from economic theory in general.

Aristotle argues that individuals should pursue a balance of internal and external goods in order to flourish as human beings. He predicts that most individuals will naturally tend to do this given a conducive environment. This environment is engendered through the creation of "practice-based" communities. Aristotelian practices characteristically involve small groups of individuals who place intrinsic value on some concept of excellence in that particular practice. In other words, they are motivated to pursue the internal goods of that practice. The larger organization provides the institutional foundation necessary for the formation of these small practice-based communities. The external goods that sustain the overarching organization are achieved as individuals pursue the internal goods of their particular practice. Thus, in the current context, there is a symbiotic relation between the overarching business organization and the small practice-based communities within that organization. The pursuit of internal goods by the latter facilitates the accumulation of external goods by the former, but these external goods are also necessary to support the practice-based communities.

The defining characteristic of practices is respect for the integrity of the practice; this is the moral component of internal goods. Aristotle invokes the concept of "virtue" here. In essence, the exercise of virtues of character – honesty, fairness, modesty, and courage, for example – are necessary if the practice is to be sustained and if the internal goods of the practice are to be achieved. Another way of conceptualizing internal goods is with the concept of "craftsmanship." Klein, for example, develops a "craftsmanship ethic":

> The ideal of craftsmanship is to create that which has quality or excellence; personal satisfaction, pride in accomplishment, and a sense of dignity derived from the consequent self-development are the motivations. In an 'excellent' company it is this ideal that permeates the firm, and management should provide the moral example of such an ideal; a business management craftsman attempts to create a quality organization, and quality products and services are the result of such an organization. [1998, p. 55]

Similarly, in defining the internal goods of farming, fishing, architecture, and construction, MacIntyre invokes the notion of a craft:

> The aim internal to such productive crafts, when they are in good order, is never only to catch fish, or to produce beef or milk, or to build houses. It is do so in a manner consonant with the excellences of the craft, so that not only is there a good product, but the craftsperson is perfected through and in her or his activity. [1994, P. 284]

Many contemporary institutions have implicit notions of internal goods unique to their "craft." They also recognize the need to maintain the integrity of their craft

through the character – the "virtues" – of those individuals within the organization. Military, religious, and academic institutions are obvious examples; but also business roundtables, chambers of commerce, unions, and various corporate affiliations, when correctly designed, can help maintain the integrity of the relevant practice. These bodies always have, and should have, a moral component. Note also that the concepts of internal goods and craftsmanship require a clear conception of excellence within a given activity. They thus require a more sophisticated conceptual framework than is often implied by fashionable notions of "empowerment" or "teamwork." Moore makes this point clearly:

> Much of the terminology in today's business organizations is of self-managed teams and, associated with this, of empowerment. Some aspects of this are clearly part of what it would mean to work together in community, but the concept of craftsmanship is far richer. ..[C]raftsmen would have a view, somewhat independent of the organization in which they are employed, of the excellence of the practice.... [2005, p. 251]

Moore emphasizes the interconnection between the individual, the organization, and the practice. In essence, the organization provides the foundation and passive structure through which the individual pursues the internal goods of the practice. The practice thus socializes, or acculturates, individuals to value the internal goods of the activity in which they are engaged. But note that the pursuit of internal goods may not necessarily inhibit the agents' ability to achieve external goods. A financial analyst, for example, who through application of her skills and knowledge pursues the excellences, the internal goods, of the practice of financial analysis, may also be very economically effective both for herself and for the organization. Note also that this analyst is likely to act more ethically than one incentivized purely by external goods: the intrinsic and communal characteristics of internal goods will engender a concern both for others engaged in the practice and for the integrity of the practice itself.

Professional sufficiency comes from internal goods. Internal goods are pursued by individuals who perceive themselves as part of a practice. Practices are housed within institutions but are distinguishable from institutions by their privileging of internal goods over external goods. MacIntyre defines a practice as

> "any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended" (1984, p. 187).

We can isolate three central features of practices:

1. Practices establish their own standards of excellence and, indeed, are partly defined by those standards.
2. Practices are teleological, that is, goal directed. Each practice establishes a set of "goods" or ends that is internal or specific to it and inextricably connected to

engaging in the practice itself. In other words, to be engaging in the practice is to be pursuing these internal goods.

3. Practices are organic. In the course of engaging in the practice, people change it, systematically extending both their own powers to achieve its goods, and their conception of what its goods are.

The pursuit of internal goods within a practice is what turns a business into a profession. Unlike external goods which are ubiquitous, internal goods are unique to a particular profession. They are the goods of excellence within that profession. They are typically not easy to quantify or define because they are the goods that both define and redefine the practice through time. They extend beyond the collective ego of practitioners; their pursuit necessitates a certain disinterested interest on the part of those engaged in the practice. Internal goods are in essence goods "for their own sake" and are characterized by their physical intangibility. They are intrinsic satisfactions derived from some activity and are traditionally related to the satisfactions derived from productive crafts. Chytry draws the distinction between the craftwork and the commodity: "what immediately distinguishes the craftwork from the commodity is the former's embeddedness not so much in profit or value-creation motivations as in what used to be celebrated as a 'calling' (*Beruf*) or vocation" (Chytry 2007, p. 42).

This notion of a calling or vocation recognizes the moral dimension of internal goods. A dimension emphasized in Kekes's general definition of internal goods as "satisfactions involved in being and acting according to our conceptions of good lives. . . .internal goods are satisfactions involved in the successful exercise of some of our dispositions in the context of a way of life to which we have committed ourselves" (1988, p. 656):

1. Internal goods are unique to a particular activity. Thus, the internal goods to be derived from chess are different from those to be derived from FX trading or constructing CDOs, albeit the essential "disinterested-interest" motivational nature of these goods remains constant. Fame, power, and money, therefore – given their "interested" and ubiquitous nature – are clearly not internal goods.

2. Internal goods are not of finite supply. Thus, my achievement of any given internal good of, say, "strategic imagination" in no way inhibits your achievement of similar goods.

3. They are intangible in the sense that they do not readily lend themselves to quantification or enumeration. This may explain why they have been largely ignored by corporate incentive structures.

More broadly, in Aristotelian terms, internal goods define human flourishing. This is where ethics comes in. The construction and protection of practices within institutions takes moral courage. The ethereal nature of internal goods, as compared to the carnal nature of external goods, renders the former perpetually at risk of corruption and even effacement by the latter. Ethical standards have to be created and sustained. In virtue ethics theory, these standards are called virtues. Virtues are not so much moral rules as they are moral aspirations, aspirations of fidelity to the practice that defines

them. This fidelity will require, for example, the virtue of *courage*, courage to resist the temptation to sacrifice internal goods for external goods. It will also require the virtue of *discernment*, discerning where the ever-evolving frontiers of the profession lie. It will require the virtue of *perseverance*, to persevere in the pursuit of the excellences of the practice. These and similar virtues must be recognized and valued within the practice, and in turn the practice must be recognized and valued by the institution that houses and materially sustains it. Of course this material sustenance works both ways: a successful practice in the form of, say, an FX trading desk will likely generate healthy external goods for the nurturing institution. But note well, for the practice to flourish, internal goods must always take precedence.

The Practice of FE

If we return to the three central features of practices listed above, it is not hard to imagine how these features can be readily adapted to FE:

1. Practices establish their own standards of excellence and, indeed, are partly defined by those standards.
   The products of FE rest on a broad and deep foundation of theory drawn from mathematics and the physical sciences. Many FEPs have advanced degrees in these areas. This knowledge is applied to financial markets in an endeavor to develop financial instruments that serve very specific customer needs. These needs combine specific requirements for risk and return. Excellence in FE can readily be defined as accurately and consistently meeting a specific risk/return profile. The critical focus needs to be not on the extent to which the financial innovation generates external goods but the extent to which it sustains and nourishes the practice.
2. Practices are teleological, that is, goal directed. Each practice establishes a set of "goods" or ends that is internal or specific to it and inextricably connected to engaging in the practice itself. In other words, to be engaging in the practice is to be pursuing these internal goods.
   FE is clearly goal directed. Take, for example, an FX futures trading desk at a typical multinational bank. This trading desk will comprise a group of experts who apply their respective expertise to achieve specific performance targets for the group. For sure the group aims to make a profit for the bank, but the specific goals of the group are more nuanced than simple "maximize profit." Futures positions will need to be tailored to specific customer needs. Value at risk will need to be continually monitored. The desk will recognize its responsibility also to maintain fair and orderly markets, provide liquidity, ensure competition, etc. As regards the specific goods internal to the practice of FE, I will delineate these shortly.
3. They are organic. In the course of engaging in the practice, people change it, systematically extending both their own powers to achieve its goods, and their conception of what its goods are.

Since its inception and widespread application thirty-odd years ago, FE has continually evolved in size, diversity, and complexity. New financial instruments are continually being developed, and existing instruments are continually being extended to new applications. Indeed, FE can be regarded as one of the healthiest and most dynamic practices that currently exist in global business, as evidenced by its growing presence both economically and culturally.

The Internal Goods of FE

As outlined above, internal goods possess three distinct features. As with practices, these features can be readily applied to FE:

1. Internal goods are unique to a particular activity.
   FE is a clearly defined segment of the finance industry in which particular excellences are recognized as such. These are excellences associated with the application of theory to practice, specifically, the application of mathematics – both pure and applied – to developing tradable financial instruments. The skills developed in this activity are unique and, in essence, define FE.
2. Internal goods are not of finite supply. Thus, my achievement of any given internal good in no way inhibits your achievement of similar goods.
   The goods of excellence derived from these skills are satisfactions of craftsmanship that can be both communal and individual. FEPs can experience these goods from their continual quest to develop new financial instruments and to refine existing ones. These satisfactions are not trivial and are not easily acquired. They require the perfecting of highly technical skills, and thus the resulting internal goods to be derived are substantive in nature.
3. Internal goods are intangible in the sense that they do not readily lend themselves to quantification or enumeration.
   As discussed earlier, internal goods are the Aristotelian goods of human flourishing, not easy to define or quantify but foundational to living the good life. For example, in the context of business, Jensen talks of how people "must be turned on by the vision or the strategy in the sense that it taps into some human desire or passion of their own". So, we may be able to readily quantify the financial impact of a new financial innovation, but it will also have a less tangible – but no less important – impact on the work/life experience of those who apply their intelligence and expertise to its development.

Institutional Responsibilities

Corporations are real communities, neither ideal nor idealized, and therefore the perfect place to start to understand the nature of the virtues. (Solomon 1992, p. 325)

In conventional economic terms, institutions are defined as the creators of external goods. This type of institution is the firm in finance's conventional theory of the firm: the firm minimizes transaction costs, maximizes shareholders' wealth, maximizes the wealth of managers, etc. But, as the above discussion illustrates, this economic view of the firm is stunted. It fails to recognize an entire other dimension of business organizations, namely, their capacity to facilitate the creation of internal goods – goods of teleological ethics – necessary to achieve human flourishing. The achievement of these goods entails in turn the existence and nurturing of a practice. In this context Moore makes an interesting distinction between corporate "culture" and corporate "character":

> A virtuous institutional character, then, might be defined as the seat of the virtues necessary for an institution to engage in practices with excellence. . . . A business organization with a virtuous character would, first, be aware that it is founded on, and has as its most important function, the sustenance of the particular business practice that it houses. Second, and following from this, the organization would encourage the pursuit of excellence in that practice. . . .In other words, those who have, in one sense, outgrown the practice and now represent the institution that houses it, also have the same opportunity to exercise the virtues in the making and sustaining of the institution, and thereby have the same opportunity to attain the relevant internal goods enabling them on their own narrative quest towards their own telos. (Moore 2005, p. 663)

Thus, for Moore, the notion of corporate character carries significantly greater moral direction than that of corporate culture. Indeed corporate culture can be relatively morally neutral or even a force for moral ill: "it is clearly the case that, within organizations, individual values and behavior are affected, either directly by influential individuals, or more indirectly by the incorporation and perhaps the distortion of individual values within the organization's culture" (Moore 2005, p. 667).

Also, as Reidenbach and Robin observe, corporate cultures can be relatively fluid:

> The moral development of a corporation is determined by the organization's culture and, in reciprocal fashion, helps define that culture. In essence, it is the organization's culture that undergoes moral development" (1991, p. 273). And this moral fluidity reflects the power struggles within the organization: "In essence, we regard conscious managerial attempts to build, sustain, and elaborate control in organizations as a relatively subtle yet powerful form of organizational control. . . . [I]t is powerful because it seemingly aims at a deeper level of employee compliance (i.e., emotional) than other forms of control." (Van Maanen and Kunda (1989, p. 88)

A corporate character, on the other hand, provides the institutional stability of virtue ethics theory at the institutional level: "A virtuous corporate character is the seat of the virtues necessary for a corporation to engage in practices with excellence, focusing on those internal goods thereby obtainable, while warding off threats from its own inordinate pursuit of external goods and from the corrupting power of other institutions with which it engages" (Moore 2005, p. 661). Thus, to speak of corporate character is ". . . to speak of the institution as having a virtuous or vicious character"

(Moore 2005, p. 664). In light of these concepts of professionalism and corporate character, to maintain FE as a profession, three basic institutional responsibilities must be recognized:

1. Maintaining an institutional character capable of acquiring external goods and thus capable of materially supporting practices.
2. Recognizing the activity centers within the institution as practices and, as such, recognizing the intrinsic worth of the internal goods to be derived by individuals through their activities within practices.
3. Nurturing such virtues as courage, discernment, and perseverance. Recognizing that these are the virtues of fidelity essential for the maintenance of the practice and in turn the health of the institution.

Financial institutions can thus become ethical from the inside. Rather than ethics being imposed from the outside through regulation and legal constraint, ethics arises naturally through recognition of the value of virtues to sustain practices. Managers, and in particular senior management and directors, must simply recognize the value of FE as a provider of both external and internal goods. Recognition of the internal goods to be derived from the "craft" of FE will render it a *true* profession.

Conclusion

As a school of business ethics, Aristotelian-based virtue ethics provides a philosophically substantive definition of what it means to be a professional and also provides a structure through which a profession can be sustained and nurtured over time. To begin with, it makes the useful distinction between institutions and practices. These two forms of human organization are distinguished by the types of good they pursue. Institutions pursue external goods, namely, money, power, and prestige, for those individuals within the institution. External goods are the goods of the market and the goods of the exchange of commodities. They are necessary for a profession to survive and flourish but are not sufficient. Sufficiency comes from the recognition of internal goods.

Internal goods lie at the heart of the notion developed here of the "true professional." This individual is one who strives to perfect certain virtues of character – courage, discernment, perseverance – within a practice. A practice is a community of like-minded individuals who collectively recognize and respect this notion of professionalism. As such, these practices maintain the "character" of the institution in which they are housed.

Thus, FE as a profession has three dimensions: virtue, practice, and institution. Individuals within this three-dimensional organizational structure may pursue both external and internal goods. Moral excesses within this structure, such as insider trading or the exploitation of conflicts of interest, would be anathema since such activity would fail to maintain the practice as defined here. Ethics thus arises organically from this invocation of FE as a true profession.

References

Blackburn M, McGhee P (2004) Talking virtue: professionalism in business and virtue ethics. Glob Virtue Ethics Rev 5(4):90–122

Butler KC (2012) Multinational finance. Wiley, Hoboken

Chytry J (2007) Organizational aesthetics: the artful firm and the aesthetic moment in contemporary business and management theory. Working paper, University of California, Berkeley

Hartman EM (2011) Virtue, profit, and the separation thesis: an Aristotelian view. J Bus Ethics 99:5–17

Kekes J (1988) What makes lives good? Philos Phenomenol Res 48(4):655–668

MacIntyre A (1984) After virtue, 2nd edn. University of Notre Dame Press, Notre Dame

Masters B, Scannell K (2011) The walls have ears. *Financial Times*, Monday, May 16, p 7

Moore G (2005) Corporate character: modern virtue ethics and the virtuous corporation. Bus Ethics Q 15(4):659–685

Reidenbach R, Robin D (1991) A conceptual model of corporate moral development. J Bus Ethics 10:273–284

Solomon RC (1992) Corporate roles, personal virtues: an aristotelian approach to business ethics. Bus Ethics Q 2:317–339

Van Maanen J, Kunda G (1989) Real feelings: emotional expression and organizational culture. Res Organ Behav 11:43–103

Aristotle and MacIntyre on the Virtues in Finance

Ignacio Ferrero and Alejo José G. Sison

Contents

Abstract

In this article we shall lay down the parameters within which the practice of the virtues may be enabled in the field of finance, drawing from two main sources, Aristotle and MacIntyre. We shall respond to the question of what ought to be done for financial activities to truly contribute to *eudaimonia* or human flourishing (Aristotle), and how three distinct kinds of goods, those internal to practices, those of an individual life and those of the community (MacIntyre) can be achieved.

Keywords

Virtue Ethics • Aristotle • MacIntyre • Finance • Practices/institutions

I. Ferrero (✉)
School of Economics and Business Administration, Business Department, University of Navarra, Pamplona, Spain
e-mail: jiferrero@unav.es

A.J.G. Sison
School of Economics and Business Administration, University of Navarra, Pamplona, Spain
e-mail: ajsison@unav.es

Introduction

The origins of virtue ethics could be traced way back to Aristotle, however, it appears in business ethics literature only beginning the 1980s, largely as a consequence of the publication of MacIntyre's acclaimed work "After Virtue" in 1981 (Ferrero and Sison 2014).

Virtue ethics is proposed as a better option than both deontology and utilitarianism. Like deontology, virtue ethics upholds universal principles, but unlike deontology, it considers the intentions of agents and the circumstances within which actions take place. Similarly, like utilitarianism, virtue ethics takes results or outcomes into account, but unlike utilitarianism, it maintains that certain actions are prohibited without exception. Therefore, decision making in accordance with virtue ethics requires an analysis of the object, circumstances and consequences of an action as well as the agent's intentions. Another feature of virtue ethics is the link it establishes between the actions an agent performs and who the agent becomes, precisely through the development of virtues which inhere in the agent. Virtue, then, can be defined as a freely acquired habitual disposition or character trait that enables one to perceive, experience emotions, deliberate, decide, and act in a proper way; it is also the controlling factor for *eudaimonia* (human flourishing) (Ferrero and Sison 2014: 386).

Such a definition of virtue and its relation to flourishing has its roots in the Aristotelian corpus, particularly in the Nicomachean Ethics. Several centuries later, Thomas Aquinas integrates Aristotelian teachings into the Christian worldview. And more recently, MacIntyre revisits the Aristotelian-Thomistic tradition putting an emphasis on the social and historical conditions of the political community in which the virtues and flourishing are realized.

This essay establishes the framework within which virtues may be cultivated in finance, according to the Aristotelian and MacIntyrean perspectives. Although Aristotle and MacIntyre are highly critical of a "life dedicated to money-making" and capitalism, respectively, they can nevertheless provide a basis for the application of virtue ethics to business. As MacIntyre himself suggests "what we need to do first is to redescribe the nexus of economic and financial relationships in the vocabulary of the virtues" (MacIntyre 2015: 16).

Aristotle and Finance

Perhaps Aristotle's main contribution in making virtue possible in finance lies in the establishment of a framework or context with its limits. For Aristotle, the supreme good and final end that every human being seeks is happiness or flourishing (Aristotle 1985: 1094a-b). Given the social nature of human beings as "political animals" (Aristotle 1990: 1253a), political communities are the proper domains within which flourishing can be achieved. Smaller communities as families or villages can provide human beings with the means to satisfy ordinary, daily

necessities, but to attain a flourishing life human beings need to live in a political community or society.

Flourishing depends, on the one hand, on material, external or bodily goods, and on the other, on non-material or internal goods, such as the goods or excellences of the soul, also known as virtues (Aristotle 1990: 1324a). Although both are equally necessary for flourishing, material goods ought to be pursued only insofar as they allow us to achieve the non-material or spiritual ones. Each kind of goods is the object of a different discipline; "economy" taking care of the material, external or bodily goods, and "ethics" of the non-material or internal goods of the soul. In consequence, economy is subordinated to ethics, and both at the service of politics, which directly deals with flourishing.

Aristotle distinguishes two activities within economy: "economy proper," which consists of wealth use and enjoyment, and "chrematistics," which refers to wealth acquisition or production (Aristotle 1990: 1253b). Granted that chrematistics refers to the provision of "such things necessary to life and useful for the community of the family or state" (Aristotle 1990: 1256b), economy proper or wealth usage and enjoyment is superior; it is the end to which chrematistics is directed as means.

Aristotle also differentiates between a natural and a non-natural version of chrematistics, depending on whether it fulfills its purpose and observes its limit. Regarding purpose, natural chrematistic requires the proper use of material goods, such as when shoes are used as footwear, for instance, while the use of shoes as objects of barter would be improper or non-natural (Aristotle 1990: 1257a). Natural chrematistics establishes the need for a limited amount of material goods to enable human beings to achieve superior, non-material or spiritual ones. Non-natural chrematistics, on the contrary, insists on accumulating goods without limit (Aristotle 1990: 1267a), giving in to an immoderate desire. Such an accumulation of material things can be a serious obstacle for happiness, for it causes individuals to focus on means rather than on ends. Non-natural chrematistics is a corrupted version of the natural one by reason of excess.

According to the Aristotelian framework, inasmuch as finance is an activity that consists in providing money, capital or credit for production or consumption of material goods, it lies within the domain of economy, specifically, in realm of chrematistics. To qualify as *natural* chrematistics, finance ought to serve to its purpose and observe its limit.

Let us begin with its purpose or goal. Finance can only be "virtuous" insofar as money and financial resources are used to acquire, produce or purchase other goods necessary for flourishing, but not an indefinite amount of money in itself. In Aristotle's time, money only had two functions: as a "store of value" and as a "unit of exchange." Therefore, money used to earn interest (rent-seeking activities) would be improper or vicious (Aristotle 1990: 1258b).

In relation to the limit, human beings need a finite amount of money to satisfy physical or bodily needs and attain flourishing. Therefore, beyond this quantity, more money may result in a hindrance than a help. More is *not* always better.

The difference between the natural and the non-natural in both the acquisition and the use of wealth depends on the interior dispositions of human beings, not on any

characteristic of the material things themselves (Aristotle 1990: 1257b-1258a). So how is one to determine the ideal limit? It is by appealing to a "subjective standard" set by moderation and prudence, among others. Moderation refers to "self-control" in pleasures and whatever leads to them, such as money; oftentimes, it lies in the ability to say "no" to one's desires and wishes. But saying "no" cannot be arbitrary; it should follow a good reason. And this, precisely, is what prudence offers. Besides moderation and prudence, justice and courage will also have to enter into play in determining the right amount of financial resources one should aim to possess. Due to their responsibilities toward their families and society, agents have to exercise courage and daring in professional pursuits, working hard to earn a living and thus fulfil their duties with justice.

Therefore, we need the virtues of moderation, prudence, justice and courage to determine one's subjective limit in money and other material resources. Without losing sight of the ultimate purpose of finance and the economy, which is the good life shared by all the members of the political community, we think that virtuous finance may be possible so long as one observes the "natural" limit and proper use of money in accordance with the cardinal virtues. Only through the virtues will the material resources provided by finance actually help people attain their ultimate objective of happiness or flourishing.

MacIntyre and Finance

It does not seem a good idea to try and look for a possible theoretical foundation for the virtues in finance in MacIntyre, given his solid, long-standing opposition to capitalism (MacIntyre 1995 [1953] and MacIntyre 2015). However, MacIntyre's critique does not target finance itself, but the way the financiers behave. According to his recent work, "it is not that there is anything about the activity of money-making as such that it is difficult to reconcile with the injunctions of the virtues. It is just that too often morally inadequate or misguided individuals have not understood what was required of them, if they were both to make money successfully and to conform to what the virtues require" (MacIntyre 2015: 7).

In this sense, we hope to provide a positive account of the financial virtues in MacIntyre through a three-step process: "a first which concerns virtues as qualities necessary to achieve the goods internal to practices; a second which considers them as qualities contributing to the good of a whole life; and a third which related them to the pursuit of a good for human beings the conception of which can only be elaborated and possessed within an ongoing social tradition" (MacIntyre 2007 [1981]: 273).

Let us begin with the first of these steps. MacIntyre speaks of "internal" and "external goods" (MacIntyre 2007 [1981]) or "goods of excellence" and "goods of effectiveness" (MacIntyre 1988; Miller 1994: 248). Internal goods or goods of excellence are choiceworthy in themselves, attained in activities whose end or purpose is their own fulfilment in the best possible way. They are goods internal to practices, such as flourishing, loving relationships, listening to music, knowledge

and the virtues. External goods or goods of effectiveness are those pursued for the sake of another and lie outside the agent, an example of which is money. Both internal goods/goods of excellence and external goods/goods of effectiveness are defined in reference to practices and institutions.

Practices are "any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended" (MacIntyre 2007 [1981]: 175). Practices involve two things: goods that cannot be obtained outside of the cooperative activity (internal goods) and "standards of excellence" by which the performance of the activity could be partially judged. Practices also yield two results: the development of distinct human capacities for excellence and an improvement in the understanding of specific ends or goods.

For their part, "[I]nstitutions are characteristically and necessarily concerned with [...] external goods. They are involved in acquiring money and other material goods; they are structured in terms of power and status, and they distribute money, power and status as rewards" (MacIntyre 2007 [1981]: 194). Institutions refer to the procurement and distribution of goods external to practices, some of which are material, such as money, and others, closely related to the material, like power and status. Institutions, thanks to the external, material goods they procure and administer, are absolutely necessary for the sustenance of practices and their internal goods.

When agents seek external goods such as money, status and power in themselves, practices are distorted, with institutions invading rather than supporting them (MacIntyre 1994: 289). This situation describes the loss of integrity or the corruption of practices (MacIntyre 2007 [1981]: 195).

How, then, are we to apply MacIntyre's practice-institution schema to modern finance?

Nowadays, the financial system fulfils four major functions: it promotes household and corporate savings, it allocates these funds to their most productive use, it manages and distributes risks among agents and it facilitates a reliable payment system (Greenwood and Scharfstein 2012). The increase in savings managed by the financial system allows individuals and firms to gain access to credit for consumption and production, while new ways of leveraging capital permits risks to be spread more widely and thinly (Pontifical Council for Justice and Peace 2012). Properly employed, finance fosters economic growth, promotes entrepreneurship and advances education (Zingales 2015).

Each of the above-mentioned functions complies with the requirement of being a "coherent and complex form of socially established cooperative activity" (MacIntyre 2007 [1981]: 175). How about the condition of having "internal goods" that could only be achieved in the exercise of such activities? This does not seem to be the case with promoting savings or providing a reliable and efficient payment system. Encouraging individuals and groups to save just for the sake of saving does not

make sense in itself and leaves finance without an internal good. For instance, financial activity which consists of pure speculation or rent-seeking (Zingales 2015) would represent the corruption of a practice according to MacIntyre and an abuse of chrematistics according to Aristotle. Something similar occurs with the setting up of payment systems in which vendors receive money as fast, secure and cheaply as possible. This is more of a technical problem that can be adequately solved with machines, such as the internet and the appropriate software, for instance. There is no internal human good to be achieved in this, despite its paramount importance for commerce. Once again, the purpose of sending money to different places is that it be useful for consumption and investment.

We find a different scenario in the allocation of funds and the management of risks. In fact, these two functions can be combined, since the distribution of risks is carried out precisely to ensure that actors have the necessary financial means or resources for their consumption and investment needs. That is the ultimate aim of risk management. We could then venture an "internal good" for the financial activity of resource-allocation or investment consisting of its "best use," different from what is simply its "most productive use." Certainly, profits and productivity are reasonable indicators of the soundness of an investment, but they should not be the financier's sole and prime objective. Ethical requirements have to be satisfied above all. Goods and services have to be "really useful," not only because they satisfy consumer preferences, but also because they safeguard and promote human dignity, the common good and other fundamental social principles. Granted that practices are social and cooperative activities, special attention has to be given to the demands of justice in investment decisions. While prudence dictates that risks be shared and spread, rather than concentrated, among informed and willing partners, justice establishes that there be no free-riders and that those who bear greater risks also enjoy proportional rewards when business prospers. Different savers – such as pension funds and hedge funds – have varying degrees of risk tolerance and time horizons. Financiers can take this into account when offering financial products.

Besides the internal good consisting of the "best use" of financial resources, investment practice also possesses "standards of excellence" which include compliance with the different moral virtues. To the extent that financiers live up to these internal standards, they develop different human capacities, foremost of which is their investment acumen, and they progress in their understanding of the human good that sound investment represents.

The institutions encompassing financial practices involve all those competitive activities dedicated to the acquisition of necessary external goods, such as money, power and status. They would include the different ways of capturing funds from deposits, shares or equity, debt and so forth. Power and status can be obtained through various means, such as having the biggest market capitalization, the widest operational network, the most advanced technology, the highest profits and so forth. However, for financial practices and institutions to be in good order, agents should not forget that all these external goods are worthwhile only to the extent that they serve the internal good consisting of making the "best investments." These external

goods are not to be sought as goals in themselves, for they would then corrupt both practices and institutions. Agents should also remember that sustaining these financial institutions in itself entails a practice with its own internal good. Members of top management possess special responsibility over this matter, developing institutions, certainly, but not at the expense of corrupting practices.

The second stage in the search for financial virtue lies in considering how these practices and institutions contribute to "the good life as a whole" for individuals, through their biographies or narratives. For MacIntyre, virtues are best grasped through exemplary actions of individuals within stories, signifying the development of their character. The unity of our lives is a "narrative unity" expressing continuity not only between our own past and present, but also with other people's lives with which we form a common plot (MacIntyre 2007 [1981]). It also is a moral unity, a social, systematic quest for the good of human flourishing (*eudaimonia*). This type of goal requires a whole life, from beginning to end, and not just isolated moments, practices and institutions. The quest or journey partially constitutes the goal or destination of human flourishing.

We understand a financier's whole life as a narrative unity, interwoven with that of others in a systematic, cooperative quest for the good of flourishing, when we acknowledge that he inhabits multiple, interrelated roles. These roles form part of his identity and give rise to a concrete set of rights and duties or obligations. Oftentimes, these various roles and the goods they represent enter into conflict. For instance, professional duties may go against his personal preferences and inclinations, or against his family responsibilities. General guidelines are of little help in such situations. Instead, one will have to think seriously about his priorities and establish a hierarchy based on the relationship between means and ends among competing roles and goods.

Moreover, understanding the virtues within the context of a biography helps us to see flourishing as a communal quest. My happiness does not depend on me alone nor does it affect me exclusively because my life is closely intertwined with the lives of others. A virtuous financier, in the exercise of his profession, will not only ensure, for example, that company performance targets are met, but also that they are met in the proper way. This means through fair competition, greater knowledge, skill and effort, without neglecting duties linked to other important social roles, and while improving cohesion among the members of the group, for instance.

The final step in the characterization of the virtues comprises the advancement of social traditions (MacIntyre 2007 [1981]: 273). Traditions provide an even wider social context than biographies or narratives in understanding practices and institutions as well as the relative importance of each. They are a historically extended, socially embodied arguments (MacIntyre 2007 [1981]: 207) through which practices and institutions are simultaneously shaped and transmitted through different generations. Traditions are modes of moral inquiry which develop as a consequence of changing social, historical and cultural milieus. They are the repositories of "standards of excellence," both morally and in terms of skills, to which individuals can refer in the face of challenges. They are "the best solution so far" that a community has been able to furnish to practical problems.

Such traditions are also very relevant to financiers. Consider the case of a local commercial bank that has been taken over by a much larger and tech-savvy multinational financial establishment (Robson 2015). No doubt corporate culture and traditions will have to change. Perhaps the new bank now values largely anonymous, web-based communication with clients instead of stable, face-to face long-term relationships. Whereas previously, the focus was on customizing financial services to each client's needs, now, it is on meeting quotas set by headquarters based on a menu of standardized products. This host of changes will probably provoke some tortured soul-searching in a financier, not only with respect to his professional commitments, but also in regard to his role as a member of the community, as a family man and friend. He will have to take a hard, second look at what "being a good financier" meant to him until the present, and decide on whether he will maintain or modify his position from now on. To do this he will need to rely on these competing traditions of professionalism in finance to supply him with good reasons. He may even feel compelled to move forward and try to start a tradition of his own in response to the new circumstances. In any case, he will only be able to do this insofar as he acknowledges his debt to previous traditions that have sustained him thus far.

MacIntyre affirms that "no quality can be accounted a virtue except in respect of its being such as to enable the achievement of three distinct kinds of goods: those internal to practices, those which are the goods of an individual life and those which are the goods of the community" (MacIntyre 1994: 284). Only after defining the distinctive practices and institutions of finance, with their corresponding internal and external goods, and situating them within the narrative unity of an individual's life, with its multiple, often conflicting roles, and considering those individual lives as followers and innovators of wider social traditions are we able to fulfil MacIntyre's requirements.

Conclusion

The purpose of this paper is to characterize the virtues in finance drawing from two sources: Aristotle and MacIntyre.

For Aristotle, finance as a kind of chrematistics should not be an end in itself. It makes no sense to produce more money simply for the sake of producing more money. In order to be a virtuous activity, it has to pursue a different purpose. The immediate end of finance should be the use and enjoyment of material resources (economy proper), as a means to the development of non-material or spiritual goods (ethics), ultimately with a view to flourishing, the final end of human beings (politics). However, to fulfill these goals, finance has to observe a boundary or limit in the amount of material resources it seeks. This limit could only be established to the extent that one attends to the demands of the virtues of moderation, justice, courage and prudence. It results from the practice of self-control over wishes and desires, careful attention to duties toward the material welfare of others and one's own, determination to overcome challenges and difficulties at work, and

thoughtful circumspection, choice and action. Through this architecture Aristotle shows that virtue in finance would be possible insofar as it observes the "natural limits" on desire imposed by a chain of means and ends which ultimately leads to human flourishing (*eudaimonia*).

Despite MacIntyre's hostility to finance (MacIntyre 2015), there still are sufficient elements in his theory that could contribute to a characterization of the virtues in the field. He lists three necessary elements: first, a definition of practices, the goods internal to them and supporting institutions; second, a location of these practices within the narrative unity of an individual life, with its various, conflicting roles; and third, further social contextualization of such lives through engagement with traditions as communal modes of moral inquiry. This lies in consonance with his conviction that the virtues are not simply a matter of following abstract, general rules. Above all, they are excellences of character which manifest themselves in social, historical and culturally situated activities in pursuit of flourishing.

References

Aristotle (1985) Nicomachean ethics (trans: Irwin T). Hackett Publishing, Indianapolis

Aristotle (1990) In: Everson S (ed) The politics. Cambridge University Press, Cambridge

Ferrero I, Sison AJG (2014) A quantitative analysis of authors, schools and themes in virtue ethics articles in business ethics and management journals (1980–2011). Bus Ethics A Eur Rev 23 (4):375–400

Greenwood R, Scharfstein D (2012) How to make finance work. Harv Bus Rev 90(3):104–110

MacIntyre A (1988) Whose justice? Which rationality? University of Notre Dame Press, Notre Dame

MacIntyre A (1994) A partial response to my critics. In: Horton J, Mendus S (eds) After MacIntyre. Critical perspectives on the work of Alasdair MacIntyre. University of Notre Dame Press, Notre Dame

MacIntyre AC (1995 [1953]) Marxism and Christianity. Duckworth, London

MacIntyre A (2007 [1981]) After virtue, 3rd edn. Duckworth, London

MacIntyre A (2015) The irrelevance of ethics. In: Bielskis A, Knight K (eds) Virtue and economy. Ashgate, Farnham, London, pp 7–21

Miller D (1994) Virtues, practices and justice. In: Horton J, Mendus S (eds) After MacIntyre. Critical perspectives on the work of Alasdair MacIntyre. University of Notre Dame Press, Notre Dame, pp 245–264

Pontifical Council for Justice and Peace (2012) Vocation of the business leader. A reflection. Pontifical Council for Justice and Peace/John A. Ryan Institute for Catholic Social Thought of the Center for Catholic Studies at the University of St. Thomas, Rome/St. Paul

Robson A (2015) Constancy and integrity: (un)measurable virtues? Bus Ethics Eur Rev 24 (2):115–129

Zingales L (2015) Does finance benefit society? NBER, Working Paper 20894. http://www.nber.org/papers/w20894. Accessed 2 Feb 2015

Part XXIV

Virtues in Human Resource Management

The Case for Considering Virtue Ethics in Organizational Ethics and Human Resource Management

Sean Valentine

Contents

Abstract

The practical applications of virtue ethics are currently being explored in the business ethics literature, and given the potential and optimism associated with this inquiry, there is growing interest in and discussion of virtue theory in other business disciplines. Since virtue ethics focuses on the development of positive character traits in employees so that a common good can be established around organization, there exists an opportunity to consider this approach in the intersecting fields of organizational ethics and human resource management. The purpose of this exploratory paper is to consider how a virtue-based approach might be used to enhance the management of organizational ethics programs and approaches, as well as human resource management policies and practices. A conceptual model that summarizes how these processes might be managed is presented in the paper, and a number of suggestions are provided to guide future investigations of these issues.

S. Valentine (✉)
Department of Management, University of North Dakota Grand Forks, Grand Forks, ND, USA
e-mail: sean.valentine@mail.business.und.edu

Introduction

When determining how employees make ethical decisions at work, as well as how organizations can impact these choices, it is important to consider the different moral paradigms and philosophies that influence such reasoning. Ethical theories can be distilled into two basic dimensions based on whether decisions focus on either (1) the characteristics of individual conduct/behavior or (2) personal character and virtues (Northouse 2007). Conduct theories can be further divided into consequence-based approaches that consider outcomes and duty-based approaches that consider the acts of a decision-maker (Northouse 2007; Trevino and Nelson 2011). Consequence-based ethical reasoning, or teleology, occurs when an individual is influenced by the potential or perceived outcomes of a particular decision, with the intent of optimizing the overall good and reducing the bad for oneself (egoism), other persons (altruism), or all individuals/parties who have a stake in the situation (utilitarianism) through cost-benefit assessments (Whetstone 2001; Northouse 2007; Ferrell et al. 2008; Trevino and Nelson 2011). Duty-based reasoning, or *deontology*, occurs when a decision-maker is impacted by the nature (good or bad) of the conduct itself, with behaviors being universally condoned or condemned based on widely accepted principles regarding the character of the actions exhibited (Whetstone 2001; Northouse 2007; Ferrell et al. 2008; Trevino and Nelson 2011). The term "regulatory ethics," either "lowbrow" or "highbrow," can also be used to describe how individual ethics can be motivated by self-interest or by lofty ideals, respectively (Jennings 1991).

An alternative understanding of individual ethics involves virtue theory, which explores how desirable character traits guide how ethical situations are addressed (Jennings 1991; Arjoon 2000; Northouse 2007; Trevino and Nelson 2011). The underlying premise of this approach is that the good character and positive virtues found in individuals (rather than their conduct) leads to enhanced decision-making and behavior. "Proponents of virtue ethics frequently discuss lists of basic goods and virtues, which are generally presented as positive and useful mental habits or cultivated character traits. Aristotle named, among others, standards of loyalty, courage, wit, community, and judgment as the "excellences" that society requires" (Ferrell et al. 2008, p. 157). The goal then is for individuals to develop good character through experiences, learning, and practice so that the acquired traits function as an ethical compass in daily life, and in the case of employees, in their day-to-day activities at work (Arjoon 2000). "In essence, virtue-based ethics is about being and becoming a good, worthy human being. Although people can learn and develop good values, this theory maintains that virtues are present in one's disposition. When practiced over time, from youth to adulthood, good values become habitual and part of the people themselves" (Northouse 2007, p. 346).

Such a virtuous disposition results in a common good that benefits all parties (Dawson and Bartholomew 2003).

Given the desirability and practicality of a character-driven understanding of ethical reasoning, there is growing interest in the consideration of virtues within the field of business ethics (e.g., Arjoon 2000; Whetstone 2001; Dawson and Bartholomew 2003; Bragues 2006; Northouse 2007; Flynn 2008; Hartman 2008; Bertland 2009; Trevino and Nelson 2011; McPherson 2013). For instance, Whetstone (2001) believed that virtue ethics could be used to complement deontology and teleology to better understand organization-based ethical decision-making, and Dierksmeier (2013) recently contended that the deontological work of Kant should be reevaluated to provide a strong rationale for the consideration of both duty and virtue in business. Hartman (2008) proclaimed that values and character should be emphasized in business ethics courses (at the expense of ethical relativism and cynicism) to promote a more universal understanding of corporate ethics. Bragues (2006) also advocated that a greater appreciation of Aristotelian teaching and basic human virtues is needed in business, and that more time spent should be spent reading classic philosophical works such as *The Nichomachean Ethics* and *The Politics*. Finally, Dawson and Bartholomew (2003) claimed that organizations should play a prominent part in cultivating important virtues because business is uniquely positioned to impact employees' principles and conduct.

Based on this nascent interest in business virtues, the purpose of this exploratory paper is to consider how a virtue ethics can be used to enhance the management of organizational ethics programs/approaches and human resource management policies/practices. A summary of these ideas and relationships is presented in Fig. 1. This paper advances the notion that virtues can be emphasized in organizations by focusing on a capabilities approach, enabling employees to acquire good character, grow ethically, and satisfy basic internal and external goals. Typical efforts that facilitate these aims could include the presentation of codes of conduct, the development of ethics training, and the recognition of character in personnel policies. These approaches should strengthen organizational ethics and human resource management because employees can practice and habituate their virtues in the workplace, facilitated by an employer's policies.

Such an investigation is important because professionals employed in the field of human resource management are often intricately involved with the creation and institutionalization of ethical business values. If virtues can be relied on to convey a broader understanding of and appreciation for principled conduct, resulting in a stronger focus on ethics and social responsibility, then human resource professionals might also utilize virtues as a roadmap for more developing policies that cultivate positive individual character. For example, a human resource department might focus on individual virtues in job-related training provided to employees in an effort to motivate ethical conduct. The following section describes the foundations and tenets of virtue ethics, while the next section justifies why virtue ethics should be considered in both organizational ethics and human resource management.
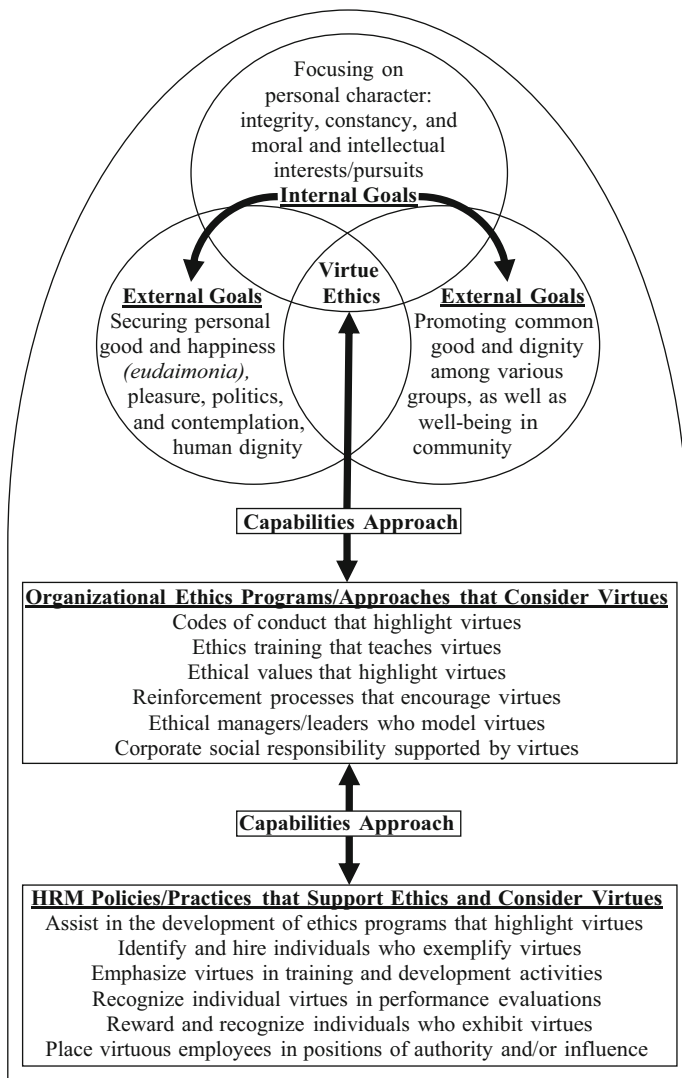
Fig. 1 Virtues, organizational ethics, and human resource management

Conceptual Foundations of Virtue Ethics

Many of the conceptual foundations of virtue theory were originally established by Aristotle in his discussion of the positive character traits that influence individual ethics (found in *The Nichomachean Ethics*), and interest in this area of ethics was further enhanced by the work of Alasdair Macintyre (*After Virtue: A Study in Moral Theory*) (Arjoon 2000; Dawson and Bartholomew 2003; Bragues 2006; Hartman

2008; McPherson 2013). "Virtue theory holds the view that the foundation of morality lies in the development of good character traits as virtues: a person is said to be good if he or she has virtues" (Arjoon 2000, p. 161), and such characteristics "are acquired by habituation or repetitive practice" (p. 162) or through persistent study and learning. Consequently, the focus is for individuals to acquire virtues so that they can function in situations that call for ethical reasoning, leading to a collective satisfaction of needs within a social organization. "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 considerations and commitments" (Hartman 2008, p. 317). This implies that, while the acquisition of positive character is an important endeavor for its own sake, the development of virtues is equally important as "a means to an end" for the attainment of a social good.

While an exhaustive discussion of all basic human virtues is beyond the scope of this investigation (i.e., honesty, incorruptibility, and conscientiousness), several traits deserve consideration because they influence how virtue ethics might be used to reach a positive end state within the fields of organizational ethics and human resource management. For instance, integrity is an important virtue because it encourages individuals to stay true to a moral code without bending to social convictions, while constancy means that individuals with integrity will exhibit such decision-making inflexibility over time as societal and environmental standards may change (McPherson 2013). *Moral virtues* such as courage, generosity, and justice are also relevant because these traits relate to individual willpower and can be practiced, while *intellectual virtues* such as personal wisdom and prudence are cultivated through educational pursuits (Arjoon 2000; Bragues 2006). By focusing on these human characteristics, as well as others, individuals are able to reach important *internal goals* (i.e., courage, justice, etc.) that are intrinsically oriented and infinite in number (Arjoon 2000).

Even though internal goals are important, individuals can use virtues in a manner to help them reach a number of external goals that relate to their own happiness and the well-being of others, including (but not limited to) making money, garnering respect, and obtaining notoriety (Arjoon 2000). These external goals position virtue ethics as a "practical" philosophical approach that yields positive outcomes. Virtues are expected to enable individuals to satisfactorily pursue a good and happy existence, or what is termed *eudaimonia* (Flynn 2008; Dierksmeier 2013; McPherson 2013). "By happiness, eudaimonia in ancient Greek, Aristotle means activity that makes appropriate use of our capabilities, a way of life in which we are optimally functioning in accord with our purpose as human beings" (Bragues 2006, p. 343). Much of this happiness is derived from pursuing desirable activities (pleasure), influencing others in an honorable way (politics), and seeking truth (contemplation) (Bragues 2006). As part of the satisfaction of external goals, virtuous individuals also promote a "common good" by considering the well-being of various community groups (Arjoon 2000). Both pursuits facilitate greater *human dignity* for the decision-maker and for others who function in the broader social environment (Bertland 2009), which should serve to further promote a strong sense of common good. The following section explores how these ideas and

concepts might be used to link virtue theory with organizational ethics and human resource management.

Virtue Theory, Organizational Ethics, and Human Resource Management

Virtue theory should be considered when developing organizational ethical policies and human resource management practices. Given that virtue ethics cultivates positive character in individuals so that they can "live the good life" and contribute to the well-being of others, the approach affords many opportunities to integrate the discussion of virtues into a variety of corporate programs that lead to positive organizational outcomes. One perspective that sheds light on this position is the capabilities approach, which is based on the idea that businesses should give employees opportunities to perform their jobs in a manner that enables them to strengthen their dignity (Bertland 2009). Basically, "what the virtuous character ultimately does is to help produce an environment in which the stakeholders of the firm are able to thrive. . .the virtuous manager would be able to provide employees with the proper resources and encouragement, so that they could develop talents in a way that would give them a sense of dignity" (p. 26). Similar notions of work as a "calling" to help others and to act responsibly in a community have been offered (see McPherson 2013).

Such efforts reinforce the importance of developing virtuous individuals who have the potential to positively impact key stakeholders. Indeed, the basic principles of stakeholder theory and other resource-based positions suggest that successful organizations work with stakeholders to take care of their needs, emphasize ethics and social responsibility, and build trust among different parties (Hosmer 1994; Schwab 1996; Minoja 2012). Actions tied to corporate social responsibility, particularly ethical and philanthropic efforts, are often viewed as important tools for building stakeholder relationships and promoting a common good (Carroll 1979, 1991; Trevino and Nelson 2011) – virtues should encourage employees to satisfy their own dignity by acting in ways that help organizational constituencies. According to Flynn (2008, p. 364), the "ethics of social responsibility is both an ethics of conviction (respect for human dignity, commitment to the common good, etc.) and an ethics of consequence, unlike Utilitarianism, which considers only the satisfaction of those affected by the decision, but not the social consequences for human flourishing." In addition, codes of conduct, ethics training, espoused ethical values, reinforcement processes, and ethical leadership (Hunt et al. 1989; Ferrell et al. 2008; Trevino and Nelson 2011) could further accentuate the importance of ethical character, thus encouraging greater ethics and social responsibility among employees under the aegis of these programs.

Virtue ethics should also enable companies to more closely align organizational ethics and HRM efforts because both operations can function together

cooperatively to develop principled *and* productive employees (e.g., Winstanley and Woodall 2000; Foote and Ruona 2008; Sekerka 2009; Craft 2010; Garavan and McGuire 2010; Jack et al. 2012). For instance, Islam (2012) maintained that human resources should be managed so that employees are recognized and able to secure their individual dignity, a suggestion that shares common underlying themes with virtue theory. Gond et al. (2011) also claimed that ethical practices and human resource programs should complement each other so that social responsibility is supported and ethical leadership is developed – focusing on individual virtues should facilitate both aims. Further, the human resource department can help create and administer ethics programs/approaches that accentuate individual virtues. Indeed, human resource professionals can play a "role in raising awareness about ethical issues, in promoting ethical behaviour and in disseminating ethical practices more widely among line and project managers. Another ethical role for HR professionals involves communicating codes of ethical conduct, providing training in ethics, managing compliance and monitoring arrangements, and taking a lead in enforcement proceedings" (Winstanley and Woodall 2000, p. 7). These professionals can also emphasize virtues in practice by hiring virtuous individuals, emphasizing character in training/development activities, and recognizing, rewarding, and promoting principled employees.

Conclusion

The purpose of this investigation was to explore how virtue theory might be integrated into discussions and applications of organizational ethics and human resources. Using a capabilities-based framework, human resource management should focus on individual character as a key employee competency, and the typical practices used to manage employees effectively should also concentrate on the identification, development, and retention of talented, virtuous individuals. Such actions should better position human resource professionals to help build greater appreciation for virtue ethics throughout the organization. These individuals should also become more engaged in the administration of ethics programs, particularly approaches that enable employees to enhance their personal dignity and realize their full potential as orchestrators of a common good (i.e., efforts related to corporate social responsibility, stakeholder well-being, etc.). Such efforts should establish human resource professionals as key partners (with other groups in the organization) in the management of ethical practices that (1) build an ethical work environment for employees and (2) increase awareness of employee character. Both organizational ethics and human resource management scholars should also explore through rigorous research the important role of virtue ethics in different corporate ethics and personnel paradigms/practices.

Cross-References

References

Arjoon S (2000) Virtue theory as a dynamic theory of business. J Bus Ethics 28:159–178

Bertland A (2009) Virtue ethics in business and the capabilities approach. J Bus Ethics 84:25–32

Bragues G (2006) Seek the good life, not money: the Aristotelian approach to business ethics. J Bus Ethics 67:341–357

Carroll AB (1979) A three-dimensional conceptual model of corporate performance. Acad Manage Rev 4:497–505

Carroll AB (1991) The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. Bus Horiz 34:39–48

Craft JL (2010) Making the case for ongoing and interactive organizational ethics training. Hum Resour Dev Int 13(5):599–606

Dawson D, Bartholomew C (2003) Virtues, managers, and business people: finding a place for Macintyre in a business context. J Bus Ethics 48:127–138

Dierksmeier C (2013) Kant on virtue. J Bus Ethics 113:597–609

Ferrell OC, Fraedrich J, Ferrell L (2008) Business ethics: ethical decision making and cases, 7th edn. Houghton Mifflin, Boston

Flynn G (2008) The virtuous manager: a vision for leadership in business. J Bus Ethics 78:359–372

Foote MF, Ruona WEA (2008) Institutionalizing ethics: a synthesis of frameworks and the implications for HRD. Hum Resour Dev Rev 7(3):292–308

Garavan TN, McGuire D (2010) Human resource development and society: human resource development's role in embedding corporate social responsibility, sustainability, and ethics in organizations. Adv Dev Hum Resour 12(5):487–507

Gond J, Igalens J, Swaen V, Akremi AE (2011) The human resources contribution to responsible leadership: an exploration of the CSR-HR interface. J Bus Ethics 98:115–132

Hartman EM (2008) Socratic questions and Aristotelian answers: a virtue-based approach to business ethics. J Bus Ethics 78:313–328

Hosmer LT (1994) Strategic planning as if ethics mattered. Strateg Manag J 15:17–34

Hunt SD, Wood V, Chonko L (1989) Corporate ethical values and organizational commitment in marketing. J Mar Sci 53:79–90

Islam G (2012) Recognition, reification, and practices of forgetting: ethical implications of human resource management. J Bus Ethics 111:37–48

Jack G, Greenwood M, Schapper J (2012) Frontiers, intersections and engagements of ethics and HRM. J Bus Ethics 111:1–12

Jennings B (1991) The regulation of virtue: cross-currents in professional ethics. J Bus Ethics 10:561–568

McPherson D (2013) Vocational virtue ethics: prospects for a virtue ethics approach to business. J Bus Ethics 116:283–296

Minoja M (2012) Stakeholder management theory, firm strategy, and ambidexterity. J Bus Ethics 109:67–82

Northouse PG (2007) Leadership: theory and practice. Sage, Thousand Oaks

Schwab B (1996) A note on ethics and strategy: do good ethics always make for good business? Strateg Manag J 17:499–500

Sekerka LE (2009) Organizational ethics education and training: a review of best practices and their application. Int J Train Dev 13:77–95

Trevino LK, Nelson KA (2011) Managing business ethics: straight talk about how to do it right, 5th edn. Wiley, Hoboken

Whetstone JT (2001) How virtue fits within business ethics. J Bus Ethics 33:101–114

Winstanley D, Woodall J (2000) The ethical dimensions of human resource management. Hum Resou Manag J 10(2):5–20

The Empirical Meaning of Moral Language in a Virtue Ethics Frame: Comparisons of Human Resource Management Concepts in Three Countries

Clare Anne Francis

Contents

Abstract

This chapter responds to the call for greater understanding of moral language in organizations to promote business ethics based on principles and virtue. This investigation involves an analysis of the meanings of concepts to describe actors and behaviors involved in management processes within an organization. Empirical definitions of moral language can assist managers in the development of ethics focused on principles and virtue (Whetstone 2001). Servant leadership is given as an example of an approach to develop business ethics. However potential dangers in this model relate to ignorance of moral language. This chapter examines meanings of a small number of language concepts embedded in the context of human resource management activities. It is an introduction to the complex meaning of language in organizations.

C.A. Francis (✉)
Department of Management, University of North Dakota, Grand Forks, ND, USA
e-mail: clare.francis@und.edu

Introduction

Ethics based on principles and virtue has extensive relevance to human resource management (HRM) practices. Whether HRM activities are formal or informal, they exist in the functions of hiring, training, compensating, and disciplining employees and more. These activities involve a stream of behaviors by managers directed to employees articulated via language concepts. For example, organizational actors include supervisors and managers and employees and skilled workers, among many others. Behaviors communicated via language can be moral, immoral, or neutral and reflect varying degrees of power and activity. The ethical nature of manager behaviors to employees communicated through language can influence employee motivation, commitment, turnover, and other organizational outcomes (Kalshoven and Boon 2012).

Virtue ethics is an appropriate model to consider the meanings of human resource management concepts since the ancient Greek founders of this model proposed virtuous acts had a primary purpose to develop unrealized capabilities of an individual. Training and development are integral HR activities in most organizations. Employee growth could be enhanced with training embedded in the midst of core virtues including prudence (astuteness) as practical wisdom and numerous character virtues including justice, courage, and temperance. Remaining sections of this chapter begin with a discussion of the theoretical background of ethics and virtue ethics in general. Material on ethics and virtue ethics relative to human resource management follows. Third, the meanings of several moral language concepts embedded in human resource management (HRM) activities are explored. Finally quantitative comparisons of language meanings across three countries, the United States, Germany, and China, are examined.

Background on Ethics and Virtue Ethics

Ethics has been defined as "the principles of conduct governing an individual or a group; specifically the standards you use to decide what your conduct should be" (Velasquez 1992, p. 9). Ethics is a matter of morality, society's highest accepted standards of behavior (Dessler 2011). Ethical decision-making involves social norms which are the accumulated and shared understandings of a group of people on what is good and bad or right and wrong. Social norms are forms of influence on behaviors. People are guided to some extent by "accepted interactions" they have learned as standard behavior in a society (Heise 1979, 2007).

Virtue ethics originates from the ancient Greeks (Aristotle 1999). Simply stated, it is focused on seeking happiness. The Greeks' believed humans were motivated to be ethical to live a good life, to flourish, and to find happiness within the community (Devettere 2002). The foundational virtue of Greek virtue ethics is practical wisdom referred to as prudence, an intellectual virtue. "Being a virtuous person involves a pattern of decision making based on thoughtful consideration with prudence as the essential basis of good decisions" (Devettere 2002, p. 84). In

addition to intellectual virtues, the Greeks list numerous character virtues with emphasis on temperance, courage, and justice. Others frequently mentioned include truthfulness, generosity, dignity, respect, love, and endurance (Devettere 2002). On the one hand, virtue ethics emphasizes self-interest; yet, a clear understanding of the self by the ancient Greeks is interpreted as each person embedded within a social-psychological-political community. The Greek's thought in terms of "we." They saw individuals essentially seeking not only self-interest but also the interests of others to fulfill the goal to flourish and live a good life in the community (Devettere 2002).

In contrast to the ancient Greeks' views on ethics, we have modern theories from the Enlightenment period. Kant lived from 1704 to 1824 and proposed a deontological moral theory (Kant 1999/1983). His theory proposes that specific actions are a priori ethical or unethical and involve obligations of good actions. John Stuart Mill who lived from 1806 to 1873 formulated the utilitarian approach to ethics. Similar to Kant, Mill's approach also involved obligations of specific good actions (1987). However Mill's promoted the idea that obligations were based on consequences of human actions, that is, the ends. Based on his utility principle, he argued for the greatest happiness for the greatest number.

Aristotle's theory of virtue ethics differs greatly from the "obligations" approaches offered by Kant and Mill. Rather than obligations, it is seen as a teleological approach. This means that virtuous actions have a purpose in the development of humans. Aristotle believed humans have "numerous unrealized capabilities or capacities; to function well is to actualize those innate natural capabilities to make their lives go well" (Aristotle, N. E., 1098a 7–8 cited in Devettere 2002, p. 22). The idea of ethical behavior to promote development of human capabilities has also been proposed recently to better define ethics related to corporate social responsibility in connection with improvement of communities and societies (Sen 1999; Nussbaum 2000, 2003). These authors defined the capabilities approach of virtue ethics with emphasis on the idea that individuals are free and have dignity with a need to pursue development of personal hidden talents. Bertland (2009) proposed the capabilities approach as a method to support virtue ethics in business. This version of ethics can give managers a clear understanding of ethical versus unethical behavior. Manager behavior can be evaluated as to whether it supports or hinders the development of capabilities of free and dignified individuals. Examples of manager behaviors to consider are to help, to teach, or to compliment an employee in contrast to manager behavior to bully, to command, or to hassle an employee.

Ethics and Virtue Ethics in Human Resource Management

Training and development as major HRM practices in organizations are frequent themes in many ethics and virtue ethics articles in the literature (e.g., Audi 2012; Wells and Schminke 2001). Training capacities of organizations are implied as a vehicle to convey meanings of moral language in organizations (Whetstone 2001).

The normative definitions of organizational actors and behaviors analyzed in this research can begin to facilitate ethical development of organizational members. Codes of ethics and training on ethical principles are commonly offered in US companies today. Yet, researchers and members of law enforcement continue to find evidence of wrongdoing in organizations. For example, nearly half of respondents reported involvement in illegal or unethical behavior in a recent survey (Greengard 1997). Researchers on ethics training have concluded more is needed in measuring effectiveness of ethics training. It is believed a systemic approach is necessary to promote ongoing ethical behavior (Wells and Schminke 2001). A strong presence in business of the virtue ethics model based on the capabilities approach might provide a strong basis to promote ethical decisions and behavior.

Through an ethnographic case study of a global transport company, Wilcox (2012) demonstrated that HR managers successfully negotiated the organizational environment with ethical HR decisions despite a drive to increase profits in a competitive industry. In the midst of demands by new leadership to downsize the workforce, the HR team minimized negative impacts to employees. They retrained, redeployed, and transferred employees to open positions to give an impression of "drastic workforce cuts." Yet the jobs of many were preserved. For departing employees, the harm was eased by outplacement efforts, workshops on preparing resumes, searching for jobs, coaching on job interview tactics, and more. Mechanisms to support their ethical behavior were frequent sessions with like-minded colleagues and adherence to the professional norms and duties of HRM. The managers reflected, critiqued, and responded to the unfolding challenges of the organization with moral conduct. Wilcox (2012) concluded by arguing that it is not just HR managers but that all managers must work together in the interests of ethical HRM practices. This case can be interpreted through the lens of the capabilities approach to virtue ethics. Prudence appears to be an underlying virtue in the HR managers' decisions to minimize layoffs through retraining and redeployment. The educational programs and outplacement workshops likely helped maintain individual dignity and advance employee skills. These represent positive contributions to the community, a key goal of the capabilities approach to virtue ethics.

It has been shown that ethical decision-making in organizations impacts organizational outcomes including job performance (Piccolo et al. 2010; Walumbwa et al. (2011) and helping behavior (Kalshoven and Boon 2012). Therefore it is important to understand inputs to ethical training practices and to work to enhance manager's ability to deal with complex moral issues. The meaning of language could be considered important information to develop managers' understanding of behavior in training on virtue ethics.

A significant body of literature on virtue ethics applied to business settings has emerged over recent decades. Solomon (1992a) argues for Aristotle's position that humans gain personal identity from work communities; yet the integrity of organizations is derived from the integrity of its members. The emphasis here is on the need for harmony between personal and professional values to promote ethics in organizations. Bottom line thinking and individualistic ethics can cause conflicts

and block achievement of this harmony. Solomon interprets Aristotle's approach to imply that "people come before profits" (1992a, p. 338). However, this does not mean that profits must suffer in ethical organizations. On the contrary, Moore (2002) argues that a highly virtuous organization should flourish under a modern approach to virtue ethics. Just two examples of virtues point to contributions to success. Practical wisdom (prudence) seen as astuteness and as a foundation of decision-making implies virtuous managers act with justice under a virtue ethics model. Firms with higher levels of justice have been empirically shown to have higher job performance (Colquitt et al. 2001). A study by Lau and Wong (2009) showed that ethical dispositions and ethical climates in organizations also influenced the formation of personal justice norms among employees. Thus, fostering virtue ethics in organizations is expected to improve business results through emphasis on fairness in decisions and processes.

Whetstone (2001) posits a problem under certain misinterpretations of Aristotle's model of virtue ethics. Those who construe virtue ethics to consist merely of rules to follow without a teleological goal can quickly build a case for profits as the fundamental goal. This error in understanding can lead to tyranny and evil ends. Several researchers argue for redefining the manager's role under a virtue ethics model for business. Bertland (2009) builds on Solomon's (1992b) idea that managers should move beyond being "profit maximizes" and be "professionals" who seek to achieve goals of public service similar to those in oaths of medical professionals. Bertland (2009) extends this idea to the capabilities approach applied to business. A virtuous manager is seen as one who promotes development of capabilities to enhance individual dignity. This provides an ethical foundation that excludes tyranny and other evils. Moore (2002) contributes to the idea to redefine the manager by suggesting the role of "craftsman." He proposes four implications to shape this role: first, to focus on the "intrinsic versus extrinsic value of work"; second, "to sustain the practice" as a virtuous setting of the craft; third, "to seek excellence in craftsmanship" by working in community with colleagues; and fourth, to seek "the common good of the crew" (p. 250–251). Finally, McPherson (2012) suggests a definition of "vocational calling" for business roles. Instead of measuring success by the accumulation of wealth and power, it should be measured by practicing the virtues of one's calling to seek the good life for self and others in the community. Theoretical definitions of the virtuous manager lead us to consider the empirical meanings of sample identities and behaviors in business as two types of concepts that comprise the HRM landscape of moral language.

The Meaning of Moral Language Concepts Embedded Within HRM Functions

The discussion to follow shows that the dimensions of language meaning represent universal understandings by survey respondents in our samples that cover three countries. Better understanding of language meanings can guide managers to engage in ethical conduct consistent with social norms of good behavior defined

in certain concepts. To illustrate the meaning of concepts involved in HR activities, empirically determined meanings for a sample of identity and behavior concepts across three countries are shown. Language concepts in Table 1 below have been defined in software INTERACT (Heise 2003) based on surveys of undergraduate college students in three countries: the United States, Germany, and China. The definitions represent the respective country cultures. The most recent US dictionary is based on data collected by Francis and Heise (2002–2003); the German dictionary is based on data collected by Schneider (1989), and the China dictionary is based on data collected by Smith and Yi (1991). Surveys among university students began in the 1970s and continue to the present time. Surveys in non-English-speaking countries were conducted in home country languages and back translated to English to operate software INTERACT for English-speaking researchers and other users. This analysis relies on Affect Control Theory (ACT) developed by Heise (1979, 2007) and his colleagues (Heise and Smith-Lovin 1981; Mackinnon 1994). The theory proposes "people try to experience events that confirm fundamental sentiments" (MacKinnon 1994, p. 22). Fundamental sentiments reflect cultural norms. Related propositions of the theory are: "language is the primary symbolic system through which cognitions are represented, accessed, processed, and communicated" and "affect control theory's emphasis is on internal (of the mind) processes in which language mediates sensation and reflective thought" (MacKinnon 1994, pp. 16–17). Empirical research shows the theory has validity (Smith-Lovin and Douglas 1992; Wiggins and Heise 1987. Theory principles have been operationalized in software INTERACT (Heise 2003). This tool allows researchers to access the results of surveys conducted around the globe.

Each language concept in the INTERACT dictionaries has a quantitative "definition." The definitions are referred to as "dictionaries" of affective meaning on three dimensions: evaluation, potency, and activity (EPA). The EPA dimensions originate from the collective body of work that culminated in a study of language meanings in 24 countries by Osgood, May, and Miron (1975). They found that the three dimensions of evaluation, potency, and activity (EPA) were cross-cultural universals to understanding language around the globe. It means people in different cultures may define concepts differently on average, but they consistently define them in terms of the EPA dimensions. For the dictionaries currently embedded in software INTERACT, respondents rated each term on scales ranging from -4.3 to $+4.3$. Most surveys today are conducted on computers. Respondents view a screen for each concept with the three scales for the three EPA dimensions. They are able to slide an arrow across each scale to mark the position they believe represents their understanding of the concept. Respondents are shown descriptors for different positions on the scales: -4.3 is described as *infinitely* bad (E), powerless (P), or inactive (A) and $+4.3$ is correspondingly described as infinitely good (E), powerful (P), or lively (A). Examples for other positions are described as *extremely* good or bad (E) for ±3, *quite* powerless or powerful for ±2 (P), *slightly* active or lively (E) for ±1, and neutral for zero in the middle of the scale. The quantitative definition represents the average scores from respondents in a country. Each

Table 1 Fundamental affective meanings: a sample of actor and behavior concepts

	United States 2002–2004			Germany 1989			China-PRC 1991		
	Evaluation	Potency	Activity	Evaluation	Potency	Activity	Evaluation	Potency	Activity
Actors									
Executive	1.26	1.93	1.44	0.89	1.81	0.61	0.47	1.03	−0.03
Manager	0.98	1.57	1.34	−0.33	1.59	1.65	0.57	1.60	0.50
Supervisor	0.88	1.88	1.09	−1.40	1.88	1.09	0.70	1.56	0.89
Entrepreneur	1.18	1.88	1.68	−0.32	1.33	1.28	1.06	1.98	1.93
Employee	1.16	0.48	0.66	0.55	−0.85	−0.94	0.94	−0.66	0.86
Colleague	1.75	1.17	0.59	1.51	0.68	0.44	0.93	0.44	0.21
Nurse	1.65	0.93	0.34	1.39	0.15	0.38	2.32	0.13	1.10
Salesclerk	0.73	−0.07	0.07	0.26	−0.08	0.50	0.32	−0.47	0.37
Secretary	1.03	0.01	−0.13	1.30	−0.74	0.60	0.90	−0.69	0.99
Skilled worker	2.11	1.81	1.11	−0.01	0.46	0.17	0.61	0.75	0.44
Trainee	0.73	−1.14	−0.29	0.57	−0.88	−0.26	0.71	−0.28	0.47
Waitress/waiter	1.46	0.25	1.63	1.36	0.23	1.26	0.97	−0.63	0.88
Behaviors									
Assist	2.20	1.64	0.75	0.84	0.13	−0.81	1.43	1.34	1.25
Consult	1.64	1.15	0.25	−0.02	−0.38	−1.31	1.26	0.95	1.06
Help	2.90	2.85	1.58	2.63	1.23	−0.01	1.84	1.61	1.13
Applaud	2.15	1.63	1.62	2.40	1.08	2.08	1.77	1.33	1.88
Compliment	2.56	1.89	0.99	2.20	0.41	−0.59	1.76	1.43	1.63
Coach	2.16	1.83	1.68	1.69	1.91	1.90	1.62	1.01	0.89
Explain something	2.20	1.65	0.75	0.84	0.13	−0.81	1.43	1.34	1.25
Inform	1.98	1.73	1.10	1.48	0.54	−0.13	0.77	0.99	0.46
Teach	2.76	2.39	0.90	1.13	0.64	−0.45	1.84	1.96	1.56
Train	0.98	1.12	0.83	1.63	0.84	−0.60	1.84	1.51	1.09
Caution	1.66	1.03	0.60	1.58	1.07	1.21	0.84	1.20	0.19

(continued)

Table 1 (continued)

	United States 2002–2004			Germany 1989			China-PRC 1991		
Test	0.84	1.56	0.07	0.14	0.40	−1.10	1.31	1.61	1.14
Argue with	−0.90	0.75	1.39	−1.62	1.27	2.27	0.39	1.17	1.34
Blame	−1.55	−0.16	0.20	−2.07	0.91	1.15	−0.52	0.74	−0.15
Bully	−2.07	−0.14	0.46	−2.14	0.21	1.35	−2.10	0.31	−0.33
Command	−0.09	1.29	1.59	−2.26	1.80	1.10	0.24	1.33	−0.08
Discipline	0.66	1.76	0.83	−1.17	0.92	0.46	−0.08	1.07	−0.43
Fire from a job	−1.05	1.52	0.37	−1.66	1.11	0.21	−1.72	0.82	−0.72
Harangue/hassle	−0.77	−0.26	−0.46	−2.07	1.56	1.81	−1.82	0.05	−0.38
Oppose	0.05	0.83	0.87	−0.60	1.37	1.07	−0.17	0.80	0.50
Overwork	−1.29	0.58	0.71	−3.02	1.35	1.82	−1.20	−0.79	−0.82
Reprimand	−0.55	0.61	0.74	−0.18	0.53	0.48	−0.41	0.76	−0.13
Steal from/swindle	−2.89	−0.82	−1.57	−1.72	−0.39	0.11	−2.44	0.23	−0.69
Threaten	−2.50	−0.10	0.93	−2.06	1.52	1.64	−1.23	0.67	0.29

N: 1,097 (US), 520 (Germany), 380 (China), each participant rated 15–30 concepts, total up to 1500 concepts

Note: Evaluation ranges from extremely bad (−4.3) to extremely good (+4.3)

Potency ranges from extremely powerless (−4.3) to extremely powerful (+4.3)

Activity ranges from extremely inactive (−4.3) to extremely lively (+4.3)

Values ranging from about −0.20 to +0.20 represent neutral for meaning in the three elements

definition describes the social norm of the meaning of a concept for a sample of the population.

Each dimension of the EPA profile can be characterized by different descriptors. For example, evaluation is the morality dimension and thus carries heavy weight relative to ethics. Evaluation is defined as goodness with alternative adjective anchors of nice, sweet, happy, and clean, and the "bad" anchor of evaluation can relate to awful, sour, harsh, and dirty. Potency may be characterized by big, strong, full, and many and powerless by little, weak, empty, and few. Activity can be characterized by fast, noisy, young, and burning and inactive by slow, quiet, old, and freezing (Heise 2007). Researchers have found language meanings are remarkably stable over long periods of time. Changes in meanings are usually associated with major social movements. For example, homosexual as an identity in the United States was previously viewed as quite immoral (evaluation of −1.52, 1978 US survey). Over the course of several decades, the gay rights movement evolved and influenced the understanding of this identity. In the most recent US survey, college students rated the "homosexual" identity as neutral with an evaluation of −0.06 (2002 US survey; Heise 2007).

Researchers have found that the evaluation dimension tends to reflect greatest universality in defining concepts across cultures. That is, samples of concepts have higher correlations on the evaluation dimensions across cultural groups than on the potency or activity dimensions. For example, respondents in the various cultures consistently rated the actor concept of "a mother" as "extremely good" and "a murderer" as extremely bad. Behaviors were rated as moral or immoral on the evaluation dimension. The behavior "to help" was consistently rated as "quite moral," and the behavior "to murder" was consistently rated as "extremely immoral." Potency ratings tend to correlate to some extent with the evaluation ratings of concepts within a culture. Activity ratings of concepts correlate least with the other two dimensions within and across cultures.

Comparing Meanings of Moral Language in Three Countries

Table 1 displays three groups of concepts. Twelve organizational identity concepts are listed first. The columns display the respective values for the EPA dimensions. Next, twelve generally favorable behaviors are listed followed by twelve generally unfavorable behaviors. In the United States and China, the actor concepts from work settings in Table 1 are all rated positively on the evaluation dimension. The highest rated actor concept on the evaluation dimension in Table 1 in the United States and Germany is colleague and is nurse in China. Nurse is the 3rd and 2nd highest rated actor concept on the evaluation dimension, respectively, for the United States and Germany in Table 1. The lower evaluation scores for actor concepts in the chart are 0.73 and 0.98 for a trainee and a manager in the United States. In China the lower rated identities are salesclerk and skilled worker at 0.32 and 0.61, respectively. The actor as "a supervisor" is rated lowest on the evaluation dimension in Germany at −1.40 along with two other actor roles rated neutral for

the German sample in Table 1: "a manager" at −0.33 and "an entrepreneur at −0.32." This is in contrast to the higher "good" scores in the US and China dictionaries for these identities.

The relatively low scores in Germany can be explained in part by the unique history and culture of the work setting which still bears features of the medieval guild system. Workers in Germany continue to have a high degree of "occupational" pride. Many start as apprentices and earn a trade proficiency certificate which are available for both office and factory job titles. About two-thirds of German workers have earned this distinction, and some are promoted to advanced positions through continued occupational development (Lane et al. 2000). The "boss" merely assigns tasks and resolves problems. Managers in general are not highly esteemed in German culture in general. Workers are highly skilled, responsible, and self-motivated and do not consider the manager role to be important. The engineer role is a valued actor in German work settings. This actor concept is not included in the US or China dictionaries, but in the German dictionary the EPA definition for "an engineer" is 0.75, 0.74, and −0.34.

Language concepts on manager behaviors that an employee may find favorable in the training realm could include actions such as to teach, to coach, to assist, and to applaud. "To help" is rated highest on the evaluation dimension for favorable behavior concepts in Table 1 for all three countries. All twelve favorable behaviors in Table 1 are rated somewhat high on the evaluation dimensions by US and China respondents. Germany is similar except for neutral scores on the evaluation dimension for "to consult" and "to test." In the area of discipline, employees may find manager behaviors such as to reprimand, to blame, and to fire from a job as unfavorable. We also hear of unethical manager behaviors to employees such as "to overwork," "to bully," and "to steal from" or "to swindle" such as in expense reimbursements or overtime wages. On the evaluation dimension, the lowest unfavorable behavior concepts in the chart are "to steal from"/"to swindle" in the United States and China. However, the unfavorable behavior concept with the lowest evaluation rating in Table 1 for Germany is "to command." This is likely a reflection of the unique culture in German work settings discussed earlier.

Tables 2 and 3 represent correlation results for concepts from the three countries. Table 2 displays the concepts by dimensions of affective meaning, the EPA profiles. That is, 36 evaluation scores between two countries are correlated in turn to result in the correlation indices displayed at the top of Table 2. For each country, these represent the twelve evaluation scores for identities, twelve evaluation scores for favorable behaviors, and twelve for unfavorable behaviors. The correlations for potency and activity scores are similarly analyzed for 36 potency scores for each country and separately for 36 activity scores for each country. Similar to findings by other researchers, the evaluation ratings of concepts are most strongly related across countries with correlations from 0.89 between the United States and China to 0.81 between Germany and China. The potency dimension has less consistency with correlations ranging from 0.43 between the United States and Germany to a relatively high correlation of 0.74 between the United States and China. The correlations for the activity dimension are lowest from −0.23 between Germany

Table 2 Means and correlations of EPA values

	Mean	s.d.	United States	Germany
Evaluation: identities and behaviors				
United States	0.72	1.52		
Germany	0.05	1.54	0.85	
China	0.48	1.22	0.89	0.81
Potency: identities and behaviors				
United States	1.03	0.93		
Germany	0.72	0.79	0.43	
China	0.78	0.78	0.74	0.49
Activity: identities and behaviors				
United States	0.74	0.70		
Germany	0.55	0.98	0.30	
China	0.57	0.74	0.42	−0.23
All EPA combined: identities and behaviors				
United States	0.83	1.10		
Germany	0.44	1.17	0.66	
China	0.61	0.94	0.78	0.52

EPA, evaluation, potency, and activity; dimensions of affective meaning
36 data points per country for individual dimensions: E, P, and A
108 data points per country for ALL EPA combined

Table 3 Means and correlations of EPA values

	Mean	s.d.	United States	Germany
Identities: EPA				
United States	0.98	0.74		
Germany	0.50	0.86	0.62	
China	0.66	0.71	0.61	0.60
Favorable behaviors: EPA				
United States	1.55	0.71		
Germany	0.66	1.05	0.68	
China	1.32	0.40	0.46	0.26
Unfavorable behaviors: EPA				
United States	−0.03	1.16		
Germany	0.14	1.49	0.73	
China	−0.15	0.95	0.75	0.62
All identities and behaviors combined: EPA				
United States	0.83	1.10		
Germany	0.44	1.17	0.66	
China	0.61	0.94	0.78	0.52

EPA, evaluation, potency, and activity; dimensions of affective sentiments
36 data points per country for individual concept types (identity, behaviors)
108 data points per country for ALL concept types combined

and China to 0.42 between the United States and China. Overall the correlations are at noteworthy high levels for all combined EPA dimensions, that is, 108 values for each country. They range from 0.52 in the comparison between Germany and China to 0.78 between the United States and China.

Table 3 represents correlations by type of concept. The first set of correlations looked at the 36 EPA scores for the twelve *identities*. The identity correlations are very similar for the three sets of correlations ranging from 0.60 to 0.62. The second set of correlations considers the 36 EPA scores for the twelve *favorable behavior* concepts. The correlations are somewhat lower compared to the correlations for the sample of identity concepts. The favorable behaviors range from a low of 0.26 between Germany and China to a high of 0.68 between the United States and Germany. The correlations for the *unfavorable behavior* concepts are slightly higher than correlations for the two other types of concepts. The low correlation again is between Germany and China at 0.62 and the high between the United States and China at 0.75. Since the overall correlations represent the same 108 values for each country as the EPA dimensions, the correlation values are the same as the overall correlations in Table 2. It is interesting to note that the higher correlations for this small sample of HRM-related concepts show greater alignment between the United States and China representing four out of six higher correlations for the individual analyses. The lowest correlations are consistently between China and Germany for the sample of concepts.

The empirically determined meanings of language concepts may provide insight to less experienced supervisors and managers in conducting HRM activities with employees. Most favorable behaviors listed in this small sample are deemed highly valuable in these three countries. That is, helping behavior, assisting, coaching, and more behaviors are seen as very positive. Unfavorable behaviors on the other hand are deemed bad, awful, and harsh to some extent. These behaviors may harm relationships and distract employees from work tasks. Meanings of language concepts applicable to many HR concepts can support manager understanding of behavior in terms of the cultural norms.

Conclusions

The evaluation, potency, and activity (EPA) dimensions of language concepts clarify normative understandings of concepts in the human resource management context. Although each concept has EPA values distinct by country, the correlations between countries show a noteworthy degree of congruence across cultures. This gives strength to the meaningfulness of these norms. Helping behavior is universally rated very high as morally favorable conduct along with "to teach," "to train," and "to compliment." These behaviors also are rated as relatively powerful across the cultures. In contrast, the behaviors "to bully," "to hassle," "to command," and "to threaten" are universally rated as immoral to some extent on the evaluation scale with varying degrees of powerfulness. HR managers are often called on to

settle conflicts and disputes involving misbehaviors. This suggests that the non-virtuous nature of certain concepts may not be clear to some employees.

Two proponents of virtue ethics (McPherson 2012; Audi 2012) support the importance of evaluation judgments to seek the "good life" proposed by Aristotle. McPherson (2012) indicates that evaluation judgments involve an ethical realism; they are necessary to identify goals worthy of pursuit. Audi (2012) makes two lists as examples of ethical training content. First he suggests a few examples of roles that many people see as unfavorable and possibly immoral. They are "a liar, cheat, coward, brute, bully, thief, turncoat, fraud or phony" (p. 286). EPA meanings confirm these negative characterizations with quantitative definitions. Table 1 tells us that the behaviors "to bully" and "to steal from" are rated quite negative on the evaluation dimension of the EPA scores across the three countries. Second, Audi (2012) lists modifiers as traits he recommends should be used to develop ethical conduct in students as part of educational programs. They are "honest, fair, loyal, just, sincere, kind and generous" (p. 287). Four of these trait modifiers are in the US dictionary of EPA definitions (Francis and Heise 2002–2003). Each quantitative definition displays social norms by the evaluation average score first, the potency average score second, and the activity average score third as follows: generous (2.97, 1.95, 1.10), honest (2.92, 2.20, −0.10), sincere (2.54, 1.99, 0.10), and kind (2.14, 1.81, 0.34). Consistent with Audi's characterizations, they are all rated quite good and moral on the evaluation scale.

People at work use language to share and convey their understanding of social interactions including actors, behaviors, emotions, reflections, and more. An area of incongruence is that different people may characterize a single actor differently. For example, some employees may refer to a manager as a "the top leader", and others may refer to the same manager as a "tyrant." Future research should explore these differences. Researchers should also investigate language meanings to compare the effects of ethical versus unethical managers on employees.

The EPA dictionaries can serve as a resource to develop virtue ethics training emphasizing the capabilities approach. First, the current dictionaries contain data for several cultures for hundreds of behavior, identity, and modifier concepts. Second, the data collection approach to develop the EPA dictionaries provides a well-established method to measure the meanings of concepts in a group. An organization could measure and compare meanings of key ethical concepts for different managerial levels, by departments, by career field, etc. Measurements could serve as a window on the position of prevailing perceptions underlying conduct. As Whetstone (2001) recommended, empirical definitions of moral language can assist managers in the development of ethics focused on principles and virtue.

Cross-References

▶ Corporate Roles and Virtues
▶ Organizational Virtue

References

Aristotle (1999) Nicomachean ethics, 2nd edn (N.E.) (trans: Terence Irwin). Hackett, Indianapolis
Audi R (2012) Virtue ethics as a resource in business. Bus Ethics Q 22(2):273–291
Bertland A (2009) Virtue ethics in business and the capabilities approach. J Bus Ethics 84:25–32
Colquitt JA, Conlon DE, Wesson MJ, Porter OLH, Ng KY (2001) Justice at the millennium: a
   meta-analytic review of 25 years of organizational justice research. J Appl Psychol 86:425–445
Dessler G (2011) Human resource management, 12th edn. Prentice Hall, Upper Saddle River
Devettere RJ (2002) Introduction to virtue ethics: insights of the ancient Greeks. Georgetown
   University Press, Washington, DC
Francis C, Heise DR (2002–2003) Mean affective ratings of 1,500 concepts by Indiana University
   Undergraduates in 2002–3 [Computer file]. Distributed at Affect Control Theory Website,
   Program Interact. http://www.indiana.edu/~socpsy/ACT/interact/JavaInteract.html
Greengard S (1997) 50% of your employees are lying, cheating and stealing. Workforce 76:44–53
Heise DR (1979) Understanding events: affect and the construction of social action. Cambridge
   University Press, New York
Heise DR (2003) Interact. www.indiana.edu/~socpsy/ACT/interact.htm. Sociology Department,
   Indiana University, Bloomington
Heise DR (2007) Expressive order: confirming sentiments in social actions. Springer, New York
Heise DR, Smith-Lovin L (1981) Impressions of goodness, powerfulness and liveliness from
   discerned social events. Soc Psychol Q 44:93–106
Kalshoven K, Boon CT (2012) Ethical leadership, employee well-being and helping: the moder-
   ating role of human resource management. J Pers Psychol 11(1):60–68
Kant I (1999/1983) Metaphysics of morals (trans: Ladd J (first pt.) and Ellington J (second pt.)).
   Hackett, Indianapolis
Lane HW, DeStefano JJ, Maznevski ML (2000) International management behavior: text, read-
   ings and cases, 4th edn. Blackwell, Maiden
Lau VP, Wong YY (2009) Direct and multiplicative effects of ethical dispositions and ethical
   climates on personal justice norms: a virtue ethics perspective. J Bus Ethics 90:279–294
MacKinnon NJ (1994) Symbolic interactionism as affect control. State University of New York
   Press, Albany
McPherson D (2012) Vocational virtue ethics: prospects for a virtue ethic approach to business. J
   Bus Ethics 116(2):283–296
Moore G (2002) On the implications of the practice-institution distinction: macintyre and the
   application of modern virtue ethics to business. Bus Ethics Q 12(1):19–32
Nussbaum MC (2000) Women and human development. The capabilities approach. Cambridge
   University Press, Cambridge
Nussbaum MC (2003) Capabilities as fundamental entitlements: sen and social justice. Fem Econ
   9:33–59
Osgood CE, May WH, Miron MS (1975) Cross cultural universals of affective meaning. Univer-
   sity of Illinois Press, Urbana
Piccolo RF, Greenbaum R, Hartog DN, Folger R (2010) Task significance and job autonomy as
   motivational mechanisms in the ethical leadership process. J Organ Behav 31:259–278
Schneider A (1989) Mean affective ratings of 804 concepts by West German students in 1989
   [Computer file]. Distributed at Affect Control Theory Website, Program Interact. http://www.
   indiana.edu/~socpsy/ACT/interact/JavaInteract.html

Sen A (1999) Development as freedom. Random House, New York

Smith HW, Yi C (1991) Mean affective ratings of 1,146 concepts by Shanghai Undergraduates, 1991 [Computer file]. Distributed at Affect Control Theory Website, Program Interact. http://www.indiana.edu/~socpsy/ACT/interact/JavaInteract.html

Smith-Lovin L, Douglas W (1992) An affect control analysis of two religious groups. Soc Perspect Emot 1:217–247

Solomon RC (1992a) Corporate roles, personal virtues: an Aristotelian approach to business ethics. Bus Ethics Q 2(3):317–339

Solomon RC (1992b) Ethics and excellence: cooperation and integrity in business. Oxford University Press, Oxford

Velasquez M (1992) Business ethics: concepts and cases. Prentice Hall, Upper Saddle River

Walumbwa FO, Mayer DM, Wang P, Wang H, Workman K, Christensen AI (2011) Linking ethical leadership to employee performance: the roles of leader-member exchange, self-efficacy and organizational identification. Organ Behav Hum Decis Process 115:204–213

Wells D, Schminke M (2001) Ethical development and human resources training: an integrative framework. Hum Resour Manag Rev 11:135–158

Whetstone JT (2001) How virtue fits within business ethics. J Bus Ethics 33:101–114

Wiggins B, Heise DR (1987) Expectations, intentions and behavior: tests of affect control theory. J Math Soc 13(1–2):153–169

Wilcox T (2012) Human resource management in a compartmentalized world: wither moral agency? J Bus Ethics 111:85–96

Organizational Learning and Activation of Virtue Ethics in Business

Lynn Godkin

Contents

Abstract

Jolted into action by the hubris of Enron and WorldCom management, legislators passed laws to discourage future institutional malfeasance. This approach is not wrong, but incomplete. Organizations require an ethical climate to sustain corporate social responsibility and positive employee behavior. A work environment in which individuals can volitionally labor and act in a positive manner is necessary. Borrowing from organizational learning literature, this chapter considers how virtue ethics might be activated and used to fulfill such an ideal. It demonstrates how virtuous behavior might be channeled by an organization's

L. Godkin (✉)
Department of Management and Marketing, Lamar University, Beaumont, TX, USA
e-mail: lynn.godkin@lamar.edu

absorptive capacity. An accompanying descriptive model illuminates this point of view.

Introduction

The blatant malfeasance of employees associated with the Enron and WorldCom fiascos resulted in a dramatic public outcry about institutional ethicality. Tenebrous behavior by Enron and WorldCom resulted because the "bottom line" dominated leadership behaviors, norms, and organizational rewards (e.g., Kish-Gephart et al. 2010). Legislation designed to discourage such behavior and assuage public ire followed the revelations of complicity rampant within both (Kwak et al. 2012). Unfortunately, laws have limited affect on individual ethical behavior, and they do not automatically result in a company's adoption of corporate social behavior. A climate of ethicality is necessary for corporate social responsibility (CSR) to thrive within an organization. To positively effect employee behavior, an ethical *Weltanschauung* or worldview must permeate organizations as well. An environment in which individuals can volitionally work and act in a socially responsible manner is required. Engenery is necessary to support management in such a quest. This chapter considers organizational learning and activation of virtue ethics in that context. It demonstrates how ethical behavior might be channeled by an organization's absorptive capacity. An accompanying descriptive model illuminates this point of view.

Virtue ethics is conceptually robust enough to inform ethical and CSR initiatives (e.g., Audi 2012), but it is a timely topic here for other reasons. Specifically, business academics have been accused of soft pedaling talk about ethics for professional reasons (e.g., Ghoshal 2005). Existing discussions have been dominated by *consequentialism* (Crossan et al. 2013) driven by cost-benefit analysis and investor demands for ever higher financial returns (Paine 2003). Further, business leaders live in an era of transcendence (Sheth et al. 2003; Sisodia et al. 2014) characterized by increasing caring, holistic, and long-term thinking by the citizenry (Mackey and Sisodia 2013) where it is believed firms can do well by doing good (Sheth et al. 2003; Sisodia et al. 2014). Reflecting this attitude, John Mackey, cofounder of Whole Foods Market, explains that contemporary "...business is not based on exploitation or coercion at all...." but "...on cooperation and voluntary exchange. People trade voluntarily for mutual gain" (Mackey and Sisodia 2013, p. 1). Such voluntary economic activity holds the possibility of mutual benefit and unprecedented prosperity.

This chapter describes how virtue ethics can be activated and sustained in business organizations. The opening section, "Virtue Ethics," defines that term as conceived in this chapter. The following section, "Evidence of Virtue Ethics in Business", places virtue ethics into context. A third section, "Organizational

Learning: A Framework," introduces the concepts of absorptive capacity, barriers to absorptive capacity, sensemaking, framing, interruptions in organizational learning, and hieratic distance. Each is related to the activation of virtue ethics organizationally. A fourth section, "Organizational Learning and the Activation of Virtue Ethics," contains a descriptive model with explanation, a brief case study illustrating application of the model, and a discussion concerning implications of the model for management and human resource (HR) practice. Conclusions, the final section, completes the chapter.

Virtue Ethics

Virtues are positive character traits seated in an individual's psychology (Audi 2012) and collectively embraced by individuals, groups, and organizations. Virtue, as conceived here, consists of six dimensions (Audi 2012): (1) field, (2) target, (3) beneficiaries, (4) agential understanding, (5) agential motivation, and (6) psychological grounding. The field is the human situation in which the virtues operate including the day-to-day actions and end results. It represents the overall framework for decision and action. The target is the recipient of the virtuous activity. There can be multiple targets, which may or may not include an entire group. Closely related to target is beneficiaries. At least owners, customers, and employees are essential beneficiaries. The key is balancing commitments to these constituents. The agent, who fulfills the virtue ethics role, illuminates the *path* (e.g., House 1996) to fulfilling those aspirations. Agential understanding and agential motivation are essential to reaching this end. Finally, psychological grounding characterizes individuals who not only act in a virtuous manner, they also exhibit a propensity for virtue over personal benefit.

Evidence of Virtue Ethics in Business

Businesses motivated by virtue ethics exhibit a sensitivity to human well-being (Murphy 1999). The organizational application of virtue ethics accounts for the presence of comprehensive and role-specific virtues (Audi 2012). Comprehensive virtues (such as honesty, justice, reasoned ethical policy making) saturate the organization, while role-specific virtues (such as nondiscriminatory leadership) may only influence particular activities or segments of the organization.

Murphy (1999) applied five virtues suggested by others (Cavanagh 1998; Novak 1996; Solomon 1992) to the practice international marketing which are also applicable to business in general. These include (1) integrity, (2) fairness, (3) trust, (4) respect, and (5) empathy. Integrity refers to the honesty and moral courage associated with adherence to a moral code (Murphy 1999). Fairness captures elements of equitable treatment and a corresponding sense of justice. Practically, trust is necessary for employees' performance, and respect involves offering proper

regard for the views of others. Interpersonally, empathy includes caring and sensitivity to the needs of others.

Organizational production of external and internal goods is further evidence of business virtue. MacIntyre (1984) distinguished between internal goods, goods that are proper ends, and external goods, done for the sake of something else (Beadle and Moore 2006). Internal goods are *goods of excellence* where external goods are *goods of effectiveness* (p. 331). The presence of conventional and radical managers is another indicator of the presence of virtue ethics (Dyck and Schroeder 2005). Consequentialists, conventional managers concern themselves with materialism, individualism, organizational performance, competitiveness, and profitability. Conversely, radical managers expand that interest to include mercy and compassion for the disadvantaged (Dyck and Weber 2006). They are particularly ". . .disposed to being helpful and deliberately knowing others' needs" (Dyck and Schroeder 2005, p. 724) and are flag bearers for virtue in the workplace.

Organizational Learning: A Framework

Personal integrity, a sense of fair play and mutual trust among workers, mutual respect, and empathy are associated with virtue ethics in business Murphy (1999). Virtue ethics is concerned with such character traits rather than management per se. Where virtue ethics is outside the quotidian experience of workers, managers must instruct subordinates in the application of virtue ethics to their work. More importantly, managers must also develop a virtue-driven organizational culture and sustain it through time to capture the strategic CSR-related advantages available. Informing individual workers about virtue ethics is important, but aligning an organization to benefit from virtue ethics thinking is strategically essential. This is the focus of this chapter and organizational learning literature informs what follows. It is clear that we know *what* is needed: ethical behavior, CSR, and legal compliance. This chapter now sets about to explaining *how* it might be institutionally accomplished.

Absorptive Capacity

The incorporation of virtue ethics into organizational practice and CSR strategy is a worthy goal. It requires, however, that the organization must have an ability to discern and learn from its ethical circumstances and to align the organization to benefit from virtue ethics thinking in response. The concept of absorptive capacity explains how this works in practice.

Cohen and Levinthal (1990) first proposed the idea of absorptive capacity (Lane et al. 2006; Roberts et al. 2012). Important to the transfer of knowledge (Roberts et al. 2012), it involves the routines and processes through which firms acquire and metabolize knowledge (Zahra and George 2002) including acquisition, assimilation, transformation, and exploitation (Cohen and Levinthal 1990). This involves

(1) how well technologies and methods are recognized and managed (Dodgson 1993), (2) building organizational ability to access external knowledge, (3) developing organizational capability to incorporate external knowledge to enhance core competencies (Daghfous 2004), (4) understanding new external knowledge (Cohen and Levinthal 1990), (5) applying knowledge gathered to commercial ends (Büchel and Raub 2003), (6) exploitation of such knowledge (Cohen and Levinthal 1990), and (7) the ability to learn and solve problems (Kim 1997). Absorptive capacity is dependent upon the performance of sources and recipients of knowledge (Easterby-Smith et al. 2008; Szulanski 1996) as well as their ability, motivation, and opportunity to transfer that knowledge (Argote et al. 2003).

Aristotle recognized that people respond to life on the basis of their character (Hartman 2008). Persons of character apply the virtue they possess to circumstances before they act, and businesses with character operate in a similar manner. They apprehend cues emanating from the external environment, apply the virtues institutionally available to them, and strategically respond. The responses that result are indicators of organizational character. However, the availability of organizational virtue is not the only governing factor in the process. Importantly, the richness of a businesses' perception of environmental activity also contributes to the efficacy of organizational response. If a situation is unseen or inadequately perceived, ethical implications may be misunderstood and organizational virtues incorrectly applied.

Absorptive capacity enables organizational actors to perceive and interpret happenings emanating from the environment. Organizational learning falters as absorptive capacity declines. Weakness in the businesses' sensemaking process, the framing effect, and hieratic distance separating managers from rank-in-file also affect the activation of virtue ethics.

Sensemaking

Aristotle taught that people engage the imagination to grasp the ethical implications of circumstances (Hartman 2008). Virtuous action represents the positive efficaciousness of such efforts. Here, the label *sensemaking* (Weick 1995) denotes this process. Where absorptive capacity determines the quantity and quality of ethically related information assimilated from the environment, sensemaking is "...concerned with how everyone in an organization may engage themselves in an evolving and continuous change process" (Friis and Larsen 2006, p. 20). Sensemaking does not generate a body of knowledge per se. Rather, it allows for the generation of explanations for prior occurrences not readily available through the use of logic or common sense (Louis 1980). One might say that sensemaking is the determination of "what, when, where, and why" that results from data analysis. Like the proverbial six blind men who encountered different aspects of an elephant, bits, pieces, and scraps of perceptual stimuli are fashioned into explanations to make sense of events and to give the unknown meaning. True reality will not be revealed through sensemaking because ultimately managers operate under

conditions of *bounded rationality* (e.g., Simon 1991, p. 125). The plausibility of the various explanations for ethical demands on the organization derived from the process will determine which interpretations of ethical or CSR issues will result in responsive action(s). The more people engaged in the process, the easier it should be to identify and correct problems (Weick 2001).

Framing

As sensemaking proceeds, framing becomes necessary to the process (Weick 2001). Framing comes into play as decision-makers begin to recognize circumstances with ethical overtones emanating from the organization's environment and determine which aspects of the encountered cues are important. Perceptions, data, and insights gathered are categorized and interpreted in terms of what is *thought* necessary to achieve organizational ethical/CSR goals or to meet immediate institutional needs. Meaning is activated, then, from the framing process (Beach 2006). "Either some successful action from the past is mobilized in the form of a policy or appropriate goals and plans are created" (p. 111).

The "framing effect" is ". . .the tendency for people to avoid risk when a decision is framed in terms of potential gains – and to instead increase risk when a choice is framed in terms of potential losses" (Seo et al. 2010, p. 422). Frames incorporate ideologies, decision premises, subjective judgments, and paradigms that structure the nonroutine (Weick 1995). They set cognitive and conceptual limits on understanding. Though the framing effect does not hold out robust application for explaining individual behavior, it is relevant here because it contributes to organizational decision-making (Seo et al. 2010). Framing determines the product(s) of sensemaking. The understandings derived, then, from sensemaking control the nature of activation or the fact of inactivation of organizational virtue in response.

Interruptions in Organizational Learning

Organizational learning is constrained by the organization's absorptive capacity coupled with management's sensemaking and framing experience. Identification of and responding to ethical issues presented can breakdown further when there are interruptions in the organizational learning process. Under the best of circumstances, this can result from insight inertia and action inertia (Hedberg and Wolff 2003). Insight inertia appears when management does not observe and interpret cues from the external environment in time to determine and adjust institutional behavior to meet environmental demands (Hedberg and Wolff 2003). Learning under ambiguity (March and Olsen 1975), ". . .organizational members are not able to make sense of the environment or to explain why certain changes happened at all" (Kieser et al. 2003, p. 610). Rhetoric associated with the positive or negative framing of reports about environmental activity, for example, contributes to learning under ambiguity (Kieser 1997). Action inertia appears *after* managerial

observations of the environment are gathered. Managerial response to environmental demands is too slow, or the information gathered is inadequate to support beneficial action (Hedberg and Wolff 2003). Here, as in the case of insight inertia, three interruptions in the learning cycle identified by March and Olsen (1975) and three recognized by Kim (1993) shed light on what is taking place.

So far as March and Olsen's (1975) contributions are concerned, r*ole-constrained learning* interrupts the learning cycle in cases of action inertia when individuals play a limited role related to the questions at hand and cannot reasonably act on the knowledge they have of the environment. *Audience learning* occurs when individuals change their behavior in response to knowledge acquired, but cannot persuade others to do likewise. *Superstitious learning* emerges when individuals draw incorrect conclusions about the impact of organizational actions on the environment and the results of organizational actions on the environment. Rhetoric associated with the positive or negative framing of reports about environmental activity contributes to superstitious learning (Kieser 1997).

Kim (1993) contributes three additional interruptions to the learning cycle broadly related to action inertia. The first two involve the organization's memory and retentive capacity. Specifically, s*ituational learning* interrupts the learning cycle when individuals solve problems through improvisation, but do commit successful applications to organizational memory. *Fragmented learning* appears when individuals learn, but that learning is not integrated into the organizational memory. It is typical in "…very decentralized organizations that do not have the networking capability to keep the parts connected" (p. 46). The third, o*pportunistic learning*, interrupts the learning cycle and contributes to action inertia when policies, procedures, and rules cannot be adapted to a given circumstance. What does this say to the application of virtue ethics and the propagation of CSR by organizations?

This chapter has demonstrated that organizational learning is important to the incorporation of virtue ethics into organizational work and decision-making. The degree to which ethical cues emanating from the environment are recognized as such is a function of absorptive capacity, sensemaking, and framing of issues. Where there is insight inertia, ethical cues are not even observed much less interpreted. Under conditions of insight inertia, ethical issues may fester until public protest becomes problematic. At other times, managers become aware of environmental circumstances, but they cannot figure out what they mean. Sensemaking fails them and framing never comes into play. Learning under ambiguity, decision-makers may not recognize a circumstance as having ethical implications. Rarely would lawyers miss actions that are in direct conflict with existing statutes, but ethical or CSR-related issues may be more difficult to recognize.

Insight inertia and learning under ambiguity appear during the observation phase of organizational learning when environmental cues are being gathered. Action inertia, role-constrained learning, and audience learning may appear after initial observations are made. Action inertia appears where management's responses to environmental cues are very slow or nonexistent. It could be argued that neither insight inertia nor learning under ambiguity allowed the Enron debacle to develop. Rather, the culprit was action inertia, and the Enron response to its internal financial

cabal was just too slow. Unfortunately, wrongdoing metastasized until the company simply failed. Role-constrained learning affected some at Enron because they could not reasonably act given their circumstance. There may have been some audience learning deep in the Enron organization where some changed their behaviors, but they could not persuade others to "go along" with their course of action.

Dysfunctional organizational learning may also occur as decision-makers draw conclusions from and act upon observations. For example, decision-makers may simply draw incorrect conclusions about the importance of their chosen actions. Such superstitious learning can result from the positive or negative framing of reports about environmental activity (Keiser 1997). Situational learning breaks the learning cycle when individuals address issues through improvisation, but fail to archive what they learned. An opportunity to strengthen virtue ethics across the organizational levels and through time is lost because valuable ethical learning simply evaporates. Fragmented learning, where ethical learning is not stored in a systematic way, is typical of "…very decentralized organizations that do not have the networking capability to keep the parts connected" (Kim 1993, p. 46). Opportunistic learning results when existing policies and procedures cannot be adapted to accommodate the ethical demands made upon the organization.

Hieratic Distance

Virtue ethics involve the integrity, fairness, trust, respect, and empathy experienced between and among all organizational members (Murphy 1999). The hieratic distance or separation between managers and subordinates is important as well. The term hieratic distance is used here to connote the degree of separation between managers and the corresponding attitude calibrating managers' receptiveness to the rank-in-file. Evocative of Hofstede's (2001) concept of power distance, hieratic distance infers all of the agathokakological, good and evil, human tendencies inherent in organizational behavior and decision-making. *Normative myopia* (Swanson 1999, p. 512) and *deaf ear syndrome* (Beugré 2010, p. 178) serve here as indicators of this situation. Normative myopia is descriptive of neglect occurring when executives avoid honoring values at stake in decisions (Orlitzky et al. 2006) or obstruct the development of those values. Where managers lend a deaf ear to ethical information willingly provided, employee disengagement from the ethical arena might well result. The importance employees attach to being heard is a function of how much they value the opportunity to do so, how much of what they report and say is taken seriously, and the work climate or culture present.

Organizational Learning and Activation of Virtue Ethics

Virtue ethics are promoted through the practical judgments of managers based, in part, upon the continuous analysis of ethical cues identified in the external environment. To know good organizationally and to do good organizationally are two

different things. Ethically related environmental cues are not always evident. They are hidden from view because of faults within or interruption of organizational learning. Decisions made activate, fail to activate, or inadequately activate virtue ethics within the organization. The following descriptive model (see Fig. 1) and discussion explain how virtue ethics may be activated in the business context.

The Model

A graphic model, "Activation of Virtue Ethics in Business," illustrates the thinking behind this chapter. It incorporates the six basic dimensions of virtue associated with Audi (2012) including (1) field, (2) target, (3) beneficiaries, (4) agential understanding, (5) agential motivation, and (6) psychological grounding. The field is the human situation in which the virtues operate. It contains the framework for decision and action. The target is the recipient or recipients of the virtuous activity. Closely related to target is beneficiaries at least including owners, customers, and employees. The agent, labeled "agents of virtue", reveals the *paths* (e.g., House 1996) to fulfilling virtue ethics aspirations. Conventional managers and radical managers make up the agents of virtue, but radical managers dominate the propagation of virtue ethics. Agential understanding and agential motivation are essential to reaching this end. Finally, psychological grounding represents individuals who not only act in a virtuous manner but also have a strong disposition supporting that virtuous behavior. Using organizational learning thinking, the model illustrates the relationship between the organizational learning and activation of virtue ethics within that firm.

The model suggests that agents of virtue are critical to the eventual activation of ethical virtues located in the field. The agents of virtue are made up of radical and conventional managers sensitive to and accepting of virtue ethics. The strength of their contribution to business virtues is a function of their agential understanding and agential motivation along with their relative psychological grounding in virtue ethics. Radical managers, as defined, are the most likely to be psychologically grounded and committed to virtue ethics. Similarly, they make the greatest contribution to polishing aspects of the virtuous organization. Conventional managers, who subscribe to virtue ethical thinking as well, also contribute to characteristics of the virtuous organization, but less so.

Agents of virtue can positively influence the hieratic distance between the business' management and the rank-in-file. Their number and relative influence determine the hieratic distance present at any given point in time. Hieratic distance influences organizational learning and the interruptions (insight inertia and action inertia) that can operationally interfere. Hieratic distance directly influences organizational sensemaking occurring within the field.

Absorptive capacity represents the organization's ability to gather and metabolize cues from the external environment. Ability to consider ethically related environmental cues determines the characteristics of the virtuous organization institutional present. The development of those organizational virtues is a function
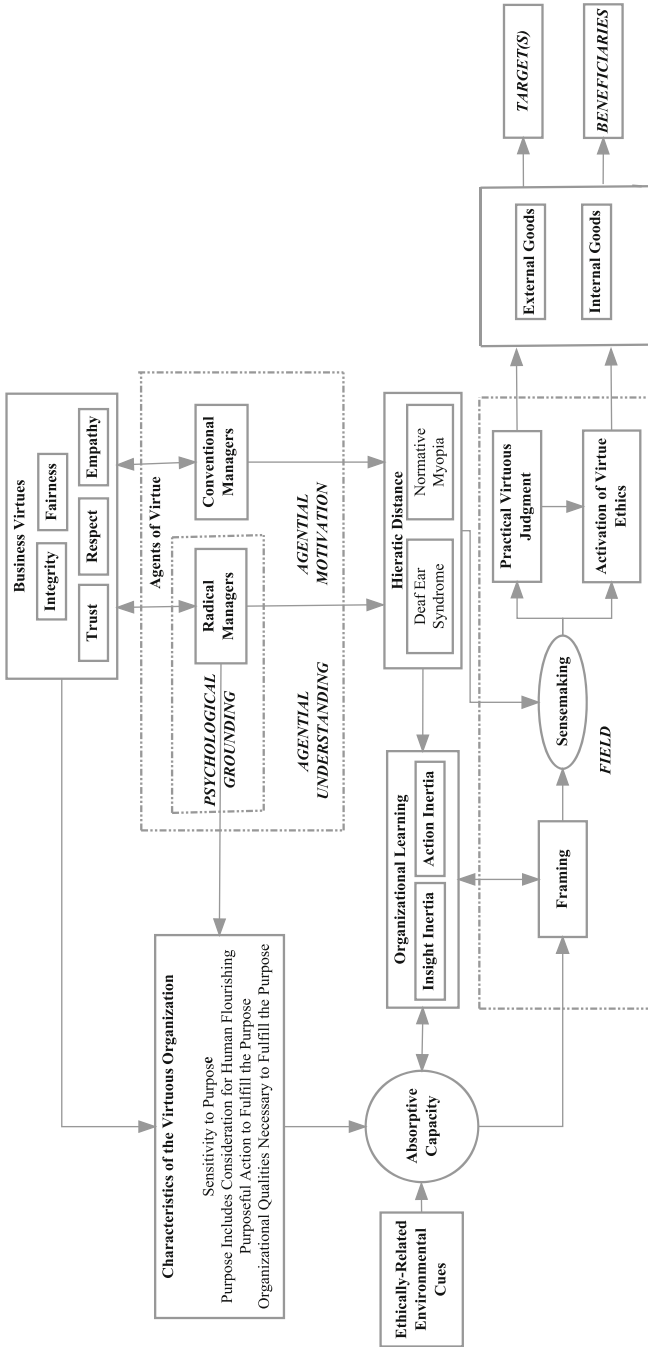
Fig. 1 Activation of virtue ethics in business (Source: Original)

of related involvement by radical and conventional managers in the ethical process. Absorptive capacity is also dependent upon organizational learning and operates to the degree that there are interruptions in the learning. Organizational learning influences the framing of ethically related environmental cues. The field contains the day-to-day activities associated with virtue ethics and related decision-making. Through sensemaking, decision-makers come to understanding about what is happening in the external environment in general and to ethically related environmental cues in particular. Framing constrains perception and absorptive capacity limits organizational sensemaking. Interruptions that appear in organizational learning thwart sensemaking and limit absorptive capacity as well. Practical virtuous judgment, strategic and tactical, results from sensemaking by decision-makers. Ultimately, the influence of agents of virtue over the decision-making process will determine the practical virtuous judgment that results. The emphasis on or activation of virtue ethics should follow the influence of agents of virtue on the process as well. Certainly, the results of activity within the field determine the nature of external goods and internal goods which reach the target(s) and beneficiaries of organizational decision-making.

An Illustration

The model provided uses organizational learning theory to explain how virtue ethics might be incorporated into and sustained. A brief case study involving Walmart illustrates further how this thinking about virtue ethics might be used to explain a particular circumstance. What follows is a cursory analysis, but it still provides insight into this matter.

Leslie (2013) relates that the public image of Walmart was largely determined by the media prior to Katrina. The retailers' absorptive capacity to gather and understand ethical cues from the environment was limited by the sources of information employed. Walmart's strategic ethical vision was hampered by insight inertia, while action inertia distorted results of ethical/CSR decisions made. Katrina revealed just how Walmart was missing out on capturing ethical competitive advantage.

When Katrina hit the Gulf Coast, Walmart management mobilized to provide meals, emergency supplies, and cash to people hurt by the storm. The retailer was lauded by the media for its support of the local community and Walmart gained greater feedback from the ethical environment. The corresponding Absorptive Capacity of the business increased. Radical Managers, now armed with Agential Understanding and Psychological Grounding, were positioned to make a difference.

Two months later, then-CEO Lee Scott asked publically, "What would it take for Walmart to be at our best all the time? What if we used our size and resources to make this country and this earth an even better place for all of us? And what if we could do that and build a stronger business at the same time?" (p. 42) Essentially, the experiences of the prior weeks sharpened the management's understanding of customer needs and indicated the means through which Walmart could exhibit

more virtuous behavior. This move by Scott further expanded the absorptive capacity of the company lessening insight inertia and enabling more sophisticated framing of ethical issues encountered. Sensemaking experience and processes improved increasing institutional practical virtuous judgment and enabling the activation of virtue ethics as never before.

Further expanding absorptive capacity to understand ethical issues coming from the environment, Walmart management established dialog with company critics. Ten nongovernmental organization leaders representing 100 years of experience were brought to the table. Walmart proactively set out to identify where their contributions would bring the greatest benefit to the community. They set goals for sustainability, cast about for ways to empower economic development among women, and improved the nutritional mix of foods offered for sale. They established a 360° approach to involving their entire supply chain, customers, communities, and employees. Management targeted significant social issues framed as compatible with sustaining a strong business. A conservation initiative was announced and sourcing from businesses owned by women was increased. As Leslie (2013) advised in a *Harvard Business Review* column recently, "If a drumbeat of criticism starts up against your company, don't rush to raise your voice above it. Stop to listen. And commit to getting better" (p. 42).

Implications of the Model for Management and Human Resources

Legislation can discourage untoward behavior but is relatively powerless to change an individual organization's attitude toward CSR. Regulatory compliance *alone* does not insure ethical behavior anywhere. Rather, CSR-sensitive firms also need a supportive working climate to which virtue ethics thinking can be applied. For virtue ethics thinking to take hold, every employee of the firm must be involved in the process: management and labor, superior and subordinate, muzhik and boyar alike. Ultimately, responsibility for activation of virtue ethics within organizations will fall to management and HR professionals employed there. The strategic work will be accomplished by the former, and tactical implementation will be shared by both.

In this chapter, virtue ethics has provided a perspective from which individual firms can decipher and support ethical behavior. The organizational learning literature has suggested how organizations might be *structured* to encourage ethical behavior and to virtuously respond to CSR-related issues as they become evident. Space here is limited, but a review of the model provided suggests immediate conclusions regarding how management and HR personnel might be used to advantage in the ethical arena.

First, it is strategically important to locate and protect agents of virtue who take a radical approach to ethical reasoning and who understand related organizational issues. Psychologically grounded, radical managers particularly play a dominant role in curating and preserving integrity, fairness, trust, respect, and mutual empathy in the workplace. They directly contribute to building virtues characteristic of

ethical organizations. Top management should account for such positively inclined ethical intrapreneurs and reward them for their contributions accordingly. HR should incorporate ethical contributions made to the organization into the annual performance evaluation and reward system.

Next management and HR, alike, can become involved in expanding the organization's absorptive capacity to identify ethical issues emanating from the environment. Management must strategically support ethical aspects of absorptive capacity. HR might consider periodic training of all employees in aspects of virtue ethics and understanding the contemporary competitive environment. In this regard, HR can facilitate the gathering of ethical feedback from employees in general and from those interacting with external stakeholders in particular. Even weak signals noted in the environmental should be reviewed and discussed in a structured way.

Third, managers must take responsibility to avoid insight inertia and action inertia when responding to ethical issues identified, and HR can also support their efforts in that regard. For example, critical instances related to prior handling of ethical issues can be gathered and incorporated into management and employee ethical training. Particular attention could be paid to how issues were framed when analyzed and how they were interpreted through the sensemaking process. HR could also incorporate questions into 360° feedback related to perceptions of hieratic distance between managers and others they encounter.

Alternatively, evidence of the presence of active virtue ethics in the organization is revealed through the practical virtuous judgment made by decision-makers. HR can archive critical incidence supporting the presence of virtuous judgment in specific instances and present those in periodic performance reports to management. These should also be shared with rank-in-file employees as well to encourage greater ethical involvement on a day-to-day basis. This exercise will also confirm any activation of virtue ethics that has occurred and will reveal the relative health of virtue ethics in the firm.

Conclusion

Times are changing and the public is expecting better behavior and greater corporate social responsibility from the private sector. Legal remedies such as the Sarbanes-Oxley Act of 2002 have been applied to counter destructive behaviors exhibited by the likes of Enron and WorldCom (Kwak et al. 2012). "Unfortunately, most companies have not evolved to keep pace with all these changes and are still doing business using mind-sets and practices that were appropriate for a very different world" (Mackey and Sisodia 2013, p. 29). The use of legal remedies to address unethical institutional activities is not wrong, but incomplete. Virtue ethics is also conceptually robust enough to address business malfeasance (Audi 2012). This chapter has shown how virtue ethics is activated organizationally. Commercial endeavor at its best is based on voluntary, cooperative exchange where all parties benefit (Mackey and Sisodia 2013). Exploitation and coercion are anathema and

counterproductive. Commerce, voluntary exchange for mutual benefit, holds the potential for generating greater prosperity for our people. It is one engine which can power positive development of our communities. Application of virtue ethics to the management of business help us find proper tension between pursuit of ethical purpose and pursuit of profits. Through the activation of virtue ethics, world-class firms of endearment (Sheth et al. 2003) will be raised up that profit from both their passion and purpose. Organizations can and should be structured to do so.

Cross-References

▶ Capabilities Theory and the Ends of Business
▶ Capabilities Theory and the Virtuous Manager
▶ Organizations and the Development of Virtue

References

Argote L, McEvily B, Reagans R (2003) Managing knowledge in organizations: an integrative framework and review of emerging themes. Manag Sci 49:571–582

Audi R (2012) Virtue ethics as a resource in business. Bus Ethics Q 22:273–291

Beach L (2006) Image theory. In: Miner J (ed) Organizational behavior 2: essential theories of process and structure. M. E. Sharpe, Amonk

Beadle R, Moore G (2006) Maclntyre on virtue and organization. Org Stud 27:323–340

Beugré C (2010) Organizational conditions fostering employee engagement: the role of "voice". In: Albrecht S (ed) Handbook of employee engagement: perspectives, issues, research and practice. Edward Elgar Publishing, Northampton

Büchel B, Raub S (2003) Media choice and organizational learning. In: Dierkes M, Antal A, Child J, Nonaka I (eds) Handbook of organizational learning & knowledge. Oxford University Press, Oxford

Cavanagh G (1998) American business values with international perspectives, 4th edn. Prentice Hall, Upper Saddle River

Cohen W, Levinthal D (1990) Absorptive capacity: a new perspective on learning and innovation. Admin Sci Q 35:128–152

Crossan M, Mazutis D, Seijts G (2013) In search of virtue: the role of virtues, values, and character strengths in ethical decision making. J Bus Ethics 113:567–581

Daghfous A (2004) Absorptive capacity and the implementation of knowledge-intensive best practices. SAM Adv Manag J 69:21–27

Dodgson M (1993) Organizational learning: a review of some literatures. Org Stud 14:375–394

Dyck B, Schroeder D (2005) Management, theology and moral points of view: towards an alternative to the conventional materialist-individualist ideal-type of management. J Manag Stud 42:705–735

Dyck B, Weber J (2006) Conventional versus radical moral agents: an exploratory empirical look at Weber's moral-points-of-view and virtues. Org Stud 27:429–450

Easterby-Smith M, Lyles M, Tsang E (2008) Inter-organizational knowledge transfer: current themes and future prospects. J Manag Stud 45:677–690

Friis P, Larsen H (2006) Theatre, improvisation, and social change. In: Shaw P, Stacey R (eds) Experiencing risk, spontaneity, and improvisation in organizational change. Routledge, New York

Ghoshal S (2005) Bad management theories are destroying good management practices. Acad Manag Learn Educ 4:75–91

Hartman M (2008) Socratic questions and Aristotelian answers: a virtue-based approach to business ethics. J Bus Ethics 78:313–328

Hedberg B, Wolff R (2003) Organizing, learning, and strategizing: from construction to discovery. In: Dierkes M, Antal A, Child J, Nonaka I (eds) Handbook of organizational learning & knowledge. Oxford University Press, Oxford

Hofstede G (2001) Culture's consequences, 2nd edn. Sage, Thousand Oaks

House R (1996) Path-goal theory of leadership: lessons, legacy, and a reformulated theory. Leadersh Q 7:313–352

Kieser A (1997) Myth and rhetoric in management fashion. Org 4:49–74

Kieser A, Beck N, Tainio R (2003) Rules and organizational learning: the behavioral theory approach. In: Dierkes M, Antal A, Child J, Nonaka I (eds) Handbook of organizational learning & knowledge. Oxford University Press, Oxford

Kim D (1993) The link between individual and organizational learning. Sloan Manag Rev 35:37–50

Kim L (1997) Imitation to innovation: the dynamics of Korea's technological learning. Harvard University Press, Boston

Kish-Gephart J, Harrison D, Treviño K (2010) Bad apples, bad cases, and bad barrels: meta-analytic evidence about sources of unethical decisions at work. J Appl Psychol 95:1–31

Kwak W, Cheng X, Ni J (2012) Predicting bankruptcy after the Sarbanes-Oxley Act using logit analysis. J Bus Econ Res 10:521–531

Lane P, Koka B, Pathak S (2006) The reification of absorptive capacity: a critical review and rejuvenation of the construct. Acad Manag Rev 31:833–863

Leslie D (2013) Don't spring a better story: be a better company. H Bus Rev 91:42–42

Louis M (1980) Surprise and sensemaking: what newcomers experience in entering unfamiliar organizational settings. Adm Sci Q 25:226–251

MacIntyre A (1984) After virtue, 2nd edn. University of Notre Dame Press, Notre Dame

Mackey J, Sisodia R (2013) Conscious capitalism: liberating the heroic spirit of business. Harvard Business Review Press, Boston

March J, Olsen J (1975) The uncertainty of the past: organizational learning under ambiguity. Eur J Polit Res 3:147–158

Murphy E (1999) Character and virtue ethics in international marketing: an agenda for managers, researchers, and educators. J Bus Ethics 18:107–124

Novak M (1996) Business as a calling: work and the examined life. The Free Press, New York

Orlitzky M, Swanson D, Quartermaine L (2006) Normative myopia, executives' personality, and preference for pay dispersion. Bus Soc 45:149–177

Paine L (2003) Value shift: why companies must merge social and financial imperatives to achieve superior performance. McGraw-Hill, New York

Roberts N, Galluch P, Dinger M, Grover V (2012) Absorptive capacity and information systems research: review, synthesis, and directions for future research. MIS Q 36:525–648

Seo M-G, Goldfarb B, Barrett L (2010) Affect and framing effect within individuals over time: risk taking in a dynamic investment simulation. Acad Manag J 53:422–431

Simon H (1991) Bounded rationality and organizational learning. Org Sci 2:125–134

Sheth J, Sisodia R, Wolfe D (2003) Firms of endearment: how world-class companies profit from passion and purpose. Pearson Prentice Hall, Upper Saddle River

Sisodia R, Sheth J, Wolfe D (2014) Firms of endearment: how world-class companies profit from passion and purpose, 2nd edn. FT Press, Upper Saddle River

Solomon R (1992) Ethics and excellence: cooperation and integrity in business. Oxford University Press, New York

Swanson D (1999) Toward an integrative theory of business and society: a research strategy for corporate social performance. Acad Manag Rev 24:506–521

Szulanski G (1996) Exploring internal stickiness: impediments to the transfer of best practice within the firm. Strat Manag J 17:27–43

Weick K (1995) Sensemaking in organizations. Sage, Thousand Oaks

Weick K (2001) Making sense of the organization. Blackwell, Oxford

Zahra S, George G (2002) Absorptive capacity: a review, reconceptualization, and extension. Acad Manag Rev 27:185–203

Virtue Ethics in Employee Relations

Patricia Meglich

Contents

Abstract

Business decisions related to people management (aka human resource management) will be presented from the perspective of virtue ethics, an approach that emphasizes an individual's character rather than a strict assessment of outcomes or compliance with rules or policies. The human resource function is dedicated to managing people issues in organizations. To that end, every HR practice can be considered an "ethical" issue because the impact of these practices will impact the quality of work life for employees. HR practices can influence the actions of employees in ways that will lead to virtuous outcomes for both the organization and the individual employees.

P. Meglich (✉)
Department of Marketing and Management, University of Nebraska at Omaha, Omaha, NE, USA
e-mail: pmeglich@unomaha.edu

Introduction

There are a number of philosophical traditions on ethics ranging from utilitarianism (the greatest good for the greatest number) to deontology (fulfill one's duty or obligations). Each philosophy can produce different resolutions to the same decision or choice made in an organization. The purpose here is not to compare these various perspectives on ethics. Rather, business decisions related to people management (aka human resource management) will be presented from the perspective of virtue ethics, an approach that emphasizes an individual's character rather than a strict assessment of outcomes or compliance with rules or policies.

Virtue ethics is a tradition dating back to ancient Greek philosophers that can be appropriately applied to a business context. Koehn (1995) demonstrates that several aspects of virtue ethics make it an ideal perspective from which to study organization decisions. Primarily, the premise that virtue ethics is a continuous process in which individuals evolve and develop patterns of behavior within a community lends itself to the nature of business as an ongoing concern focused on achieving excellence. Business leaders make countless decisions that are witnessed by many stakeholders. These decisions emerge from leaders' ethics and also contribute to the development of an ethical mindset in those leaders and their followers.

Aristotle's Ethical Framework

Aristotle's approach to ethics diverges from his predecessors as he believed that individual character was at the heart of ethical behavior rather than compliance with rules or duty. In his treatise, Nicomachean Ethics, he declares that the overarching goal of human existence is well-being or happiness (Pakaluk 2005). Aristotle believed that when people act in a virtuous manner, they will ultimately achieve happiness in their lives. People develop virtuosity through practice and habit. We learn to "internalize" these virtues over time. We can act in a morally proper way because it is the "right thing to do" rather than because we are compelled by rules or laws. Aristotle's ethical framework is based on common sense or reason. Essentially, Aristotle believed that virtuous people learn to do the right thing for the right reason. A key element of Aristotle's philosophy is the notion that virtues are developed through habit. Therefore, people are not born as "virtuous" or "vicious." Rather, we have great capacity to learn and practice virtues, and eventually these virtues become an integral part of our personal character.

Another key tenet of Aristotle's approach to virtuous action is the "doctrine of the mean." This notion speaks of balance and proportion whereby virtuous actions fall between two extreme "vice" states. There is no mathematical or absolute level of action which can be deemed as "virtuous" across all contexts and situations. Rather, "virtuous" action must be determined based upon the instant case facing the actor (Pakaluk 2005). For example, the virtue of courage sits between the excess of rashness and the deficiency of cowardice. The courageous individual strikes the

appropriate level of courage by avoiding actions that are hasty, careless, and foolhardy (rashness) while avoiding being spineless, tentative, and meek (cowardice). Faced by a charging bull, the individual might beat a hasty retreat. However, when faced with an armed robber when one is unarmed, the wiser course of action might be to sacrifice one's wallet and avoid confrontation, thus appearing meek and submissive. Because Aristotle assumes a common sense approach, the wise individual can determine the "moderate" course when faced with a choice.

These two aspects of Aristotle's approach to virtue ethics, that they are developed through habit and moderation is optimal, are especially salient in the context of work life and human resource (HR) practices. Recognizing that virtuous character is the result of practice and habit allows organizations to implement HR practices that can facilitate this character building in employees. The emphasis on moderation can lead to HR decisions and practices that strike the balance between extremes especially with respect to various stakeholder objectives.

The Evolving HR Function

As evidence mounts that human resource (HR) practices can impact bottom-line outcomes in organizations, the demands placed on the HR profession have changed. Rather than serving primarily as administrative guru and policy creator and enforcer offering little value added, the evolved HR professional now fulfills a number of mission-critical roles to facilitate positive organizational outcomes. Effective HR practices have been shown to lead to higher profitability, sales growth, productivity, quality, and better employee retention (Jian et al. 2012; Hanks 2013). Such outcomes depend upon HR practitioners who can operate beyond the boundaries of the traditional paper-shuffling compliance role. Ulrich (1998) pronounced that for HR to remain relevant and additive, the field would need to transform itself in a way that delivers value and results to the organization. Executives and line managers, who bear ultimate responsibility for organization outcomes, must refocus the HR practice to better respond to the changing competitive landscape.

The HR function is dedicated to managing people issues in organizations. To that end, every HR practice can be considered an "ethical" issue because the impact of these practices will impact the quality of work life for employees. While this seems to be a rather broad interpretation of the relationship between HR and ethics, it is not far from reality. No other function in the modern organization is focused so directly on the well-being of employees from a personal and professional perspective. Further, if Aristotle's basic premise is true, that humans seek happiness or well-being, then providing for well-being in the workplace creates a mutual objective shared by the individual and the organization. People can pursue happiness through their work. Therefore, organizations that provide the virtuous path to happiness will be well regarded by their employees (Guest and Woodrow 2012).

HR as Ethical Leader and Compass

HR professionals operate as leaders within their organizations no matter the position they occupy in the formal hierarchy. By developing and executing myriad HR practices and policies, the HR professional leads countless initiatives and efforts within the organization. In this capacity as leader, HR professionals are able to guide and direct employee and manager behavior consistent with ethical principles. Several aspects of leadership that manifest in the HR function can enhance HR's role as ethical compass (Caldwell et al. 2010).

Principle-centered leaders follow well-accepted principles of effectiveness and respected moral values and are committed to the welfare of all stakeholders (Covey 1992, 2005). Principle-centered leadership is an "inside job" whereby leaders internalize the principles and tenets of moral conduct and behave in ways congruent with those beliefs. They are first and foremost ethical individuals, rather than individuals being driven by prescribed policy or rule. Ergo, in the face of situations for which no policy exists, principle-centered leaders would take the high moral ground and act in an inherently ethical manner. HR professionals frequently face situations that require formulating solutions for which there is no precedent or policy to guide them. To the extent that the HR professional addresses these situations from an ethically driven perspective, that individual serves as an ethical compass, directing organizational momentum along an ethical path.

HR professionals often act as servant leaders, those who build trust and inspire others by serving others (Parris and Peachey 2013). A primary consideration of servant leaders is protecting the welfare of followers (i.e., employees) while also fulfilling responsibilities to the organization at large. HR professionals assume a major role in ensuring that employees are valued and treated well. Through a servant leadership approach, HR professionals can institute ethical practices that will safeguard employees' rights and lives and facilitate the employees' pursuit of happiness through work.

Finally, the concept of authentic leadership may explain the HR role with respect to ethical leadership. Authentic leadership is informed by the leader's "true" self, determined by a self-aware individual with a strong connection to moral virtue (Ladkin and Taylor 2010). Authentic leaders operate from a values-based perspective and behave in ways consistent with their values and morals. Followers perceive this congruence between leader values and behavior and develop trust in the leader. In this way, HR professionals work to establish trusting relationships with employees and other stakeholders by following through on commitments and honoring their word.

The professional community of HR practitioners recognizes and accepts substantial obligation for the ethical management of people in organizations. As the primary professional association of HR practitioner, the Society for Human Resource Management has created a code of ethics that includes the following dimensions (SHRM 2007):

Professional responsibility. HR professionals are responsible for adding value to their organizations and contributing to the ethical success of those organizations.

Professional development. HR professionals strive to meet the highest standards of competence.

Ethical leadership. HR professionals are expected to exhibit individual leadership as a role model for maintaining the highest standards of ethical conduct.

Fairness and justice. HR professionals are ethically responsible for promoting and fostering fairness and justice for all employees and their organizations.

Conflicts of interest. HR professionals must maintain a high level of trust with stakeholders and should not engage in activities that create actual or potential conflicts of interest.

Use of information. HR professionals protect the rights of individuals especially in the acquisition, use, and dissemination of information while ensuring truthful communications and facilitating informed decision-making.

The function of ethical compass is to provide direction for organization members. While the strategic plan provides the roadmap and shows organization members where the organization is headed, the compass tells them how to reach the destination. Executive leaders establish the goal and HR professionals help to guide employees on the right path to get there. It goes without saying that executive leaders and HR work collaboratively to establish and model appropriate organization behavior. HR professionals create policies and practices that reinforce to employees how they are expected to act and make decisions consistent with ethical beliefs and values. HR practices can ensure that the organization meets its strategic goals in an ethical manner.

Ethical HR Decisions

Many decisions made in today's organizations must be considered in light of various stakeholders and their competing interests. Stakeholder theory would argue that successful firms effectively develop relationships with stakeholders that are based on mutual trust and cooperation (Jones 1995; Cragg 2002). Bearing in mind the diverse constituencies that may be impacted by organization decisions, the following examples are provided to better demonstrate the ethical implications of particular HR decisions and practices. While clearly not exhaustive, they provide some insight into how HR leaders can consider the virtuous choice when facing organization decisions.

A common strategic HR-related issue involves the choices made to deal with a labor surplus in the organization. The labor surplus may emerge due to overall economic conditions or to something more specific within the firm such as loss of a key contract or new competition in the market. Organization leaders can choose among a number of approaches when facing an excess of labor. From the point of view of the shareholder (i.e., owners), the most desirable resolution is the quickest, most effective reduction of labor costs, often achieved through a layoff or reduction in force. From the point of view of the employees, the most desirable resolution might be finding a way to retain the majority of employees over the long run. From

the point of view of customers, uninterrupted supply of competitively priced, high-quality goods is desirable.

Is there a reasonable solution that can provide a good outcome for all stakeholders? Are the wishes of one particular stakeholder more important than others? Viewed through the virtue ethics framework, this organization decision would seek to find a moderate solution that balances the various concerns of these different stakeholders. A possible solution would be to solicit input from the stakeholder groups to uncover options that might serve all. One approach might be to ask all employees (executives included) to accept a reduction in pay until the situation improves. Might shareholders accept this longer-term solution that would involve retaining employees (and intellectual capital) but not result in a quick cost reduction? Might employees find this to be a more palatable outcome than the termination of some employees? The search for a "middle ground" might lead to superior results for all stakeholders. However, such a strategy requires courageous leaders who can communicate effectively with various constituencies and who take the time to think beyond traditional tactics commonly used by others in the market. These virtuous leaders may be rewarded with loyalty from stakeholders and greater commitment to the organization.

A second common HR situation involves the use of information on social media websites to make employment decisions. The widespread availability of information about prospective and current employees is tempting to those who might wish to "gain an insight" into these individuals and their attributes and attitudes (Clark and Roberts 2010). At this writing, there is no specific legal prohibition against the use of such information; it falls within a gray area of ethics. Using social media to make employment decisions is fraught with peril. The accuracy and relevance of the information are questionable, information about applicants that is normally prohibited (i.e., race, age, sex) can be easily determined, and the validity of assumptions made about individuals based on social profiles is unconfirmed.

HR can implement practices to ensure that the organization does not fall victim to the shortcut approach to appropriate employment decision-making. Balancing the need to collect information on applicants with the individual's expectation of privacy and fair treatment, HR professionals can model good behavior by refusing to consider non-job-related social media information in hiring decisions. Further, they can discourage other organization members from doing so and establish policies prohibiting social media investigations. Training managers is also key to setting the proper ethical tone in the organization. HR can do the right thing for the right reason and ensure that employees are hired using proper and valid methods.

Creating the Virtuous Organization

There is an iterative, reciprocal relationship between individuals and their environments. Virtuous individuals existing in a non-virtuous environment may respond by modifying the environment, modifying their behavior, or leaving the situation.

Likewise, non-virtuous individuals existing in virtuous environments may respond in the same way. Individuals will influence and be influenced by their environments and vice versa. Therefore, creating the virtuous organization is an ongoing process. Once established, the environment must be monitored and maintained and new members must be assimilated to appropriate conduct.

In order to create a virtuous business organization, there must be virtuous agents at all levels of the organization, and the environment and structure must be conducive to carry out the organization's core competencies and purpose (Moore 2008). HR practices, especially those related to staffing, rewards, and employee relations, can contribute to the creation of the virtuous organization. Hiring virtuous employees, rewarding virtuous conduct, and implementing fair, just practices are among the steps that HR can take to solidify an ethical environment.

HR practices can make a significant contribution to the creation and maintenance of a virtuous organization. HR professionals can incorporate a number of practices that may enhance the ethical climate of the organization. The following section provides specific ways in which HR practices can be utilized to further the ethical environment.

Recruiting and selection activities should be transparent, nondiscriminatory, and conducted by well-trained individuals. The process for collecting information about applicants should be open and honest. Applicants' private information (such as that shared on social media websites) should remain private. Strict adherence to systematic acquisition of information (via means such as applications, interviews, and reference checks) provides applicants with a sense of trust and respect. Prohibiting "informal" and surreptitious data collection demonstrate to prospective employees the ethical standards expected of those associated with the organization. Similarly, the organization should be forthcoming with information deemed important to an individual making an employment decision. For instance, if the organization is facing financial or legal problems, it is appropriate to inform applicants before they accept a job offer. Imagine the breach of trust the new employee would experience if on the first day of work he or she learns of major problems at the firm. The tone set would likely cause the individual to behave in a less-than-forthcoming manner throughout his or her employment at the organization.

Reward systems can be a powerful mechanism of embedding an ethical mind-set throughout the organization. Proper assessment and compensation of performance sends a pretty clear signal to employees about what is truly important to organization leaders. As the old adage states, "what gets rewarded gets done." Including measures of ethical behavior in the performance management process puts employees on notice that it is not only what they achieve that is important, but how they achieve those results that matters. For example, if the employee earns an incentive payment by meeting a sales quota (as the solitary measure), then the employee might do so through inappropriate means such as deceiving the customer about delivery, stealing customers from coworkers, or misrepresenting product features or quality. Rather, the incentive payment should be based on meeting the sales quota within specific parameters and might include some follow-up assessment regarding customer satisfaction and repeat sales.

A further issue related to performance is the delivery of candid performance feedback to employees. Many managers and employees dread the performance appraisal process because of the propensity to offer disingenuous, inauthentic feedback to employees. Frequently done to fulfill organization administrative requirements, the performance appraisal fails to provide employees what they need most – honest and sincere information relative to their job performance. While it may seem kind and generous to obfuscate performance information in order to spare an employee's feelings, in the end this is actually an unethical approach to the situation. There is little gain in masking performance problems or deluding an employee into believing that he or she has upward potential when that is not the case. HR professionals can assist managers in building their courage to face what might be difficult but necessary conversations. Working through role plays and simulations can help managers to develop the virtuous habit of frank, honest discussions that show respect for the employee.

Conclusion

HR professionals and HR practices can provide a framework for organizations and their members to act virtuously and to develop true "virtue." HR can lead by example, model virtuous conduct, and guide others to do likewise. HR practices can influence the actions of employees in ways that will lead to virtuous outcomes. There is no other function or discipline within the modern organization more appropriately suited for the role of ethical compass than HR. HR touches all aspects of employees' work lives from the first encounter as an applicant to their retirement; HR is a constant presence and guiding force. HR is the beacon which can guide all organization members to the shores of virtue.

Cross-References

▶ Application of an Ethic of Care to Business
▶ Aristotle's Virtue Ethics and Virtuous Business
▶ Cultivation of Virtuousness and Self-actualization in the Workplace
▶ Developing a Virtuous Organizational Culture
▶ Management Approach: The Virtuous Corporation as a Moral Agent for Sustainable Development
▶ Organizations and the Development of Virtue
▶ The Case for Considering Virtue Ethics in Organizational Ethics and Human Resource Management
▶ The Virtue of Human Being in Organizations
▶ Virtue and Principles in Management
▶ Virtues and Principles in Managing People in the Organization

References

Caldwell C, Truong DX, Linh PT, Tuan A (2010) Strategic human resource management as ethical stewardship. J Bus Ethics 98(1):171–182

Clark L, Roberts S (2010) Employer's use of social networking sites: a socially irresponsible practice. J Bus Ethics 95(4):507–525

Covey S (1992) Principle-centered leadership. Simon & Schuster, New York

Covey S (2005) The 8th habit: from effectiveness to greatness. Free Press, New York

Cragg W (2002) Business ethics and stakeholder theory. Bus Ethics Q 12(2):113–142

Guest D, Woodrow C (2012) Exploring the boundaries of human resource managers' responsibilities. J Bus Ethics 111(1):109–119

Hanks S (2013) A meta-analysis of relationships between human resource practices and organizational outcomes. People Strategy 36(1):14–16

Jian K, Lepak D, Hu J, Baer J (2012) How does human resource management influence organizational outcomes? A meta-analytic investigation of mediating mechanisms. Acad Manag J 55(6):1264–1294

Jones T (1995) Instrumental stakeholder theory: a synthesis of ethics and economics. Acad Manag Rev 20(2):404–437

Koehn D (1995) A role of virtue ethics in the analysis of business practice. Bus Ethics Q 5(3):533–539

Ladkin D, Taylor S (2010) Enacting the 'true self': towards a theory of embodied authentic leadership. Leaders Q 21(1):64–74

Moore G (2008) Re-imagining the morality of management: a modern virtue ethics approach. Bus Ethics Q 18(4):483–511

Pakaluk M (2005) Aristotle's Nicomachean Ethics: an introduction. Cambridge University Press, Cambridge

Parris D, Peachey J (2013) A systematic literature review of servant leadership theory in organizational contexts. J Bus Ethics 113(3):377–393

SHRM (2007) SHRM code of ethics. www.shrm.org/about/pages/code-of-ethics.aspx

Ulrich D (1998) A new mandate for human resources. Harv Bus Rev 76(1):124–134

Part XXV

Virtues in Knowledge Management

Knowledge Management and the Philosophical Value of Knowledge

Miguel Garcia-Valdecasas

Contents

Abstract

The increasing importance of knowledge management (KM) calls for a satisfactory analysis of the definition and value of knowledge. In this article, this analysis is made by parsing the concepts of knowledge and information from a philosophical viewpoint. It is argued, in the first place, that having knowledge is a subject-dependent ability and that, as such, knowledge should be more valuable than information. The organizational policy about knowledge should primarily aim to gather personal knowledge. Secondly, the value of knowledge within philosophy is shown from a historical perspective. Thirdly, it is argued that the pursuit of knowledge is oriented to practical wisdom, which Aristotle conceives of as the knowledge of what is best or most appropriate in human affairs. Since practical wisdom is central to organizations, the cooperation between KM and philosophy should lead organizations to better recognize "practical wisdom opportunities," that is, opportunities to identify and foster best choices.

M. Garcia-Valdecasas (✉)
Mind-brain: Biology and Subjectivity in Philosophy and Contemporary Neuroscience, Institute for Culture and Society, University of Navarra, Pamplona, Spain
e-mail: garciaval@unav.es

Introduction

Knowledge management (KM), a field born in the 1970s from the work of Drucker, Strassmann, and Senge, stresses the importance of knowledge for organizations by studying the management of information in complex scenarios. As the literature on KM and its influence on other disciplines grows, it becomes necessary to develop a philosophical analysis of the concept of knowledge and its claim to be valuable. Philosophy, which was the first discipline to articulate a theory of knowledge, has also dealt with the question of its value for science and human life generally.

In a handbook that explores the role of virtue ethics in business and organizations, the value of knowledge will be set in the context of the Aristotelian tradition. As is known, Aristotle articulated a systematic theory of virtues that enhance the subject's moral character when honestly lived. In the enhancement of one's life, wisdom – a virtue that the ancients regarded as a developing of the most valuable knowledge for human beings -, plays a central role. The Aristotelian view of knowledge and wisdom marks a natural contrast with the perspective of KM, but the ensuing contrast will be illuminating for three reasons. First, the concept of knowledge in KM has an important effect on the identification of its subject matter. Secondly, only by looking at the existing varieties of knowledge, extensively discussed by philosophers throughout the centuries, can the limits or potentialities of KM within organizations be adequately weighed. Thirdly, seriously envisaging the philosophical perspective may expand the scope of KM beyond the treatment of information, such that it looks for ways to better recognize "practical wisdom opportunities," that is, those types of knowledge that foster the best personal and corporate choices on the basis of a lucid identification of virtues.

This chapter is divided into six sections. The first three set the contrast mentioned above into perspective by (1) characterizing knowledge, (2) discussing the management of information, and (3) exploring the distinction between declarative and implicit knowledge. The next two sections (4) discuss the value of knowledge from a historical perspective and (5) introduce Aristotle's view on wisdom. The final section (6) recapitulates the discussion.

Characterizing Knowledge

Knowledge management (KM) may be described as the discipline that concerns the efficient handling of information within a commercial organization. From the different angles from which knowledge can be contemplated, the literature on KM generally regards knowledge as an asset that can be organized, transferred, and disseminated in order to make organizations generally more efficient.

Thus, KM portrays knowledge as a commodity that can be passed on to others and sold for commercial purposes. Although this characterization is legitimate, the literature on KM pays little to no attention to the fundamental question of the nature of knowledge, often viewing it as something of a "black box" (Spiegler 2000, p. 4).

Nevertheless, philosophy has traditionally dealt with such elusive questions as the nature of knowledge. Allix (2003) notes that "although underlying philosophical assumptions may exert a strong influence on the nature of theories, they are not explicitly acknowledged and discussed in the knowledge management literature." The failure to take the wider view characteristic of philosophy is a missed opportunity for KM, because philosophers have dealt with knowledge for a long time. For instance, Aristotle defined knowledge as an intellectual apprehension concerning truth. He held that while truth and falsity are in thought (Aristotle 1989, VI 4, 1027b 26–27), an affection of thought causes truth (Aristotle 1989, VI 4, 1027b 35). For Aristotle, this intellectual apprehension that connects the intellect and things in the world is the cause of truth. This theory, sometimes called the "correspondence theory of truth," has been advocated by other philosophers, even in the twentieth century, and is compatible with the theory that regards knowledge as an ability (Hyman 2006, Hacker 2007).

In the literature of KM, some have noted that knowledge is a "remarkable substance" (Styhre 2002), pointing out that most forms of knowledge increase with time rather than diminish and are not consumed. While this suggestion may capture an important intuition, this is simply a metaphorical use of language. If knowledge is an ability, it cannot be a substance liable to grow or diminish in size.

Abilities are defined by the activities that they make subjects capable of. From this it follows that it may be inappropriate to identify knowledge with a substance, because there is no exercise of the ability to know that may conceivably constitute a substance like water or gold. By the same token, knowledge cannot be a deliverable or manageable commodity. While we can handle and deliver material goods, knowledge is not a material good or a physical condition of the kind of blindness or sunburn, and can only be acquired by one's intellectual capacity to apprehend truth.

Consequently, it may be good to draw a distinction between knowledge and the kind of things that can be manipulated to derive some knowledge from them. This distinction is often envisaged (Kenny 1989, p. 108) as the distinction between knowledge and information. We might express this distinction in this way:

Knowledge is the state concerning truth.
  Information is a particular arrangement of natural elements from which knowledge can be derived.

Note that, while there cannot be knowledge without a subject's mind being in a certain state, there may be information without knowledge. For example, a spreadsheet may contain confidential data about the yearly revenues of a company, but fail to be noticed by any inquisitive analyst. Whether a subject exercises his or her ability to know is something that cannot be taken for granted, because information is mind independent.

Theirauf (1999) makes a tripartite distinction between data (an unstructured collection of facts), information (information about facts), and knowledge (information about information). This distinction presents data as mind independent and both information and knowledge as mind dependent. Although Theirauf's distinction does not rely on the definition of knowledge as an ability, to the extent that there cannot be any information or knowledge without some analysis of data, it is compatible with it.

Unfortunately, knowledge does not necessarily accrue from the spread of information. In fact, the complaint is often heard that while the Internet makes available vast quantities of information to many people, only a few of them ultimately succeed in gaining relevant knowledge from it.

Managing Information

The literature on KM usually identifies the management of knowledge as its subject matter. But as argued above, if knowledge is not a manageable asset, it would be more adequate to speak about "information management" rather than of "knowledge management" because information can be handled and delivered in ways that meet the requirements of KM. Information is subject independent, such that it can be handled, stored, and delivered to other parties by non-intelligent artifacts such as computers, which highly maximize the availability and speed in the delivery of information to enable a better and more efficient use of it. Thus, the subject matter of KM to the date is the management of information.

Theorists of KM stress that organizations hire minds, rather than hands (Wong 2005). The capital wealth of an organization ultimately rests on the ability of its workers to find and select competitive information and to provide appropriate technical solutions. Given that identifying business opportunities and turning these opportunities into a profit requires time, expertise, and insight, it is widely held that organizations will be wrong to place exclusive emphasis on technical solutions while neglecting the more profitable, although costly, goal of increasing the capabilities of its personnel and thus making the organization more knowledgeable. Given that only human subjects can acquire knowledge in Aristotle's sense, the primary goal of KM within organizations should be to maximize both knowledge and expertise among them.

At the same time, organizations should teach a variety of skills, not only technological ones. Allix identifies a trend in the literature on KM to place undue emphasis on "technology-centric conceptions of the field" (2003). He quotes Davenport and Prusak, who characterize the nature of this problem as "the confusion of information … with the technology that delivers it." They stress, "the medium is not the message" (1998, pp. 4–5). Therefore, there seems to be a growing consensus that KM should not focus its endeavors solely on technology or information management, but should promote instead intelligent collaboration, learning, and innovation (Allix 2003). When organizations pursue a long-term strategy to learn and innovate using relevant information, the scope of KM becomes clearer.

Davenport and Prusak stress that KM is not merely a techno-centric discipline that centers on technology and information systems but is also a discipline that looks to increase a subject's multifaceted expertise.

Declarative Versus Tacit Knowledge

One of the central points of coincidence between KM and philosophy is the distinction between declarative or explicit knowledge, on the one hand, and implicit or tacit knowledge, on the other. While declarative or explicit knowledge is information that can be handled, stored, or delivered and can be found in reports, spreadsheets, or databases, implicit or tacit knowledge is "knowledge" in the strictest sense, that is, the kind of knowledge that can be described as a personal ability. However, it is no easy feat to state what kind of ability knowledge is. Hacker (2007, p. 109) has claimed that knowledge is an ability to successfully reply to a variety of questions; Hyman (2006) has claimed that knowledge is an ability to be guided by the facts. Although subjects rely on implicit knowledge to conceptualize, reason, and innovate, it is hard to say how knowledge can be capitalized on and successfully transmitted.

In philosophy, the existence of tacit knowledge has long been acknowledged. Polanyi (1966) argued that in scientific investigation, every step is preceded by a kind of knowledge that is not easy to encapsulate or formalize. We usually know more than we can tell, profiting from our understanding of different facts to an extent that tends to pass unnoticed. For Polanyi, tacit knowledge is the most central kind of knowledge: "all knowledge is either tacit or rooted in tacit knowledge" (1969, p. 144). The notion is also believed to play a key role in scientific revolutions, in which the scientist is challenged by the facts, that is, by the body of existing declarative knowledge, to come up with a new understanding of the facts that demands a radical shift, one that usually opens the way for new and unsuspected declarative knowledge.

The Value of Knowledge

The distinction between knowledge and information, on the one hand, and between declarative and tacit knowledge, on the other, highlights the value of knowledge versus information. The value of information rests on its potential to generate knowledge when amenable to understanding. Although information can be said to be meaningful per se, it is useless unless grasped by a competent knower. It is understandable, then, that philosophy has given considerable attention to knowledge, endeavoring to discover its intrinsic value. In particular, the roots of the claim that knowledge has an intrinsic value go back to Plato at least.

In *Meno* (1963), Plato portrays Socrates as wondering whether we should prefer knowledge to true belief. Socrates claims that knowledge is true justified belief, that is, the true belief that a subject holds on account of a justifying reason. Plato makes

Socrates say that we prefer knowledge to true belief because knowledge is "tethered" to truth, whereas true belief is untethered and may easily be lost (1963, pp. 97e–98a). Implicit in this consideration is that its tethering to truth gives knowledge a stability that protects it from the shifting sands of belief. The stability of knowledge gives us a reason to prefer knowledge over other forms of cognition that lack the reliability of knowledge, despite being of equal practical value at times.

This analysis has been called the "Standard Analysis." As Pritchard puts it, "to say that knowledge is valuable is to say that it is more valuable, not just as a matter of degree, but of kind, than that which falls short of knowledge" (2010, p. 45). It is therefore held that the goal of a sound epistemology, or theory of knowledge, is to capture the comparative value of knowledge versus that of a true belief. Nevertheless, the fact is that after Plato, philosophers have increasingly spurned the Standard Analysis, which is beset by a host of theoretical difficulties. As a result, Pritchard now sees the need for a change of strategy. He suggests that the distinctive value of knowledge should be awarded to understanding, which he claims is not a subspecies of knowledge and which withstands the sort of criticism typically leveled against the Standard Analysis. Philosophers such as Kvanvig (2003) are also of a similar view. Because understanding is thought to be nonpropositional cognition, Kvanvig thinks it to be less vulnerable to cases of luck – those in which the subject is said to know something without the evidence that backs it.

In line with Plato, Locke's *Essay Concerning Human Understanding* (1963) distinguishes between knowledge and belief as different phenomena. He defines knowledge as the direct awareness of the agreement or disagreement between ideas. "The mind, in all its thoughts and reasonings, hath no other immediate object but its own ideas, which it alone does or can contemplate; it is evident, that our knowledge is only conversant about them" (1963, Bk IV, ch 1, 1). Locke thinks that there is very little knowledge available to us: that knowledge is "short and scanty." This should not surprise us, because the essences of most things – such as gold – cannot be known. Belief, in contrast, is the endorsement of some proposition as true without awareness of its actual correspondence to facts. In our lives we have to make do with beliefs on a slew of questions for which the evidence is not at hand. In this context, Locke believes that human beings have a God-given obligation to govern and regulate their belief-forming capacities in order to come to the best possible belief on practical matters. Such matters vary from one person to the next, but they always include ethics and religion. He thinks that human beings have a moral obligation to avoid errors, doing what they can to avoid mistaken beliefs – those that originate when subjects neglect the correct use of their cognitive faculties (1963, Bk IV, ch 20, 16).

The discussion about the value of knowledge versus the value of belief has shaped part of the contemporary debate in analytic philosophy. Nevertheless, the Platonic tradition is not the only one that has probed the value of knowledge. There is much to be said about it from the perspective of the Aristotelian tradition.

For Aristotle, knowledge comes in several kinds, each of which has its own specific object and a distinctive value corresponding to the nature of this object. He

distinguishes several kinds of knowledge, which can be broadly divided into theoretical and practical. Theoretical knowledge will be treated first here.

In the first paragraph of his *Metaphysics,* Aristotle states that "all men by nature desire to know. An indication of this is the delight we take in our senses; for even apart from their usefulness they are loved for themselves; and above all others the sense of sight. For not only with a view to action, but even when we are not going to do anything we prefer sight to almost everything else" (1989, I 1, 980a 1–5). Aristotle notes that most forms of self-enjoyment involve sight. We take an interest in sight even when its objects fail to attract our attention. This suggests that perceptual knowledge is a kind of good that is valuable per se rather than because of its practical utility.

While curiosity may be responsible for why we know, the impressive achievements of reason cannot be put down solely to curiosity. For Aristotle, philosophy grew out of a capacity to feel puzzlement and awe (Lear 1998, p. 3) that gave rise to theory. Accordingly, the human desire to know was ultimately spurred by a prior capacity to feel puzzled and direct one's observation to natural phenomena. Thus, by observing the development of natural phenomena, man gets to satisfy one of his most implacable desires – the desire to know.

Aristotle assigns knowledge both a practical and a theoretical value. He distinguishes between experience, which arises from accumulated perceptions, and art *(techné)*, which gives us a more comprehensive understanding of the functioning of nature. He claims that "for practical purposes experience is in no way inferior to art; indeed we see men of experience succeeding more than those who have theory without experience" (1989, 981a 13–15). At the same time, "knowledge and proficiency belong to art rather than to experience, and we assume that artists are wiser than men of mere experience" (1989, 981a 25–27). While experience can be of great practical value, art, or what we call today "technology" – dominion over nature – is characteristic of wise men.

Lastly, it is a nobler ambition to pursue knowledge for its own sake. Although at face value this might seem detrimental to prosperity, it actually generates wealth. Implicit in Aristotle's view is that just as the doctor who knows (scientifically) *why* a certain prescription heals is a better doctor than the one who simply knows *that* a certain prescription heals, scientific knowledge underlies the development of apt techniques to master natural phenomena. In its capacity to foster the rise of technology, scientific knowledge turns out to be of more value than bare experience. Thus "it is therefore probable that at first the inventor of any art which went further than the ordinary sensations was admired by his fellow-men, not merely because some of his inventions were useful, but as being a wise and superior person" (I 1, 981b 13–17).

What about practical knowledge? Following Aristotle, Aquinas notes that practical sciences such as ethics, politics, or rhetoric have action, rather than knowledge, as their subject matter (2001–3, III, ch. 25, 9). To identify the exact ways in which an action can be good, sciences are guided, in turn, by "practical reason," that is, the part of the human intellect that concerns action. Practical reason typically starts with the identification of something as being appropriate or good, as well as

with a desire to possess it. But prior to the identification of some good, the intellect is said to grasp a general principle that illuminates every possible action. This principle could be formulated as follows: "the good is that which all things seek . . . [or] good must be done and evil be avoided" (2006, I-II, q. 94, a. 2).

In recent times, J. Finnis has articulated a theory of the basic human goods that are implicit in the principles of practical reason, such as the principle that recommends the pursuit of good. Other similar principles identify values that orient the subject to make the correct decision, no matter whether, upon reflection, the subject in fact makes a wrong choice. Finnis argues that the subject grasps the principles of practical reason all the same. One of these principles concerns knowledge. The principle, which has no specific formula, may be expressed in different ways: "'knowledge is something good to have.' 'Being well-informed and clear-headed is a good way to be.' 'Muddle and ignorance are to be avoided.' These are formulations of a practical principle. Any such expression of our understanding of value can provide the starting-point . . . for reasoning about what to do, and thus is a principle of practical reasonableness" (2011, p. 63). Finnis claims that these values are obvious and unquestionable (2011, p. 59). Anyone who is capable of reason understands that knowledge is preferable to ignorance in most cases. This apprehension is possible because the value of knowledge operates as a practical orientation for the subject, illuminating situations in which he or she must decide what to do. Life supplies many occasions to benefit from one's cognitive capacities. In addition, in Finnis' view, by following practical reason, not just in the pursuit of knowledge but in any other possible instantiation of a practical good, the subject comes to *eudaimonia,* that is, to an all-round flourishing or well-being (2011, p.103).

A number of contemporary moral philosophers such as Anscombe, Foot, and MacIntyre have emphasized that the identification of the goods of human life rests on virtues, thus paving the way for a fresh renaissance of virtue ethics.

The Pursuit of Wisdom

How is knowledge related to wisdom? Usually viewed as the most valuable form of cognition, "the ancients maintained that 'wisdom' was the name for the most important knowledge, extremely difficult to obtain and equally difficult to communicate, but ultimately life-enhancing in some way" (Gerson 2009, p. 6).

The common interpretation of its meaning links wisdom with knowledge of a particular kind. For Aristotle, the term "wisdom" has several meanings. In the first place, it is associated with skill. The term, he says, "is applied to Pheidias as a sculptor and to Polycleitus as a statue-maker" (1934, VI 4, 1141a 6–7). Secondly, it refers to an all-round knowledge, that is, knowledge of the most important things. In Aristotle's view, the wise person understands the first principles of science and what follows from them (1934, VI 7, 1141a). However, while theoretical

knowledge is highly valuable, it is useless when it comes to what makes one's life worth living. Thus, Aristotle agrees that theoretical understanding cannot make subjects "practically wise." Consequently, a third possible meaning of the term "wisdom" points to practical wisdom, a kind of knowledge that concerns human affairs, and specially the identification of the best possible decision. Aristotle notes that by deliberating well, the wise person is "a man who can arrive by calculation at the best of the goods attainable by man" (1934, VI 7, 1141b).

"Practical wisdom" is also known as "prudence." This virtue can hardly be encapsulated in the norms or rules dictated by many practical disciplines such as management theories. The rules that can be generally envisaged and recommended for good managing often fail to capture the variety of contexts in which subjects must face puzzling choices. Given that the answer to the question "what should I do?" almost always is contingent on particulars (Schwartz 2011, p. 5), prudence identifies the best decision in contexts where particulars matter. Aristotle additionally notes that this virtue builds on a natural disposition to having it, as well as on what he calls "cleverness," namely, the ability to execute actions with prowess. Because not every good choice is well implemented, prudence requires skill. While cleverness is not a virtue, Aristotle thinks that prudence can only be acquired through cleverness. This, in turn, explains why this virtue is not easy to attain for the inexperienced, those who lack the kind of skills that are standardly associated with cleverness.

In the final analysis, one cannot be practically wise without being good (1934, VI 12, 1144b 1). In Aristotle's view, there is a strong connection between the best possible life *(eudaimonia)* and the practice of virtue. Virtue promotes the overarching good of the person, namely, the kind of good that makes one's life worth living, rather than successful or dutiful. Thus, Aristotle maintains that practical wisdom is ultimately oriented to enhancing a subject's moral character. By choosing the best good in every possible situation, whether in the management of a household or in a political campaign, subjects grow both in moral character and in knowledge.

While Aristotle's examples tend to focus on the individual, something along these lines could hold true for organizations or businesses as "secondary agents." In principle, it may sound odd to speak of organizations as "agents," because virtues are agent-based dispositions. Hence, organizations cannot be moral subjects per se. Nevertheless, certain ethical claims that are true of the virtuous individual are also true of the competent organization. For example, we could say that only by enhancing the moral character of their employees through good corporate choices – that is, by choices that reflect on what is best for the company, its employees, and its customers – can the organization be practically "wise" in Aristotle's sense. Accordingly, inasmuch as a subject can morally grow by his or her right decisions, secondary agents such as organizations can also grow by the virtuous choices of their managers and employees in the decisions that concern the good of the company.

Conclusion

The philosophical characterization of knowledge as an ability or disposition concerning truth has revealed that the subject matter of KM is information, rather than knowledge. Is this good? In the most evident sense, it obviously is. KM articulates sophisticated ways to profit from the vast quantities of available information in complex scenarios; and the opportunity to analyze data makes a strong case for managing information. But at the same time, philosophical analysis shows that the real value of information resides with knowledge, which is subject dependent and personal. Thus, there is reason, at least in one sense, to invite reconsideration of the subject matter of KM so that it also includes knowledge.

Philosophy and KM could profitably cooperate at least in two ways. First, in the identification of good opportunities to foster knowledge within organizations. Although this collaborative project is merely exploratory, KM could help organizations identify business opportunities via the development of innovative learning programs. Some of these programs may be based, for instance, on the analysis of data and its interpretation in rapidly changing scenarios. The singular quality of a knowledge-centered learning program is that it puts learning first. At the same time, given that practical wisdom is the best possible form of knowledge in human affairs, KM can be deployed to determine the correct choices in contexts where data abounds, possible courses of action are many, and orientation seems hard. Philosophy could help to identify the decision that better satisfies the requirement of virtues in such scenarios. Thus, in pursuing the study of cases that require the expertise of both disciplines, the cooperation of KM and philosophy will be fruitful.

Cross-References

▶ Virtue Ethics in Knowledge Management

References

Allix NM (2003) Epistemology and knowledge management concept and practices. J Knowl Manag Pract. 4. http://www.tlainc.com/articl49.htm. Accessed 1 Sep 2014

Aristotle (1934) Nicomachean Ethics (trans: Rackham H). Harvard University Press, Cambridge, MA

Aristotle (1989) Metaphysics (Trans: Tredennick H). Harvard University Press, Cambridge, MA

Davenport TH, Prusak L (1998) Working knowledge: how organizations manage what they know. Harvard Business School Press, Boston

Finnis J (2011) Natural law and natural rights. Oxford University Press, Oxford

Gerson L (2009) Ancient epistemology. Cambridge University Press, Cambridge, MA

Hacker PMS (2007) The categorial framework. Blackwell, Oxford

Hyman J (2006) Knowledge and evidence. Mind 115(460):891–916

Kenny A (1989) The metaphysics of mind. Oxford University Press, Oxford

Kvanvig J (2003) The value of knowledge and the pursuit of understanding. Cambridge University Press, Cambridge, MA

Lear J (1998) The desire to understand. Cambridge University Press, Cambridge, MA

Locke J (1963) An essay concerning human understanding. In: The works of John Locke. Scientia Verlag, Aalen

Spiegler I (2000) Knowledge Management: A New Idea or a Recycled Concept? Communications of the Association for Information Systems 3(14):1–24

Thierauf RJ (1999) Knowledge management systems for business. Quorum Books, Westport

Thomas Aquinas (2006) Summa theologiae. Cambridge University Press, Cambridge, MA

Thomas Aquinas (2001–3) Summa contra Gentiles. University of Notre Dame Press, Notre Dame

Polanyi M (1966) The tacit dimension. Doubleday, New York

Polanyi M (1969) Knowing and being. University of Chicago Press, Chicago

Pricthard D (2010) Knowledge and understanding. In: Pritchard D, Millar A, Haddock A (eds) The nature and value of knowledge. Oxford University Press, Oxford, pp 1–88

Schwartz B (2011) Practical wisdom and organizations. Res Organ Behav 31:3–23

Styhre A (2002) The knowledge-intensive company and the economy of sharing: rethinking utility and knowledge management. Knowl Process Manag 9(4):228–236

Wong KY (2005) Critical success factors for implementing knowledge management in small and medium enterprises. Indus Manag Data Syst 105(3):261–279

Virtue Ethics in Knowledge Management

Nina Evans

Contents

Abstract

Knowledge management can be used in an organization to achieve competitive advantage via knowledge creation, knowledge sharing, knowledge absorption, and higher quality information that enable rapid response to changes in the business environment. Knowledge management can also increase the intangible

N. Evans (✉)
School of IT and Mathematical Science, University of South Australia, Mawson Lakes Campus, Mawson Lakes, SA, Australia
e-mail: nina.evans@unisa.edu.au

1231

assets of an organization by capturing expert know-how and retention of vital corporate knowledge. Acquiring, refining, maintaining, and disseminating knowledge should be done through ethical conduct. The need to respect privacy and intellectual property of the individual should be balanced with the need to protect organizations against data theft and diminished competitive advantage due to knowledge loss. The conflict between the rights of the individual and that of the organization creates ethical dilemmas for executive managers, knowledge workers. Rule-based methods for decision-making in the face of these ethical dilemmas are insufficient to deal with the moral complexity of organizational life, because moral judgments are individual and personal. Virtue-based ethical theories place less emphasis on which rules people should follow and instead focus on helping people develop good character traits on which decisions are based. This chapter discusses virtue ethics in organizations and the role of trust, leadership, and wisdom in establishing organizations with virtuous knowledge management practices.

Introduction

Knowledge has been described as the lifeblood of organizations (Du Plessis 2008) and a critical driving force for business success (Teece 2007). Knowledge is often regarded as a vital resource that provides a sustainable competitive advantage, although it is important to add that only relevant knowledge can do this (Choi et al. 2008). Intelligent organizations recognize that knowledge is an asset that grows with time and gives the organization the ability to continuously compete and innovate (Gupta et al. 2000; Wong 2005). These organizations are "hiring minds, rather than hands" to leverage the value of knowledge (Wong 2005: 261). Alter (2006) refers to knowledge management (KM) as the acquisition, refinement, maintenance, and use of knowledge, while Schwartz (2006) adds that we can only claim to do KM if knowledge is acquired, represented, stored, retrieved, and applied in such a way that it has a positive impact on the organization.

The field of KM has emerged from two fundamental shifts, namely downsizing and technological advances (Martensson 2000). *Downsizing* is a popular strategy to reduce overhead costs and increase profits. This often leads to the loss of valuable expertise and information, as employees who are made redundant take their experience and know-how with them. *Technological development* refers to the development of increasingly sophisticated information and communications technologies (ICTs) and the explosive growth of the Internet. This results in the continual flow of information that may lead to information overload. The KM discipline evolved as a strategy for helping organizations cope with information

overload, capitalize on the increased knowledge in the workplace, and retain employee knowledge. An organization's ability to leverage knowledge is therefore also highly dependent on the knowledge sharing ability of its people.

Even though KM has increasingly become an important domain of study, limited research has been done on the issues of ethics in terms of KM (Land et al. 2004). The term "ethics" is defined as "the discipline dealing with what is good and bad and with moral duty and obligation" (www.merriam-webster.com) or "a set of moral principles" (Oxford Dictionary) that are "concerned with goodness and badness of human conduct or behaviour, i.e., the distinction between right and wrong" (Moore 1993). In the business context more specifically, business ethics refers to "a form of applied ethics that examine ethical principles and moral or ethical problems that arise in a business environment" (Turban et al. 2010: 719). Business integrity is therefore achieved by acting impartially, ethically, and in the interest of the business.

The study of ethics in business often focuses on rules and principles of right and wrong decisions, actions, and conduct. Dobson (2009) refers to this approach as *action-based ethics* that underpin the development of policies, procedure, processes, and rules to guide the management and governance of day-to-day functions and activities, roles, responsibilities, and accountabilities. Action-based ethics is therefore related to the organization's code of conduct. In contrast to action-based ethics, *agent-based ethics* does not base decisions on rules but on the fundamental character and motivations of an individual (Dobson 2009). Such individuals make decisions in order to achieve a certain kind of excellence by exercising sound moral judgment guided by virtues such as courage, fairness, and wisdom.

The knowledge Management Paradigm

Knowledge management is often defined in terms of helping organizations find, select, organize, disseminate, and transfer important information, knowledge, and expertise that is required for activities such as problem solving, decision-making, strategic planning, and dynamic learning. It is the process whereby the expertise and knowledge that are part of organizational memory – and that resides within an organization in a structured or unstructured way – are captured, catalogued, preserved, and disseminated (Gupta et al. 2000). The promises of the KM paradigm are:

Capturing Tacit Knowledge

Baskerville and Dulipovici (2006) define *organizational knowledge* as being embedded in organizational processes, procedures, routines, and structures, i.e., the knowledge that "holds a firm together." On the other hand, *personal knowledge* is an innately human attribute of the individual. These two types of knowledge are

also referred to as tacit and explicit knowledge. *Tacit knowledge* resides in the human mind, behavior, and perception and is nonverbalized, intuitive, and unarticulated (Baskerville and Dulipovici 2006). Tacit knowledge is based on skill and practice, it evolves from people's interactions and is hard to coordinate or capture (Martensson 2000). *Explicit knowledge* is documented and public, i.e., it is expressed in a written or spoken form (Baskerville and Dulipovici 2006). It is also structured, has a fixed content, and it is also externalized and conscious (Martensson 2000). Along the same lines, Lang (2001) distinguishes between "know-what" and "know-how." Know-what is explicit knowledge that can flow and circulate freely, while know-how is the ability to distinguish appropriate actions and to act accordingly. One of the promises of KM is that it will appropriately extract ("capture") tacit knowledge, so it can be efficiently and meaningfully transferred to explicit knowledge, shared, and reapplied (Martensson 2000). Deciding which knowledge an organization should make explicit and which it should leave tacit can affect competitive performance.

Knowledge Sharing

Knowledge is a "remarkable substance" as most forms of knowledge increase when it is used and applied, rather than diminish. This is the case of assets like money and raw materials. It is not consumed but shared, given away, and received (Styhre 2002), and new knowledge builds on existing knowledge (Lang 2001). Cutting edge knowledge is always changing and the value of knowledge can therefore only be realized if it is effectively transferred between individuals (Gupta et al. 2000). KM promises to connect people, enable them to think together, and to take time to continuously articulate and share their expertise. The goal of KM is to either find answers to the questions or to identify people who can help find the answers (Lang 2001). A KM system must therefore include a way to identify where knowledge resides and which knowledge needs to be shared with whom, how, and why (Gupta et al. 2000).

Learning Organizations

Knowledge sharing at the individual level is a basic step toward creating organizational knowledge, providing opportunities for mutual learning, and contributing to an organization's capability to innovate (Choi et al. 2008; Martensson 2000). The enablers that facilitate willingness to share knowledge are trust and expertise, as well as intrinsic and extrinsic rewards (Choi et al. 2008). If organizational members believe in other members' expertise and skills, as well as in the quality of the KM system, the intention to share individual knowledge increases, resulting in organizational learning where the need to share individual knowledge and experience with the organization is emphasized. The experience of predecessors will also be passed on to these new employees (Martensson 2000).

Competitive Advantage

In the KM paradigm, the management of knowledge is promoted as an important and necessary factor to increase productivity, develop new products and services, improve flexibility, maintain competitive advantage, and survive in the business world (Martensson 2000). Organizations need to harness their knowledge to stay competitive and to become innovative (Gupta et al. 2000), and for this they must have a good capacity to retain, develop, organize, and utilize their employee competencies. These competencies refer to a company's collective expertise and promises to help organizations to know what they actually know (Martensson 2000).

In summary, organizations that are managing knowledge effectively can (i) understand their strategic knowledge requirements, (ii) create a knowledge strategy appropriate to their business strategy, and (iii) implement an organizational and technical architecture appropriate to the firm's knowledge-processing needs. In this "knowledge management nirvana" valuable knowledge exists, people are motivated, the culture supports KM, and the appropriate processes and technology are used to achieve "happy outcomes" (Alter 2006: 2). However, effectiveness and happy outcomes do not necessarily mean ethical conduct and could, in fact, mean the opposite (Evans and McKinley 2011). The meaning of ethics in the business world and the ethical paradoxes that exist in the realm of KM are the focus of the next sections.

The KM Paradox

Knowledge management has developed in many ways over recent years. The literature on KM predominantly takes the positive view that KM enables organizations to capture essential knowledge and processes under the assumption that it will be collected and distributed accurately, appropriately, and with good intentions, such that it leads to efficiency, improved decision-making, and protection of intellectual property. Land et al. (2007) state that the systems and practices are "naturally benign" and designed, implemented, and used with the ultimate goal to improve the condition of mankind. This utopian view (Alter 2006) focuses on the bright side of KM and often fails to incorporate ethical issues regarding the use of KM systems and their impact on individuals, the organization, and society. Ethical issues that are raised by KM practices can be classified according to three dimensions, namely *socio-economic issues* where KM is merely a euphemism for downsizing, *technical issues*, for example where a data mining system is designed and implemented that could be used to gather and correlate data about the activities of citizens, and *legalistic* issues, where the type of knowledge that can be shared and who has ownership of knowledge as a valued asset is often determined by the laws and norms related to intellectual property rights. This "other side," in which knowledge is distorted, suppressed, or misappropriated due to personal or organizational motives, is rarely mentioned in the KM literature (Land et al. 2007).

This phenomenon can be referred to as the "knowledge management paradox" (Evans and McKinley 2011). On the one hand, ethical dilemmas in KM relate to freedom of information, privacy of data, and the protection of intellectual property of the individual. On the other hand, organizations have a legitimate interest in protecting their intellectual capital and keeping proprietary information within the business. The KM paradox therefore exists as organizations may purposely limit knowledge transfer to prevent industrial espionage (Evans and McKinley 2011). Employees with access to business proprietary information are expected to sign nondisclosure agreements, agreeing not to reveal any organizational information to anyone who may obtain a competitive advantage. Despite these measures, there is a risk of information being leaked to competitors or criminals (McDermott 1999). On the other hand, employees wish to retain their own personal knowledge to ensure job security and to remain employable. According to the personal privacy theory, personal knowledge is owned by the individual and protected by privacy rights. Transfer of personal knowledge can therefore only be accomplished with the permission of the individual who possesses it (Evans and McKinley 2011). Employees may therefore hinder knowledge transfer such as knowledge hoarding or knowledge hiding if they think it diminishes their professional value.

KM practices differ with regard to personal and organizational knowledge. Land et al. (2007) are of the opinion that KM has to consider all the ethical issues that are associated with human behavior. These will be discussed in the next sections.

Capturing Tacit Knowledge

The conversion of tacit knowledge into explicit knowledge depends on human behavior and raises important ethical issues. Baskerville and Dulipovici (2006) ask the question whether organizations own the knowledge of their employees or whether personal knowledge falls under the personal privacy theory such that individuals have the right to protect the security of their personal knowledge. In other words, the question should be asked whether organizations have the right to buy, sell, and use their corporate knowledge as they wish, or whether this knowledge should be protected under human rights to privacy or security. Furthermore, it should be contemplated whether the capturing of tacit knowledge is an invasion of worker privacy. If organizations capture and transfer what the knowledge worker knows (tacit knowledge) into data warehouses, the knowledge worker becomes less valuable and can ultimately be dispensed. The KM practice of making tacit knowledge explicit could therefore have a hidden agenda, namely to make the knowledge worker more vulnerable to downsizing.

Knowledge Transfer and Sharing

KM also demands the direct transfer of tacit knowledge between individuals (i.e., knowledge sharing). Personal knowledge may become less valuable when

transferred to others, which create ethical issues regarding the personal worth of the individual. Employers may also unfairly exploit the tacit knowledge of employees without rewarding them accordingly for sharing it with colleagues. Countless examples exist of workers being treated unfairly. In such cases, employees will resist efforts to deploy KM and refuse to share their knowledge and expertise. Employees may face ethical dilemmas if they withhold or distort knowledge that should rightfully be shared with their employer and colleagues (Harshman and Harshman 2008). Lin (2007) is of the opinion that an unwillingness to share knowledge that may negatively impact on an organization's growth or survival has to be seen as being seriously unethical. Nondisclosure agreements can be designed to benefit both parties, creating a positive environment for knowledge sharing within the firm (Gayton 2008).

Knowledge Retention

It has been found that layoffs do not make firms more profitable within 3 years despite lower payroll cost (Heathfield 2013; Gayton 2008: 177). Despite this, businesses still downsize, creating significant knowledge loss. Even worse, social capital is lost. Such businesses need to retain their expertise to benefit from existing knowledge. Systems to facilitate the transfer of knowledge from people who resign or retire, to others within the company, should be implemented. In addition to the human behavioral aspects of capturing such knowledge, large-scale layoffs erode social capital and have a negative effect on the morale of remaining employees, as effective knowledge transfer in organizations depends on positive relationships (including trust) between the parties.

Competitive Intelligence (CI)

The Society of Competitive Intelligence Professionals (www.skip.org) defines CI as "a systematic and ethical program for gathering, analyzing and managing internal and external information that can affect a company's plans, decisions and operations." Specifically, it is the legal collection and analysis of information regarding the capabilities, vulnerabilities, and intentions of business competitors, by using information databases and other "open sources" (Styhre 2002). An organization that respects the complexity of the external competitive environment while guarding the internal wealth of employees' knowledge will have the ability to quickly absorb new information from the external environment for its own benefit (Evans and McKinley 2011).

Some of the tools of CI, which forms part of KM, could be as simple as regular review of competitors' profiles and publicly available reports, conducting patent searches, monitoring news alerts, as well as financial and sales force reports. This type of intelligence is generally available within the public domain. The next level of information is available only to insiders, those who

subscribe to a particular publication or are part of a network. At a yet more sophisticated level, CI includes getting information from suppliers, scenario modeling, creating a knowledge capturing and management system, customer relationship management technology, data mining, dynamic pricing, negotiation, and agent communications (Zack 1999). An ethical paradox exists if this knowledge is created and then omitted or withheld, suppressed, amplified or exaggerated, diminished, distorted, or "misappropriated" through theft, modification, and inappropriate revelation (Alter 2006). The ethical issues are a balance between the rights of organizations to limit access to its knowledge against the rights of society to have access to that knowledge for the benefit of society as a whole.

Data Mining

A data mining system can be used to gather and correlate data about the activities of citizens and employees. Although there are many benefits to data mining, there are also some drawbacks to the data mining practices. To obtain and protect information costs money and incorrect conclusions can be drawn from data, which can be expensive. Furthermore, data collected can be used for other inappropriate purposes than the original intention. Finally, privacy rights can be violated (Payne and Trumbach 2009). Land et al. (2007) touch on the issue of data mining followed by selling the data to other companies. The ethical issues around data mining and the issues of data misuse and privacy breaches are not often discussed.

Privacy and Security

Another reason why ethics has been described as an important issue within knowledge management is that of information security (Gibbert et al. 2002). Vast amounts of information about people are being "harvested" every day. Search services gather data on the searches of all their visitors to infer information about medical and psychological issues, legal problems, employment status, personal interests, relationships, economic circumstances, and geographical location. This data can be traced to a particular computer to identify the individual. The harvested knowledge can then be sold by search engines to third parties for the sake of targeted advertising. The question needs to be asked whether such data harvesting is questionable from an ethics perspective or whether it is just common business practice (Abolfazl 1996).

Azmi's (2010) research investigated ethical issues arising when organizations choose to actively monitor their employees' sharing of knowledge by checking e-mails and personal blogs to control risk of knowledge disclosure (Azmi 2010). The other concern is that an employee could share confidential information with others within and outside the organization, which could damage the organization.

Virtue Ethics

Organizations are often regarded as political systems where members use power, influence, and political maneuvering. This raises a range of ethical issues related to the behavior of people in both public and private organizations. Kraut (2001) posits that ethics is studied with the purpose of improving people's lives and increasing human well-being. People should therefore deliberately acquire the emotional and social skills that enable the creation of well-being in every occasion. It has been stated that ethical behavior can be influenced by social, business, regional-political, and global factors (Jewels and Evans 2005) within a specific context. According to Guadamillas-Gómez and Donate-Manzanares (2011) ethics depends on stakeholders' perceptions of a problem and organizations, and its employees therefore need to be seen as doing the right thing in the eyes of their stakeholders.

Virtue ethics was expressed by Aristotle and Confucius in ancient times and subsequently revived by various writers, also referred to as new virtue ethics (Moore 2002). Virtues are acquired human qualities or enduring character traits that make their possessor a good person whereas virtue ethics focuses on the role of these virtues in collective human endeavor (Harris et al. 2013). Examples of such virtues are courage, justice, and generosity. The proponents of virtue ethics suggest that these character traits allow a person to make the correct decisions in their day-to-day and activities, in various circumstances. They propose that there is a strong connection between virtues and happiness, whereas vices lead to failure.

Virtue ethics is in contrast to the *deontological* approach, which emphasizes duties or rules or as well as the consequences of actions referred to as *consequentialism* (Zalta 2013). A basic principle of virtue theory systems is that rule-based methods for decision-making are insufficient to deal with the moral complexity of organizational life, because moral judgments are individual and personal. Virtue-based ethical theories therefore place less emphasis on the rules people should follow and instead focus on helping people develop good character traits, such as kindness and generosity. It is through perfecting these virtues that an individual becomes truly ethical (Dobson 2009).

Virtuous Knowledge Management in organizations

Virtue ethics has an important place in a firm or professional organization. Virtues flourish in a collaborative environment where people participate in a rational practice-based community with a shared view on what constitutes desirable human conduct (Dobson 2009). Virtue involves the cognitive ability to determine the most appropriate action in a particular situation and the firm becomes a nurturing community that understands the nature of the virtues (Dobson 2009). Harris et al. (2013) suggest that virtue involves more than cognition (i.e., "thought and understanding"); it also involves decision and action ("practice"). Virtue requires not only the exercise of judgment but also active decision-making and its application. A precondition for a virtuous business organization is therefore the

presence of virtuous people (i.e., who behave virtuously) especially managers who hold decision-making authority in the institution. Another precondition for a virtuous business organization is the distribution of both decision-making authority and decision criteria within the institution (Moore 1993). This relies on trust, effective management, and wisdom, as discussed in the next sections.

Trust

Unethical behavior causes a breakdown in the trust relationship that is at the heart of all commercial transactions (Farhoomand and Lovelock 2001) and thereby affects the flow of knowledge sharing. According to Wilder and Soat (2001) trust comes before ethical behavior in a business environment where more and more emphasis is placed on partnering with other organizations. Stearns (1981) added that a code of ethics is important for good business as it allows business transactions to take place in an atmosphere of mutual trust.

Effective Management and Leadership

Aristotle's virtue ethics relies substantially on the effects role models have on people. Aristotle believed that individuals learn to be moral (virtuous) by modeling the behavior of moral people and through continual modeling they become virtuous themselves. Individuals adopt the ethical standards consistent within their own social and work environments and the ethical behavior of work colleagues is therefore likely to be influenced by the behavior of their leaders as well as the organization's formal and informal ethical practices (Blackman and Leake 2000). Dalkir (2013) and Dickson et al. (2001) add that the organizational climate, the shared perception of what is ethically correct behavior and how ethical issues should be handled within an organization, are influenced by the personal values and motives of the organizational leaders. These values have to be stated clearly, because leaving decisions up to individuals could become inconsistent or problematic. Researchers such as Baskerville and Dulipovici (2006), Rooney and McKenna (2007), Land et al. (2007), and Harshman and Harshman (2008) highlight the need for leaders to strongly commit themselves to appropriate ethical standards and values when making decisions, thereby setting ethics standards for those whom they manage.

Wisdom

KM has been focusing on maximizing knowledge, providing access to the knowledge, and knowledge sharing, with insufficient focus on what knowledge to select, apply, and institutionalize in organizations (Rooney and McKenna 2007). Although maintaining, processing, and building declarative knowledge is important, Rooney

and McKenna (2007) emphasize that "doing so in absence of wisdom can be ineffective, even dangerous." Wisdom is critically dependent on ethics, judgment, insight, intuition, and creativity. It is a process by which individuals judge, between right and wrong, good and bad, thereby "integrating knowledge with moral concerns" (Rowley 2006: 260). Wisdom is less concerned with *what we know* than with *how we act* (Rooney and McKenna 2007). This relates to Aristotle's *phronēsis*. Often translated this as "practical wisdom," or sometimes as "moral wisdom" (Hursthouse 1999: 59), it has a prominent place in some accounts of virtue ethics (Provis 2010). Phronēsis is the form of judgment that allows us to recognize appropriate courses of action within context, i.e., in particular situations (Harris et al. 2013). Rowley (2006) agrees that wisdom requires "the sensitive use of knowledge," not necessarily a great accumulation of it. In short, wisdom = knowledge + ethics + action (Rowley 2006).

Moore (2002: 31) suggests that virtue ethics should "become the common parlance" of organizations, rather than "the domain of the few." According to Moore (2002) virtuous organizations will flourish as the focus on excellence in the business practices will improve the performance across a range of parameters. He agrees that, of all the virtues, practical wisdom (phronēsis) is one of the most important. Wise organizations will develop effective, persuasive, and ethical communication to promote and generate collective wisdom, diffuse tacit and explicit knowledge effectively, and increase creativity. Organizations therefore need to help people become wiser and create the conditions for wise practice.

Conclusion

There are two forces in organizations that pull in opposite directions. A conflict exists between the knowledge management paradigm and knowledge management issues such as freedom of information, individual privacy, and protection of intellectual property. On the one hand, the KM paradigm claims to increase, create, store, share, and apply knowledge towards improving organizations and their competitiveness. This viewpoint refers to the many organizational benefits of KM and portrays it as the key to wealth for businesses. On the other hand, organizations need to guard against openly sharing certain kinds of information, they need to protect the privacy and intellectual capital of their employees and avoid applying knowledge to the detriment of any of their stakeholders. KM practices can be self-serving and cause individual harm, uncertainty, anxiety, and distrust.

This chapter has shown that virtue ethics has a strong place in the business world, especially in the fields of leadership and management. Managers and executives face a real dilemma in the virtual business and social world of the contemporary society. Virtue theorists emphasize the need for people to learn how to overcome vices such as greed or anger, which prevent people from being good human beings. It has been shown that virtue ethics enable leaders and managers to create and sustain decent and respectable organizations and

institutions, and that KM has to concern itself with the ethical issues related to human behavior.

Wisdom, also referred to as "knowledge with an ethical outlook" (Evans and McKinley 2011), gives organizations a long-term perspective and the ability to determine the most appropriate behavior. This chapter proposes that virtuous decision-making and action is built on trust, effective management/leadership, and wisdom that will guide knowledgeable actions based on moral and ethical values to address the ethical knowledge management paradox. The challenge for organizations is to educate managers and other employees about such virtue-based behavior.

References

Abolfazl ARK (1996) Intelligent software agents as tools for managing ethical issues in organisations caused by the introduction of new information technology. Managing Virtual Enterprises, Vancouver

Alter S (2006) Goals and tactics on the dark side of knowledge management. In: Proceedings of the 39th Hawaii international conference on systems sciences, Hawaii

Azmi I (2010) Legal and ethical issues in knowledge management in Malaysia. Comput Law Secur Rep 26(1):61–71

Baskerville R, Dulipovici A (2006) The ethics of knowledge transfers and conversions: property or privacy rights? In: Proceedings of the 39th Hawaii international conference on system sciences, Hawaii

Blackman D, Leake M (2000) Towards a universal world of computer ethics. In: AiCE2000 Conference on computer ethics, ANU, Canberra

Choi SY, Kang YS, Lee H (2008) The effects of socio-technical enablers on knowledge sharing: an exploratory examination. J Inf Sci 34(5):742–754

Dalkir K (2013) Knowledge management in theory and practice. Routledge, Davenport

Dickson MW, Smith DB, Grojean MW, Ehrhart M (2001) An organizational climate regarding ethics: the outcome of leader values and the practices that reflect them. Leadersh Q 12:197–217

Dobson J (2009) Alasdair Macintyre's Aristotelian Business Ethics: A Critique. J Bus Ethics, 86 (1):43–50

Du Plessis M (2008) What bars organisations from managing knowledge successfully? Int J Inf Manag 28:285–292

Evans N, McKinley M (2011) Ethical paradoxes in knowledge management. Vie Sci de l'Entrep 188:57–71

Farhoomand A, Lovelock P (2001) Global e-commerce: text and cases. Prentice Hall, Singapore

Gayton CM (2008) Business ethics, restrictions on employment and knowledge management. VINE: J Inf Knowl Manag Syst 38(2):174–183

Gibbert M, Leibold M, Probst G (2002) Five styles of customer knowledge management, and how smart companies use them to create value. Eur Manag J 20(5):459–469

Guadamillas-Gómez F, Donate-Manzanares MJ (2011) Ethics and corporate social responsibility integrated into knowledge management and innovation technology: a case study. J Manag Dev 30(6):569–581

Gupta B, Lakshmi SI, Aronson JE (2000) Knowledge management: practices and challenges. Ind Manag Data Syst 100(1):17–21

Harris H, Wijesinghe G, McKenzie S (2013) The heart of the good institution: virtue ethics as a framework for responsible management. Springer, The Netherlands

Harshman CL, Harshman EF (2008) The gordian knot of ethics: understanding leadership effectiveness and ethical behavior. J Bus Ethics 78:175–192

Heathfield SM (2013) Did you bring your ethics to work today? http://humanresources.about.com/od/businessethics/qt/workplace-ethics.htm

Hursthouse R (1999) On virtue ethics. Oxford University Press, Oxford

Jewels T, Evans N (2005) Ethical IT behaviour as a function of environment. Proceedings of the INSITE conference, Flagstaff

Kraut R (2001) Aristotle's ethics. Stanford encyclopedia of philosophy archive. Available online at http://plato.stanford.edu/archives/spr2014/entries/aristotle-ethics/

Land F, Nolas S-M, Amjad U (2004) Knowledge management: the darker side of knowledge management. In: ETHICOMP, Leicester, UK

Land F, Amjad U, Nolas S-M (2007) The Ethics of knowledge management. Int J Knowl Manag 3 (1):1–9

Lang JC (2001) Managerial concerns in knowledge management. J Knowl Manag 5(1):43–57

Lin C-P (2007) To share or not to share: modeling tacit knowledge sharing, its mediators and antecedents. J Bus Ethics 70:411–428

Martensson M (2000) A critical review of knowledge management as a management tool. J Knowl Manag 4(3):204–216

McDermott R (1999) Why information technology inspired but cannot deliver knowledge management. Calif Manage Rev 42(4):103–117

Moore B (1993) The Australian pocket Oxford dictionary, 3rd edn. Oxford University Press, Australia

Moore G (2002) On the implications of the practice-institution distinction: MacIntyre and the application of modern virtue ethics to business. B Ethics Q 12(1):19–32

Payne D, Trumbach CC (2009) Data mining: proprietary rights, people and proposals. Bus Ethics: A Eur Rev 18(3):241–252

Provis C (2010) Virtuous decision making for business ethics. J Bus Ethics 91(1):3–16

Rooney D, McKenna B (2007) Wisdom in organisations: whence and whither. Soc Epistomol 21 (2):113–138

Rowley J (2006) Where is the wisdom that we have lost in knowledge? J Doc 62(2):251–270

Schwartz DG (2006) Aristotelian view of knowledge management. Encyclopaedia of knowledge management. Idea Group Reference, Hershey

Stearns M (1981) What are business ethics? Data Manag 19(5):26

Styhre A (2002) The knowledge-intensive company and the economy of sharing: rethinking utility and knowledge management. Knowl Process Manag 9(4):228–236

Teece DJ (2007) Capturing value from knowledge assets: the new economy, markets for know-how, and intangible assets. Calif Manage Rev 40:55–79

Turban E, King D, Lee J, Liang TP, Turban DC (2010) Electronic commerce 2010: a managerial perspective. Pearson Education, New Jersey

Wilder C, Soat J (2001) The trust imperative. Inf week 34–42

Wong KY (2005) Critical success factors for implementing knowledge management in small and medium enterprises. Ind Manag Data Syst 105(3):261–279

Zack M (1999) Managing codified knowledge. Sloan Manage Rev 40(4):45–48

Zalta EN (2013) The Stanford encyclopedia of philosophy. The Metaphysics Research Lab Center for the Study of Language and Information, Stanford University, California, USA

The Social Nature of Knowledge Management: A Virtue Ethics Approach

Peter McGhee and Patricia Grant

Contents

Abstract

As a socially cooperative practice, business is important for *eudaimonia* (i.e., human flourishing). The necessary economic needs of humanity are served by business without which human well-being would be diminished. Consequently, institutions (or organizations), within the practice of business, should develop policies, procedures, and processes that facilitate this wider goal. While knowledge management (KM) can contribute to organizational effectiveness, it may also be a factor causing significant harm to individuals and society as a whole if used for instrumental ends alone. A virtue ethics approach to KM ensures it contributes to *eudaimonic* ends while also encouraging appropriate organizational cultures and management practices to develop certain epistemic virtues conducive to such ends.

P. McGhee (✉) • P. Grant
Faculty of Business and Law, AUT University, Auckland, New Zealand
e-mail: peter.mcghee@aut.ac.nz; pgrant@aut.ac.nz

Introduction

Knowledge management (hereafter KM) has become an essential activity for business excellence. With the rise of global competition, improved technology, and less trade barriers between nations, KM has become a critical driver for performance and success (Rai 2011). Historically viewed from an information processing perspective, KM is now better understood as a social process of knowledge creation within organizations for increased effectiveness (Nonaka 1994). Similarly, the virtues are also socially construed within communities such as organizations, but unlike KM alone they aim at objective *eudaimonic* ends (e.g., human flourishing or the common good) first and instrumental ends (e.g., productivity, market share, and profit) second (Mele 2009). What happens when we combine these two notions together in an organization? What would such organizational KM processes look like? What kind of culture and management/employee traits would be required to achieve this lofty goal? This chapter addresses such questions by taking a virtue ethics approach to KM.

The Social Nature of Knowledge Management in Organizations

KM has been defined as "the process of accumulating and creating knowledge, and facilitating the sharing of that knowledge so it can be applied effectively throughout the organization" (Hoffman et al. 2005, p. 93). Historically, within this process, technology and information processing played the central role (McElroy 2003). Indeed, Malhotra's definition from 15 years ago highlights this focus: KM is "a synergistic combination of data and information processing capacity of information technologies, and the creative and innovative capacity of human beings" (cited in Rai 2011, p. 781).

This characteristic approach was sourced in the traditional view of organizations that saw them as machines that "take and process information from the environment to solve a problem and adapt to the environment based on a given goal" (Nonaka and Toyama 2003, p. 3). Accompanying this view was the belief that human beings have bounded rationality. This implies our reasoning is limited in respect of its calculative capacity and its knowledge of the environment (Simon 1998). Thus, given the complexity of the environment and of humanity's cognitive restrictions, organizations became a necessary requirement for dealing with reality (Nonaka and Toyama 2003). Unfortunately, as Nonaka and Toyama note, such a fixed and unresponsive perspective of organizations "fails to capture the dynamic process through which the organization interacts with the organizational members and the environment" (p. 3). The organization is not simply an information processing machine but rather is a social entity that "creates knowledge through action and interaction" (p. 3). This dynamic view assumes the creation of knowledge cannot be free of context given the interdependency of agents within the organization and between agents and the external environment. Indeed, according to Nonaka and Toyama, knowledge creation is an outcome of sharing others' contexts. It is a

dialectical process, whereby new knowledge is continuously created through the synthesis of contradictions arising from interacting with others.

Nonaka's (Nonaka 1994; Nonaka and Konno 1998; Nonaka and Takeuchi 1995; Nonaka and Toyama 2003) work represents the foremost position in the literature on how knowledge is handled in organizations. While there have been criticisms of Nonaka's approach (see, e.g., Glisby and Holdem 2003; Tsoukas 2003), it is the dominant paradigm from which any discussion must start (Rai 2011).

According to Nonaka and Konno (1998), knowledge can be categorized as explicit or tacit. Explicit knowledge is objective, measurable, and transmitted in a formal and systematic manner. Not surprisingly, the information processing view of organizations emphasized this type of knowledge above all others. Tacit knowledge, on the other hand, is highly subjective, hard to measure, and transmit to others. Tacit knowledge is "deeply rooted in an individual's actions and experience as well as in the ideals, values, or emotions he or she embraces" (p. 42). Combining these two categories together, states Nonaka and Konno, "makes it possible to conceptualize four knowledge conversion patterns" (p. 42) captured in what they label socialization, externalization, combination, and internalization (i.e., the SECI model). The premise underlying the SECI model is that knowledge creation and conversion is a socially interactive process between individuals (it is not confined within an individual) which is then transmitted to the organization (Rai 2011).

The first step of the SECI process is socialization. This occurs when individuals share tacit knowledge (Nonaka and Konno 1998). This is a self-transcendent act that involves sharing deeply held beliefs, values, and emotions with others who acting similarly allow both parties to embrace a larger whole. The second step in the SECI process is externalization which involves translating tacit knowledge into forms that others can understand (i.e., explicit knowledge). Again, transcending the ego is required as individuals commit their tacit knowledge to the group and thus "become one with the group's mental world" (p. 43). The third step in Nonaka and Konno's process is combination. This entails "the conversion of explicit knowledge into more complex sets of explicit knowledge. . .the key issues here are communication and diffusion processes and the systemization of knowledge" (p. 44). Finally, the internalization step in the SECI process converts newly created explicit knowledge into the organization's tacit knowledge. Again this involves self-transcendence as it "requires finding one's self in a larger entity" (p. 45). This SECI process is not linear or sequential, rather it is a spiral exercise of knowledge creation which "amplifies knowledge created by individuals and crystallizes it as part of the knowledge network of the organization" (Rai 2011, p. 783).

It is important to understand that knowledge cannot be created in a vacuum; it needs a context where information is interpreted in such a way as to be given meaning through action. Building on a concept originally proposed by the philosopher Kitaro Nishida (1990), Nonaka and Konno (1998) assert that knowledge creation requires the Japanese concept of *ba*, a shared space where knowledge arises in a context-specific and dynamic manner. This shared space is key in knowledge creation because it "provides the energy, quality, and place to perform the individual conversions and to move along the knowledge spiral" (p. 41). *Ba* is

not necessarily a physical place, rather it is an experience of reality where knowledge as a flow of meaning emerges (Nonaka and Toyama 2003). In other words, new knowledge evolves from extant knowledge through changing denotations and circumstances. Consequently, *ba* could emerge in individuals, temporary or permanent groups, virtual spaces, with customers, between firms, and so on. *Ba* is not a theory of knowledge conversion per se, rather it is a shared phenomenal context in which knowledge emerges from the social interactions between people, groups, and/or firms (Nonaka and Toyama 2003).

There are four types of *ba* that correspond to the four stages in the SECI model. The first *ba* is that of origination where individuals interact with each other at deeper affective levels (Nonaka et al. 2000). From originating *ba* comes values that encourage shared knowledge creation (e.g., care, trust, and so on). This is the prime space in which knowledge starts and characterizes the socialization phase. The interacting, or dialoguing *ba* (Nonaka et al. 2000), is a space where group and individual exchanges occur during which individuals tacit knowledge becomes communal and is changed into shared ideas and concepts. Thus, interacting *ba* offers a context for externalization. Cyber, or systematizing *ba* (Nonaka et al. 2000), offers a context for the process of combination, whereby explicit knowledge is transmitted to larger groups using formal modes of communication. Finally, exercising *ba* supports the internalization phase (Nonaka et al. 2000) and involves individuals/groups that embody explicit knowledge practicing it such that it becomes organizational knowledge.

As mentioned earlier, there have been criticisms of the SECI model. Essers and Schreinemakers (1997), for example, argue that this approach veers toward relativism by making justification "a matter of managerial authority" while neglecting "how scientific criteria relate to corporate knowledge" (p. 1416). Going further, Bereiter (2002) claims the model cannot explain how new ideas, especially collaborative ones, are developed, while Glisby and Holden (2003) contend the SECI's "four modes of knowledge conversion are strongly embedded in traditional Japanese values and management practices" (p. 35) not suitable for other cultures. Despite these claims, the SECI model is the best known and most influential approach in the KM literature (Easterby-Smith and Lyles 2003; Gourlay 2006; Rai 2011). While one could debate its merits, it seems judicious that any application of virtue ethics should be to this model of knowledge creation and conversion given it is the most commonly cited and utilized in business.

The Social Nature of Virtue Ethics in Organizations

There are several forms of virtue ethics but they all have certain aspects in common. Traditionally, Western philosophical frameworks have tended to ask "what should I do?" when it comes to moral decision-making. Virtue ethics, on the other hand, asks "who shall I be?" It is concerned with right disposition rather than right conduct (Statman 1997). After repetitive learned actions, such persons acquire good habits of practice (Mele 2005). Virtues, however, are not just simply habits; they are

dispositional traits that require choice, understanding, and knowledge to live *eudaimonic* (flourishing) lives (Annas 2006). How do the virtues enable us to live well? Such habitual traits permeate our being and dispose us to act in ways that are virtuous in a given situation. This ensures we focus on being a specific sort of person. This enables us to understand what is appropriate for human flourishing while providing the motivation to achieve this end (Solomon 1992).

A key aspect of this process is *phronesis* or practical wisdom (Bragues 2006). *Phronesis* is the ability to know what is good to do here and now. For example, what being honest actually requires in this situation or what justice requires of me in these circumstances. It enables a person to have a rational control of their emotions to "have those feelings at the right times on the right grounds towards the right people for the right motive and in the right way" (Aristotle, Trans. 1941, NE Bk 2 Chap. 6; 1106b16). *Phronesis* is essential if promoted organizational values are to become real.

Interestingly in later writings (see, e.g., Nonaka and Toyama 2007; Nonaka et al. 2008), *phronesis* becomes a necessary aspect of the knowledge-creating company. For instance, Nonaka and Toyama (2007) list several abilities that *phronesis* brings to KM. First, *phronesis* has to do with making choices about the common good and the role organizations (and the people within) can play in achieving this. Second, *phronesis* is about engaging with other people's contexts "to create the shared space of knowledge called *ba*" (p. 379). *Phronesis* ensures one transcends their own limited perspective and empathizes with others while eliciting empathy in return. Finally, such empathy would be limited to a single experience if *phronesis* also did not allow one to see beyond the ordinary to the essence or the universal nature of goodness. In this way, *phronesis* shifts the knowledge-creating company away from instrumental ends alone and toward more *eudaimonic* outcomes.

While the virtues relate to the individual, they are also about life in community (Moore 2005). The virtues are developed in community and it is for the community's flourishing that they are enacted. Solomon (1992) argues that virtues enable individuals to fit into society in a humanly flourishing way. The virtues are "on one hand, essential aspects of the individual...on the other hand they are precisely the "excellences" that a certain society requires" (p. 107). Consequently, the virtues are a necessary requirement for, and indeed source of, shared human well-being.

From a virtue ethics perspective, business plays an important role in society. According to Moore (2005) and Solomon (1992), the economic needs of human nature mean that business is a necessity. It plays a vital role in contributing to human flourishing through the provision of such things as meaningful work, technological advancements, and worthwhile goods and services. At the same time, business has to think of itself as part of society, interacting with it in a manner that brings out what is best for society as opposed to what is only good for the business. As Solomon points out, any separation between individual self-interests and the common good is artificial. In this way, society and business together help achieve human excellence and well-being.

In order to achieve the above, Moore (2008), building on the work of Alastair MacIntyre (1986), conceptualizes business as a practice. According to Moore, a practice is a socially cooperative activity that is important for human flourishing. Practices have internal goods required to achieve standards of excellence appropriate to, and definitive of, that activity. Internal goods are goods of excellence; they enhance the practice and enable it to contribute to human flourishing. They are compared with external goods which are goods of effectiveness, that is, the outworking's of the practice. This understanding for Moore leads him to conclude that business is a practice because of its social nature and essentiality to human well-being. Accordingly, there are internal goods and standards of excellence inherent to business that allow it to be considered as such. For example, certain skills and abilities to deliver products or services that add to the common good and/or work processes that allow individuals to develop appropriate virtuous dispositions. At the same time, much of what business normally considers essential (e.g., revenue, market share, and profit) are external goods and, while important, do not ineludibly contribute to human flourishing. Unfortunately, when external goods become ends in themselves, business is prone to behavior that can ultimately diminish human well-being (Bakan 2004; Buchanan 1996; Giacalone 2004). Moore (2008) applies this idea of a practice to business as a collective whole. When he talks about individual businesses/organizations/corporations, he refers to them as institutions. An institution is the "social bearer" of a practice. An institution enables a practice and is essential for its survival and prosperity. Generally, when this chapter refers to business, it is synonymous with it being a practice. Alternatively, references to companies, organizations, or corporations are reflective of their institutional nature.

This approach allows Moore (2008) to incorporate virtues as the means to achieve internal goods specific to the practice in which humans are involved. Recall that a practice, such as business, is essential to human flourishing. Likewise virtue ethics argues that striving for and learning to be virtuous are also necessary for human well-being. When combined with business as a social practice, these two engender the idea of individuals working to enhance the common good while also enhancing their own moral self through this process. Moore states this idea succinctly "the virtues enable the individual to achieve the goods internal to practices, and the achievement of those goods across a variety of practices over time is central in the individuals search for and movement towards their own *telos* [good end]" (p. 497).

Virtuous Knowledge Management in Organizations

The idea of business as a social practice necessary for human flourishing means the acquisition and management of knowledge must contribute to Moore's (2008) good of others – it must be part of striving for human well-being. For example, applying the notion of internal goods here means viewing Nonaka's model of KM as a process, involving attributes, abilities, and skills that enable business to contribute

to human well-being while at the same time helping the individuals in this process develop more virtuous dispositions. Perhaps in early writings, Nonaka's (1994) approach emphasized knowledge creation and conversion at the service of profit. However, his later work reflects the idea highlighted above that organizations should take into account the common good and that as individuals engage openly and freely with others in their knowledge community, virtues such as prudence, empathy, compassion, fairness, and courage are developed (see, e.g., Nonaka and Konno 1998; Nonaka and Toyama 2003, 2007; Nonaka et al. 2008).

Two examples might help elucidate the difference between firms that use KM for profit maximizing and firms that aim for human flourishing while also enhancing the bottom line. Although frequently cited in the literature, *Enron Inc.* is a quintessential example of knowledge used for the wrong ends. As Landet al. (2007) note, Enron had a reputation for creating and sharing knowledge that supposedly benefited the organization and its employees (see, e.g., Cruver 2003). However, the senior management of Enron "was engaged in a massive fraud engineered with help from the management of knowledge on a vast scale...In its final stages this involved the destruction of information, and hence, knowledge about the affairs of Enron, by means of shredders, abetted by the company's auditors" (p. 2). Enron focused on external goods such as market share, revenue, profit, and so on. This emphasis influenced the organization's internal workings such that knowledge was created and used in a way that ultimately led to significant harms. Duchon and Burns (2008) sum this up succinctly, "Ultimately, it was Enron's tragedy to be filled with people smart enough to know how to maneuver around the rules, but not wise enough to understand why the rules had been written in the first place" (p. 358).

Again, another well-cited example in the literature, albeit for opposing reasons, is that of *Unilever PLC* whose sustainable living plan has the goal by 2020 of "helping a billion people to take steps to improve their health and well-being, halve the environmental impact of its products; and source all its agricultural raw materials sustainably" (Sunlight, August 9, 2014). Consequently, Unilever structures its KM around achieving this good end. For example, in its culinary category, Unilever developed a community of practice (COP) approach to ensure employees collaborated across plants and geographical and functional boundaries. Such COPs have "led to a number of significant benefits in Unilever, ranging from improved investment decisions, rollout of best practices and collaborative innovation across plants and firm boundaries" (von Krogh et al. 2001, p. 423). This approach had workers narrate their experiences and compare knowledge via a range of activities including off-site workshops, knowledge sharing and debriefing sessions, and social events with the purpose of caring for the consumer, building trust and empathy within the community, and developing individuals personally.

Without a *telos* of human flourishing, KM becomes simply another version of business reengineering (the genesis of which can be found in Frederick Taylor's scientific management) reliant on information technology and viewing knowledge as an asset and people as a commodity to be leveraged to increase shareholder value alone (Wilson 2002). Such rational instrumentalism frequently results in unethical organizational actions (Anand et al. 2004; Bakan 2004; Ghoshal 2005; Knouse and

Giacalone 1992). It is this author's contention that in order to achieve the "right" kind of KM, one has to create an organizational knowledge community (*ba*) where human well-being (both generally in the broader societal sense and individually in the narrower employee sense) is the primary goal and external goods such as productivity, market share, and profit are secondary outcomes. It is important to reiterate that external goods are essential for the practice of business also; without them there would be no practice (Moore 2008). However, they need to be an outworking of striving for a good purpose or *telos* not an end in themselves.

How might organizations (i.e., institutions) develop such a community? Moore (2008) provides several ideas for management that can be adapted to answer this question from a KM perspective. The first of these, already inferred above, involves ensuring the organization has a good purpose. Sustainable living (e.g., Unilever) may be such a purpose; increased tobacco consumption (e.g., Philip Morris) may not be. Having a good purpose sustains and indeed enhances the essential practice of business so vital to human *eudaimonia* while also helping employees within an organization to achieve their own excellent ends.

As part of this, managers need to establish and maintain an organizational identity/culture encouraging KM that aims at this good purpose. Both identity and culture can enhance the practice and the internal goods that imbue it, or they can wither it. Managers have, to some extent, the power to choose conditions in which their organization's moral identity can thrive or die. For example, when the *Body Shop*, which begun as a private company focusing on the social good, was sold by its management to publically listed *L'Oreal*, it had to compromise some of its moral values in order to maximize shareholder return (Purkayastha and Fernando 2007). Consequently, it is management's role to cultivate an environment that develops virtues within individuals pertaining to an appropriate KM. What particular virtues might enable and enhance an organization's KM practices and processes in an excellent way such that it contributes to human flourishing while empowering individuals toward their own good *telos*? (Of course, *phronesis* is relevant here as it is in the application of all the virtues. However, discussion of this occurred earlier.) While there are many possible answers, several virtues labeled epistemic (de Bruin 2013) are perhaps of particular relevance. It is important to note here that although these virtues are labeled epistemic, they are not devoid of an emotional component. All the virtues are immersed in an emotional context when they are enacted – indeed the virtues guide the emotions (Hursthouse 2001).

Love of knowledge involves a "desire to gain true beliefs about worthy and relevant objects, and a desire that such beliefs will be supported by adequate evidence" (de Bruin 2013, p. 589). Lovers of knowledge determine beliefs about objects or ends and how to achieve them and whether these beliefs are true. According to de Bruin, such desire is a clear motivator in that it causes performance of knowledge actions. This virtue is important for business because it ensures that any KM is based on appropriate investigation and justification and results in action that contributes to human flourishing. By way of negative example, a variety of institutions during the 2007–2011 financial crisis failed to scrutinize and validate

claims about mortgage investments and, as a result, participated in unacceptably harmful outcomes.

Epistemic courage is often required by those who wish to participate in the kind of KM discussed above (de Bruin 2013). Courage is about controlling and overcoming fear to achieve a good end. Courageous people strike a balance between overconfidence (being rash) and excessive fearfulness (being a coward) to act in ways that are good for themselves and others even at the risk of harm (physical or psychological) (Mele 2009). Epistemic courage is needed to carry the investigative aspects of KM (de Bruin 2013). Individuals must ask the right questions and seek the correct answers, often in the face of resistance and even threat to their own position as well as the organization's external goods. Moreover, a well-functioning KM system often advocates for positional change in the face of information contrary to what was previously believed or that may have benefitted the organization. The courage to carry out this reversal is an essential part of a KM system that contributes to human flourishing.

A classic example of where an organization's KM failed to embody this virtue comes from the Ford Pinto case (see Hoffman 1990). In this instance, management were told prior to mass production about the potential for rear-end collisions to rupture the car's fuel system. Instead of retooling the car, Ford went ahead and manufactured it, exploding gas tank and all. Hoffman estimated that approximately 1000 burn deaths from Pinto crashes could have been avoided if Ford had changed their mind. When challenged why they acted thus, management produced a cost-benefit analysis demonstrating the extra charge of fixing the fuel tank (about $11 per car) as an explanation for not doing so. Suffice to say, management lacked both the genuine knowledge and the necessary courage to seek the truth and act accordingly in this instance.

Epistemic temperance is the "disposition to choose the right amount of inquiry (investigative part), to reach one's judgments and adopt one's beliefs at the right speed (doxastic parts), and to strive for the right degree of warrant for one's views (justificatory part)" (de Bruin 2013, p. 590). As Rai (2011) notes, knowledge acquisition and management is a continual process. Organizations are complex open systems continually exchanging information with their environment. As such, it becomes vital to determine when enough knowledge is acquired and it becomes time to act. In other words, temperance is about getting the right balance between minimum and maximum knowledge. Such persons "will be motivated to go on when necessary and to stop when going on makes no sense" in order to achieve *eudaimonic* ends (de Bruin 2013, p. 590). In instances where flourishing is diminished, it is not uncommon for organizations to investigate only as far as is required to maintain their reputation or as Giacalone (2004) states, their focus is usually on dealing with symptoms as opposed to exploring the core issues of organizations and the market. Often in these instances, epistemic temperance requires one to go further in order to achieve human well-being.

When it comes to epistemic justice, agents respond in ways true to the knowledge they receive even if it contradicts their own beliefs (de Bruin 2013). This virtue, states de Bruin, ensures that when agents are undecided and have not yet

adopted a set of beliefs, they will "carefully sort and weigh the evidence in favour of all positions" and that they will "not set aside particular information on irrelevant grounds" (p. 591). Cultivating such a virtue ensures certain self-serving biases are less likely to happen. Such biases incline decision-makers to gather, process, and recall knowledge in a way that advances their perceived self-interest, as opposed to the interests of others, and often supports their preexisting beliefs (Prentice 2007). Again, the example of Enron is useful. By developing an identity/culture that strengthened people's inherent self-interested tendencies (Duchon and Burns 2008), Enron ensured that knowledge acquired and processed would reflect this bias. As Prentice (2007) notes,

> Enron employees valued proposed deals that affected the numbers Enron could put on its books, which determined whether or not employees met their bonus targets, which in turn, determined whether millions of dollars would be paid to the very people who were deciding what the numbers should be. Even those officers who were acting in good faith must have been affected by the self-serving bias. In the case of Enron, employees were often not choosing between two legitimate options because the prices of both options were pulled out of the air." (p. 21)

One of the key aspects of Nonaka and Konno's (1998) (Nonaka et al. 2000) SECI knowledge process is the need for individuals to share their knowledge with others. The notion of *ba* takes this further in conceptualizing a specific space where individuals can do this freely, without judgment, and in a manner which enhances caring and compassion between persons. Developing the virtue of epistemic generosity assists this process. It involves cultivating a "disposition to give freely for the purpose of benefitting the receiver" (de Bruin 2013, p. 591) and incorporates the notion of being a good steward with knowledge. As discussed previously, knowledge sharing is crucial to organizational success (Andreeva and Kianto 2012; Argote and Ingram 2000; Grant 1996; Mills and Smith 2011). Consequently, the need for epistemic generosity becomes obvious if, as Liebowitz and Chen (2013) argue, around half of the knowledge within an organization resides within employees and only is useful when it is shared.

Humility is the ability to grasp the truth about oneself while recognizing the reality and value of others. One will not share their knowledge if they are unable to see their own limitations and the authentic needs of others (Mele 2009). It is usually contrasted with vanity which is an "exaggerated preoccupation with oneself and with the way others think of you" (de Bruin 2013, p. 592). Epistemic humility, according to de Bruin, is about accepting one's conceivable fallibility and the potential limits of our cognitive capacity. Having an overblown sense of knowledge ability can be problematic for business especially if sourced in management arrogance or hubris (Campbell et al. 2011; Chatterjee and Hambrick 2007; Hoffman et al. 2013; Stein 2003, 2013). For example, Duchon and Burns, citing Stein's (2003) study, attribute long-term capital markets' (LTCM) collapse in 1998 to a:

> Denial of reality in believing that they possessed knowledge and capabilities far beyond those of any other hedge-fund managers. They believed themselves to be both omnipotent

and omniscient, and this belief manifested itself at the socio-technical core of the firm, where decisions were based on a belief that LTCM's Value at Risk calculations allowed it to predict and control the future...Between January and August 1998, LTCM's leverage ratio reached 50:1 when 2:1 was the industry norm. (p. 304)

Prior to this, LTCM had been one of the most successful hedge funds in the market generating returns of over 40 % in its first 5 years (Stein 2003).

Conclusion

Virtue ethics helps us examine KM from a different perspective. Its worth comes from the way it makes character central, thus explaining an individual's motivation to be moral. This is something that rule-based approaches fail to accomplish. This focus on character leads to questions around the kind of person one wants to be as opposed to what one should do when it comes to being ethical. For virtue ethics, a good life is not typified by materialistic accomplishments or hedonistic pleasures but rather is one in which a person's moral disposition is developed into a life worthy of being lived, that is, a virtuous life (Oakley and Cocking 2001). However, a person cannot live this way unless they also understand their life in relationship to their community, for it is this community for which the virtues are formed, developed, and ultimately serve.

Business is a socially cooperative activity necessary for human flourishing. Virtuous institutions (or organizations) are communities within business, enabling it to contribute to human flourishing. An organization's internal goods, that is, their processes, policies, procedures, and practices, of which KM is part, should be structured in such a way to achieve this good *telos* primarily through the creation of useful products and services for humanity and by enabling the achievement of an individual's prosperity. External goods such as market share and profit are also important for without them, the organization and indeed the practice of business would not exist. However, they are an outworking of being virtuous not an end in themselves.

There are certain virtues that are valuable for humans which help us flourish in organizational communities with such shared goals. These virtues comprise both rational and emotional elements in balance. They form a web of internal goods (Oakley and Cocking 2001) which, along with *phronesis,* allow us to live flourishing lives whether privately or in public. In the case of KM, these virtues include love of knowledge, courage, temperance, justice, generosity, and humility. Taken together these interlocking virtues ensure individuals involved in KM have an appropriate purpose in mind and aim at the right kind of end while producing the necessary internal goods to accomplish this end. Management plays a role in this process also. They contribute to whether their organization has a good purpose or not. They can cultivate the epistemic virtues in their employees by developing an organizational culture/identity where *ba* is encouraged and such virtues are taught,

modeled, and rewarded. Finally, they can, to some extent, choose the environment in which the organization operates.

References

Anand V, Ashforth BE, Joshi M (2004) Business as usual: the acceptance and perpetuation of corruption in organizations. Acad Manag Exec 18(2):39–53. doi:10.5465/AME.2004.13837437

Andreeva T, Kianto A (2012) Does knowledge management really matter? Linking knowledge management practices, competitiveness and economic performance. J Knowl Manag 16 (4):617–636

Annas J (2006) Virtue ethics. In: Copp D (ed) The Oxford handbook of ethical theory. Oxford University Press, Oxford, pp 515–536

Argote L, Ingram P (2000) Knowledge transfer: a basis for competitive advantage in firms. Organ Behav Hum Decis Process 82(1):150–169

Aristotle (Trans. 1941) Nichomachean ethics. In: McKeon E (ed) The basic works of Aristotle. Random House, New York

Bakan J (2004) The corporation: the pathological pursuit of profit and power. Free Press, New York

Bereiter C (2002) Education and mind in knowledge. Lawrence Erlbaum, Mahwah

Bragues G (2006) Seek the good life, not money: the Aristotelian approach to business ethics. J Bus Ethics 67(4):341–357

Buchanan A (1996) Toward a theory of the ethics of bureaucratic organizations. Bus Ethics Q 6 (4):419–440

Campbell WK, Hoffman BJ, Campbell SM, Marchisio G (2011) Narcissism in organizational contexts. Hum Resour Manag Rev 21(4):268–284

Chatterjee A, Hambrick DC (2007) It's all about me: Narcissistic Chief Executive Officers and their effects on company strategy and performance. Adm Sci Q 52:351–386

Cruver B (2003) Enron: anatomy of greed. Arrow Books, London

de Bruin B (2013) Epistemic virtues in business. J Bus Ethics 113:583–595. doi:10.1007/s10551-013-1677-3

Duchon D, Burns M (2008) Organizational Narcissism. Organ Dyn 37(4):354–363

Easterby-Smith M, Lyles MA (2003) Introduction: watersheds of organizational learning & knowledge management. In: Easterby-Smith M, Lyles MA (eds) The Blackwell handbook of organizational learning & knowledge management. Blackwell, Oxford, pp 1–15

Essers J, Schreinemakers J (1997) Nonaka's subjectivist conception of knowledge in corporate knowledge management. Knowled Org 24(1):24–32

Ghoshal S (2005) Bad management theories are destroying good management practices. Acad Manag Learn Edu 4(1):75–91. doi:10.5465/AMLE.2005.16132558

Giacalone RA (2004) A transcendent business education for the 21st century. Acad Manag Learn Edu 3(4):415–420. doi:10.5465/AMLE.2004.15112547

Glisby M, Holdem N (2003) Contextual constraints in knowledge management theory: the cultural embeddedness of Nonaka's knowledge-creating company. Knowl Process Manag 10 (1):29–36

Glisby M, Holden N (2003) Contextual constraints in knowledge management theory: the cultural embeddedness of Nonaka's knowledge-creating company. Knowl Process Manag 10 (1):29–36. doi:10.1002/kpm.158

Gourlay S (2006) Conceptualizing knowledge creation: a critique of Nonaka's theory. J Manag Stud 43(7):1415–1436. doi:10.1111/j.1467-6486.2006.00637.x

Grant RM (1996) Toward a knowledge-based theory of the firm. Strateg Manag J 17(S2):109–122

Hoffman BJ, Strang SE, Kuhnert KW, Campbell WK, Kennedy CL, LoPilato AC (2013) Leader narcissism and ethical context effects on ethical leadership and leader effectiveness. J Leadersh Org Stud 20(1):25–37

Hoffman JJ, Hoelscher ML, Sherif K (2005) Social capital, knowledge management, and sustained superior performance. J Knowl Manag 9(3):93–100. doi:10.1108/13673270510602791

Hoffman WM (1990) The Ford Pinto. In: Hoffman WM, Moore JM (eds) Business ethics: readings and cases in corporate morality. McGraw-Hill, New York, pp 585–592

Hursthouse R (2001) On virtue ethics. Oxford University Press, Oxford

Knouse SB, Giacalone RA (1992) Ethical decision-making in business: behavioral issues & concerns. J Bus Ethics 11:5–6. doi:10.1007/BF00870549

Land F, Amjad U, Nolas S (2007) The ethics of knowledge management. Int J Knowl Manag 3 (1):1–9

Liebowitz J, Chen Y (2013) Knowledge sharing proficiencies: the key to knowledge management. In: Holsapple HW (ed) Handbook of knowledge management. Springer, Berlin, pp 409–424

McElroy MW (2003) The new knowledge management: complexity, learning and sustainable innovation. Heinemann, Butterworth

MacIntyre A (1986) After virtue, 2nd edn. Notre Dame University Press, Notre dame

Mele D (2005) Ethical education in accounting: integrating rules, values and virtues. J Bus Ethics 57:97–109

Mele D (2009) Business ethics in action: seeking human excellence in organizations. Palgrave Macmillan, Basingstoke

Mills AM, Smith TA (2011) Knowledge management and organizational performance: a decomposed view. J Knowl Manag 15(1):156–171

Moore G (2005) Humanizing business: a modern virtue ethics approach. Bus Ethics Q 15 (2):237–255

Moore G (2008) Re-imagining the morality of management: a modern virtue ethics approach. Bus Ethics Q 18(4):483–511. doi:10.5840/beq200818435

Nishida K (1990) An inquiry into the good (trans: Abe M, Ives C). Yale University Press, New Haven

Nonaka I (1994) A dynamic theory of organizational knowledge creation. Org Sci 5(1):14–37

Nonaka I, Konno N (1998) The concept of "Ba": building a foundation for knowledge creation. Calif Manag Rev 40(3):40–54

Nonaka I, Takeuchi H (1995) The knowledge-creating company: how Japanese companies create the dynamics of innovation. Oxford University Press, Oxford

Nonaka I, Toyama R (2003) The knowledge-creating theory revisited: knowledge creation as a synthesizing process. Knowl Manag Res Pract 1:2–10

Nonaka I, Toyama R (2007) Strategic management as distributed practical wisdom. Ind Corp Chang 16(3):371–394. doi:10.1093/icc/dtm014

Nonaka I, Toyama R, Hirata T (2008) Managing flow: a process theory of the knowledge-based firm. Palgrave MacMillan, New York

Nonaka I, Toyama R, Konno N (2000) SECI, ba and leadership: a unified model of dynamic knowledge creation. Long Range Plan 33(1):5–34

Oakley J, Cocking D (2001) Virtue ethics and professional roles. Cambridge University Press, Cambridge

Prentice RA (2007) Ethical decision making: more needed than good intentions. Financ Anal J 63 (6):17–30

Purkayastha D, Fernando R (2007) The body shop: social responsibility or sustained greenwashing? In: Hamschmidt J (ed) Case studies in sustainability management and strategy. Greenleaf, Sheffield, pp 226–251

Rai RK (2011) Knowledge management and organizational culture: a theoretical integrative framework. J Knowl Manag 15(5):779–891. doi:10.1108/13673271111174320

Roberts RC, Wood WJ (2007) Intellectual virtues: an essay in regulative epistemology. Clarendon, Oxford

Simon HA (1998) The sciences of the artificial. MIT Press, Cambridge

Solomon RC (1992) Ethics & excellence. Oxford University Press, New York

Statman D (1997) Introduction to virtue ethics. In: Statman D (ed) Virtue ethics: a critical reader. Edinburgh University Press, Edinburgh, pp 1–41

Stein M (2003) Unbounded irrationality: risk and organizational narcissism at long term capital management. Hum Relat 56:523–538

Stein M (2013) When does narcissistic leadership become problematic? Dick Fuld at Lehman Brothers. J Manag Inq 22(3):282–293

Sunlight P (2014) In search of the good business The Economist. Retrieved from http://www.economist.com/news/business/21611103-second-time-its-120-year-history-unilever-trying-redefine-what-it-means-be

Tsoukas H (2003) Do we really understand tacit knowledge? In: Little S, Ray T (eds) Managing knowledge: an essential reader. The Open University, London, pp 410–427

von Krogh G, Nonaka I, Aben M (2001) Making the most of your company's knowledge: a strategic framework. Long Range Plan 34(4):421–439. doi:10.1016/S0024-6301(01)00059-0

Wilson TD (2002) The nonsense of knowledge management. Info Res 8(1). Retrieved from http://informationr.net/ir/8-1/paper144.html

Public Communication Ethics in an Online Environment

Mónica Codina

Contents

Abstract

The Internet has radically changed the landscape of communication. The emergence of a delocalized flow of information has undermined the ability of traditional media to gather and control the news. The so-called social media have become a quicker and more popular channel of communication. This change poses ethical challenges both now and potentially for the future. Although professional bodies have endeavored to deal with such issues by implementing codes and regulatory systems, time has shown that these are insufficient to guarantee the best ethical outcomes. Regulations cannot provide by themselves the most adequate response in an increasingly complex scenario. This chapter proposes the development of a solid theoretical framework that places social goodness at the center of ethical reasoning and practical wisdom as the virtue of human character that inspires such goodness.

M. Codina (✉)
University of Navarra, Pamplona, Spain
e-mail: mcodina@unav.es

Introduction

Public communication is a social human action that has ethical, political, rhetorical, poetical, and aesthetic dimensions (Garcia-Noblejas 2006). By making a practical form of social life possible, communication is a key factor in the protection of goods that serve the common interest such as freedom, the market, education, and culture.

This chapter discusses the ethics of public communication in an online environment. It comprises three sections. The first section shows how technological development has triggered a tidal change in public communication, to which ethical codes and regulatory systems have failed to provide a satisfactory response. The second section reflects on the type of knowledge that behavioral codes provide and proposes virtue ethics as the best possible paradigm for communication ethics. The third section shows how practical wisdom helps in judging "what," "when," and "how" truth is to be disclosed. The conclusion reflects on the benefits of virtue and explores future work.

Ethical Challenges in Online Communication

At the beginning of the twenty-first century, the technological revolution has changed the traditional business of media companies, corporations, and brands, as well as the habits of consumers. The Internet has become omnipresent, providing large selections of content everywhere at an affordable cost. In this context, media companies are adapting to a business model that demands work in a context of multimedia convergence and in the production of transmedia content. Newsrooms gather expertise and technical skills to deal with the growing body of information that the Internet disseminates daily.

On the other hand, people are learning to take part in the public arena by generating online content with few restrictions. The spread of the Internet has given rise to social movements that freely organize themselves through social media. As corporations and brands witness these changes, they are keenly aware that consumer opinions published online may play a decisive role in purchasing decisions (Bruns 2005), thus developing a keener sensitivity concerning their reputation.

This situation poses technical, organizational, and creative challenges as well as ethical questions. Given that the traditional media has lost its control over public communication in the shift from offline to online, online communication gives rise to a number of such challenges. Issues including the following call for urgent discussion: how to ensure one's right to privacy, how to measure the credibility of social media as a source of information, and how to address cultural differences in communication processes (Friend and Singer 2007).

Professional associations have responded by drawing up specific codes of conduct. In its *10 Best Practices for Social Media: Helpful Guidelines for News Organizations,* the (American Society of News Editors 2011) states that "putting in place overly-draconian rules discourages creativity and innovation, but allowing an

uncontrolled 'free-for-all' opens the floodgates to problems and leaves news organizations responsible for irresponsible employees." Similarly, the European Advertising Standards Alliance (EASA) has developed its own code of conduct, entitled *Digital Marketing Communications Best Practice*.

These codes compile the best practices and set out deontological norms to enable professionals to discern a prompt and proper response to ethical dilemmas. Despite complaints from some commentators that the production and spread of codes is an awkward response to the growing dominance of technique and economic criteria in media companies (Aznar 2005, pp. 32–42), they contribute to increasing professional identity, standardizing professional criteria, helping establish fair competition, and enhancing the social perception of the profession (López-Mañero 2000, pp. 169–204). They also complement self-regulation and co-regulation systems that promote the fulfillment of ethical standards and attract widespread consensus. Codes and self-regulation bodies (as independent authorities) monitor self-regulation processes to ensure that media companies honor their respective codes (Harris 1992, pp. 65–66; O'Malley and Soley 2000), thus safeguarding civil liberties and media independence of political powers.

However, regulation would appear to be an approach of limited effectiveness in dealing with the complexity of the digital realm. An overview of different cases illustrates how the current ethical challenges require careful and comprehensive understanding.

In 2010, Julian Assange, founder of WikiLeaks (an online platform that enables publication without disclosure of sources) released 250,000 classified US diplomatic cables containing confidential data. Assange was determined to reveal government abuses to the public. Five reputable international traditional newspapers (*The Guardian*, *The New York Times*, *Der Spiegel*, *El País*, and *Le Monde* (Lundberg 2011)) assisted him in bringing this confidential data to light. The disclosure of these cables raised a number of issues: whether WikiLeaks ought to be considered a media, a source, or neither of the two, a debate concerning where authority lies, decisions regarding which stories should (and should not) be made public, the analysis of large databases so as to obtain significant stories, the verification of types of information that could endanger national security, and the circumvention of the law via online publication. Unprecedented challenges like these can only be worked out through thorough critical reasoning that focuses on the greatest good of the community.

Because the Internet disseminates information worldwide, globalization gives rise to conflicts relating to cultural diversity and religious sensitivity. In September 2005, the Danish newspaper *Jyllands-Posten* published 12 cartoons of Muhammad to denounce societal fear of Muslim communities. The newspaper also wanted to bring moderate Islam into play. By January 2006, this strategy backfired, resulting in an explosion of angry mass protests in Muslim countries, causing deaths and attacks on European embassies. Such a reaction was part of a political-cultural conflict with the West. While Muslim countries were acting on the basis of political motivation, European newspapers understood such a reaction as an attack on freedom of speech and decided to republish those cartoons in solidarity with

Jyllands-Posten (Codina and Rodríguez-Virgili 2007). Thus, the publication of those cartoons illustrates that communication ethics faces a major challenge in attending to the diversity of cultures in a globalized world.

Smartphone technology and social media enable people to freely generate content. The spontaneous use of the Internet represents a great opportunity for the media to engage the public. "Eyewitness accounts, expert knowledge, photos, audio, video and data sent by the public give full meaning to interactivity" (Negredo 2013). Audience participation increases story coverage and enables comment, correction, and editorial debate. Although many forms of participation attract the audience, companies find it difficult to ensure the reliability of content. For example, newsrooms learned of the death of Osama bin Laden via Twitter. While the story was spreading online, traditional journalism could not obtain official confirmation of the news. The epistemological and ethical authority of journalists has always been underwritten by the job of establishing the "reliability of the sources" and determining when a story may be regarded as "confirmed."

To handle the large data flow that Internet users generate, new crowdsourcing software collects information from mobile phones, media, and websites, compiles this information on a single platform, and displays it using chronological graphs. But despite the success of crowdsourcing, the collected data needs to be verified, contrasted, and situated within meaningful stories. Crowdsourcing software alone cannot generate reliable information.

In 2005, *Associated Press*, *Reuters*, and *Agence France Presse* – the most important news agencies in the world – distributed the photo of a toy, taken from an Islamist website, as though it were a kidnapped US marine. The publication of this picture had a negative impact on military operations and hurt the feelings of family members of soldiers based in Iraq. As Kovach and Rosenstiel (2001) emphasized, journalism's first obligation is to tell the truth and its essence is the discipline of verification. That means that the reliability of the source must be checked out, other sources need to be taken into account, and the authenticity of photos must be checked.

Organizations use their own websites to release official information. Still, unofficial data appears online through various sources, spreading opinions that question the value of official information. Public relations agents have little control over these other actors. Consequently, corporations are developing strategies to build and maintain their reputations online. Keenly aware of this, corporations react when they see their reputation at stake. For example, the online version of *El País* featured a promotional advertisement using two photos of the Twin Towers in New York, before and after September 11, with the tagline "what a difference a day makes." In no time, an online debate arose regarding whether or not respect had been shown, and those affected by the September 11 attacks forced the withdrawal of the advertisement.

The cases reviewed illustrate that "traditional ethics rules still apply online," as the American Society of News Editors puts it. However, the virtual world gives rise to new forms of the traditional ethical dilemmas for which ethical codes and existing best practices prove insufficient. In the next section, I argue that the integration of information or data into meaningful stories that contribute to the social good requires an enhanced sense of practical wisdom.

From Codes of Conduct to Virtues

What type of knowledge does regulation offer? Why are ethical codes compelling? Are there any limits to regulation? If so, what are those limits? Codes function as a synthetic expression of an ethical tradition; once validated by professional praxis, they may yield best communication practice. They synthesize professional experience in the face of ethical dilemmas, establishing practicable criteria and guiding professionals to take quick and appropriate decisions.

The range of cases cited above evidences the fact that rules and regulations are not self-explanatory. They demand careful interpretation to enable a proper response in each situation. In this way, the application of such criteria cannot be carried out mechanically by simply identifying the most suitable rule. Ethical codes are therefore meaningful in order to identify more easily the kind of goods which are at stake or conflict in public communication and to propose a guide for practical reasoning in relation to the most common ethical problems, for example, whether confidential information should be disclosed, when the right to know or the right to privacy ought to prevail, as well the role of the public in keeping the media honest.

Ethical codes are not the same as the ethical principles of communication. Regulation is useful in guiding communication practice, but the purpose of the activity and its ethical standard are judged within the broadest context of social ethics, rather than in terms of the general content of a rule.

Every communicative act has an intrinsic ethical dimension related to social good. In finding out the best practice, ethical decision-making combines both inductive and deductive approaches. In order to judge a case and recommend action, ethical reasoning goes from a specific situation to the general principles and back again. Ethical decision-making requires coherent reasoning that ground public action in such a way as to ensure the social good.

Decision-making in communication ethics is structured on three levels. On the first level, professional decision-making aims to carry out the "social goodness" in line with its theoretical foundations. This level raises questions regarding the purpose of public communication and the good it serves. Secondly, at the normative level, decision-making looks at the experience gathered through professional practice, which is often reflected in good practices, ethical codes, or rules that shed light on complex and shifting scenarios. On the third level, we come to a decision that tells us how such rules are to be applied in a particular case. Professionals must learn to balance theoretical principles, norms, and particular cases in reaching the appropriate ethical decision.

The threefold structure of reasoning presented above has strengths and weaknesses. It allows professionals to address new situations without multiplying codes of conduct indefinitely, because it addresses ethical cases on a one-to-one basis. In addition, it also reasons from the broader perspective of social good. However, while this structure takes a shared theoretical framework for granted, globalization brings out instead a diversity of cultural paradigms that often come into conflict with one other. Hence, ethics encourages reflection on metaethical questions such as "whether or not it is possible to construct universal norms given a postmodernist

understanding of rationality, knowledge, and communication" (Wasserman 2009, p. 89). Although the correct identification of universal values in a globalized world does not appear to be easy, from a practical perspective, its resolution is an urgent question. For communication ethics to succeed, it "will have to be inclusive, but also robust enough to encourage challenges from various competing perspectives. This type of debate will also have to include addressing the ways in which economic, social, and cultural power relations influence our understanding of journalism ethics. What is needed is a critical dialogue" (Wasserman 2009, p. 92).

Thus, the need to develop critical reasoning that lays down a robust philosophical basis for ethical analysis is clear. It should be obvious that the application of ethics cannot be based on a "gut feeling" or "instinct alone" (Wasserman 2009, p. 86). Christians notes that ethical issues "should be rooted in philosophical beliefs regarding the nature of human beings and the meaning of life" and that they should question "whether the ideas behind the ethical principles are true and whether they warrant commitment" (2008, p. 47).

As noted above, communication ethics analyzes particular cases in light of norms and principles. Yet the coexistence of different ethical paradigms such as utilitarianism, consequentialism, and virtue ethics often leads ethical reasoning to different or opposed conclusions. In addition, not every ethical paradigm is equally capable of handling the complexity of ethical dilemmas. For one thing, Christians points out that utilitarianism presents serious difficulties because "it depends on making accurate measurements of consequences, when in everyday affairs the results of our choices are often blurred, at least in the long term" (2008, p. 33, 2007). The ramifying consequences of actions are often hard to discern. Cultural paradigms also affect the application of utilitarianism and consequentialism in a globalized world, because the interpretation of what is useful or what is a good consequence for an action tends to be different in each culture. The mere utility of actions and their foreseeable consequences do not seem to articulate the solid theoretical basis that ethics so urgently requires.

In contrast, virtue ethics is based on a universal set of principles that enables decisions to act based on a process of rational thought. This renders the virtue paradigm immune to the kind of criticisms usually leveled against utilitarianism and consequentialism. Still, Quinn argues that virtue ethics must overcome two common objections. First of all, deontologists and consequentialists object to the idea that virtue cannot be codified. According to them, there is a "lack of a clear decision theory to justify its results" that would permit non-virtuous professionals to act correctly (2007, p. 174). And secondly, they wonder "how one might possibly prioritize between the plural, conflicting, and often incommensurate values prominent in virtue ethics" (2007, p. 178). Quinn's answer stresses the crucial role of practical wisdom in the process of decision-making.

For Aristotle, practical wisdom is the virtue that guides the process of decision-making toward the correct action. This involves more than considering universal principles or ethical codes. In fact, while regulation merely lists correct procedures, its application fails to generate the correct answer in every case, often enabling the application of rules for what may actually be wrong. The decisive feature of virtue

is that it links ethical principles and experience together, allowing for flexible reasoning to respond to continuous social changes while being firmly anchored in a set of universal principles.

Christians and Quinn hold that virtue is critical in identifying the what, when, and how of publication in the best interests of society, guiding the process of decision-making toward such social interest, otherwise known as social goodness. Aristotle said that "the purpose of a city is the good life," institutions being means to that end (Politics, III-9- I280 b 29). He also argued that "in all branches of knowledge and in every kind of craft the end in view is some good. In the most sovereign of these, the capacity for [leadership in] political matters, the end in view is the greatest good and the good, which is most to be pursued. The good in the sphere of politics is justice; and justice consists in what tends to promote the common interest. General opinion makes it consist in some sort of equality" (Aristotle Politics, VII-12- I282b 14). If Aristotle is correct, the ethical degree of the actions of public communication is measured by their ability to establish social relationships that are more just and good for the community.

The Benefit of Virtue

How can virtue guide public communication ethics? How does it work in the decision-making process? As Quinn points out, virtues belong to the inner self, from where motivations and moral reasons guide action based on principles. They shape the professional "*character* as the primary substantive moral force," which does not easily allow for manipulation (2007, pp. 169–170). While codification indicates right procedures, virtue provides deep, stable, and situated moral knowledge of good. Virtue does not limit itself to communicating truthfully but rather "implies an understanding that what is good about truth is a deeply ingrained part of one's character, well entrenched in one's psyche, and depends not exclusively on the act of truth telling but largely on what motivates one to tell the truth and/or what one intends to achieve by being truthful" (Quinn 2007, p. 171).

Virtue invigorates one's moral character. According to Aquinas, "rectitude of judgment is twofold: first, on account of perfect use of reason, secondly, on account of a certain connaturality with the matter about which one has to judge" (Summa Theologica II-II, q. 45. a 2). Virtue pursues the acquisition of a moral character, that is, an inherent disposition to know what is good "not just abstractly, but through training and experience in a given role" (Quinn 2007, p. 172). In this way, cases in which a social good is at stake pose no obstacle to the virtuous individual that seeks to act in the best interest of society.

The complex digital realm is the place where many of these decisions have to be taken. But virtue is not beyond one's capacity. For Aquinas, the correct use of reason is sufficient to inspire the best ethical decisions on the individual's part. By following it, practical wisdom provides public communication with an authoritative guide in the complex landscape of digital media. Under such authority, professionals will acquire a know-how to specific ethical dilemmas.

Conclusion

On the basis of virtue, further research can go beyond the study of deontological codes and regulatory systems to explore how virtue can help professionals identify social goodness in day-to-day cases. This entails rethinking established facts, such as the paradigm that simply recommends the application of codes without regard for the development of moral character.

References

American Society of News Editors (ASNE) (2011) 10 best practices for social media. Helpful guidelines for news organizations. Retrieved 15 Jan 2014, http://asne.org/Files/pdf/10_Best_Practices_for_Social_Media.pdf

Aquinas T (1920) The Summa theologica, IIᵃ-IIᵃe qq. 58–62 (trans: Fathers of the English Dominican Province). Westminster/London

Aristotle (1998) Politics (trans: Barker E). Oxford University Press, Oxford.: Christians Classics

Aznar H (2005) Comunicación responsable. La autorregulación de los medios. Ariel, Barcelona

Bruns A (2005) Gatewatching. Collaborative online news production. Peter Lang Publishing, New York

Christians CG (2007) Utilitarianism in media ethics and its discontents. J Mass Media Ethics 22(2 and 3):113–131

Christians CG (2008) Between the summits: media ethics theory, education and literature. In: Kittross JM (ed) An ethics trajectory. Visions of media past, present and yet to come. University of Illinois, Urbana, pp 29–53

Codina M, Rodríguez-Virgili J (2007) Journalism for integration. The Muhammad cartoons. Javnost Public 14(2):31–46

Friend C, Singer JB (2007) Online journalism ethics. Traditions and transitions. M. E. Sharpe, New York/London

Garcia-Noblejas JJ (2006) Medios de conspiración social. EUNSA, Pamplona

Harris GE (1992) Codes of conduct for journalists. In: Belsey A, Chadwick R (eds) Ethical issues in journalism and the media. Routledge, London/New York, pp 62–76

Kovach B, Rosenstiel T (2001) The elements of journalism. What newspeople should know and the public should expect. Crown Publishers, New York

López Mañero C (2000) Los mecanismos de autorregulación en los medios de comunicación españoles. In: Aznar H and Villanueva E(ed) Deontología y autorregulación informativa. Ensayos desde una perspectiva comparada. FMBAC, México, pp. 169–204.

Lundberg K (2011) Friend or foe?: Wikileaks and the guardian. Knight Case Studies Initiative, Graduate School of Journalism, Columbia University

Negredo S (2013) Participation in Al Jazeera English: integrating witnesses and users to broaden the reach of the news. Commun Soc 26(1):1–21

O'Malley T, Soley C (2000) Regulating the press. Pluto Press, London

Quinn A (2007) Moral virtues for journalist. J Mass Media Ethics 22(2 and 3):168–186

Wasserman H (2009) Global journalism ethics. In: De Beer AS (ed) Global journalism. Topical issues and media systems. Pearson, New York, pp 85–94

Part XXVI

Virtues and Globalization

Does Relationality Make Sense on a Global Level? Is There a Global Society?

Pierpaolo Donati

Contents

Abstract

The morality of human agency depends on both the action's subjects and the conditions of the context in which they act. It is relational by its very nature since the agents take decisions in their internal conversation in dependence on the relations that they have (or expect to have) with the outer world. What we need to clarify is how the new communicative processes at the global level can help or, alternatively, misguide human morality – or even make it adiaphoric – in different ways and to varying degrees, precisely because, by conditioning social relations, they affect the agents and the practice of personal and social virtues. Subjectivity is very sensitive to societal transformations; accordingly, human reflexivity would be just as variable as changes in the relationality of social forms. Globalization accentuates the importance of this relationality, heavily influences the modes of agential reflexivity, and therefore makes the assessment of morality more difficult. The purpose of this contribution is to understand in what ways global society changes the relationality of social contexts. The global society is here defined as the sphere of all communications which are relevant to the subjects who participate in it at any physical distance.

P. Donati (✉)
Department of Sociology and Business Law, University of Bologna, Bologna, Italy
e-mail: pierpaolo.donati@unibo.it

Introduction

The morality of human agency depends on both the action's subjects and the conditions of the context in which they act. It is by its very nature *relational* in that the acting subject takes decisions in his/her internal conversation depending on the relations that he/she has with the social context. Globalization accentuates the importance of this relationality and, at the same time, renders its moral evaluation more difficult and complex.

The aim of this contribution is to understand in what *ways* globalization forges the relationality of social contexts so as to promote, to empty of meaning (to render adiaphoric, i.e., morally indifferent), or to lead astray or hinder – to varying degrees – the morality of human agency precisely because, by conditioning social relations, it influences the acting subjects and the exercise of (personal and social, public and private) virtues.

The future of human virtues is strictly correlated with the type of relationality that globalization will be able to generate in different territorial, economic, and social (concrete or virtual) contexts. The challenge is to know whether, and under which conditions, globalization will be able to sustain a rich, robust, and satisfying *inter*human relationality or whether it will instead breed amoral, immoral, or even inhuman forms of social life.

Globalization and Social Relationality: What Is a "Global Society"?

Globalization has been defined in many ways owing to the fact that we are dealing with a complex and multifaceted phenomenon. A certain amount of consensus exists in understanding globalization as the expansion and articulation, on a global scale, of exchanges and bonds of interdependence among nations, human activities, and political, economic, and social systems. It manifests itself in the growing reciprocal dependence existing between any point on the globe and any other point.

It is important to emphasize that globalization is not a particular arrangement (or societal configuration), endowed with its own institutions or established structures, but is *an historical process*. If we can think of globalization as "cause," this is owing to the fact that a collection of factors – both intentional and unintentional – generates structures (said to be "global") which condition (become "causes" of) moral agency in single contexts.

Globalization passes through various historical phases. Its *modus operandi* changes with the introduction of new propulsive factors that change the relationality of contexts. In an initial phase, the relationality typical of hierarchical

organizations such as the state or traditional bureaucratic apparatuses are called into question, while the relationality of for-profit markets undergoes an explosive expansion with the financialization of the economy. Subsequently, the relationality of networks asserts itself as an alternative principle with respect to hierarchies and the markets.

The first phase of globalization enhances a kind of instrumental relationality, which is indirect and abstract (Calhoun 1992). It throws hierarchical relationality into crisis and reverberates with the same characteristics on the plane of morality at all the micro-meso-macro-levels of social life. Ethical criteria (virtues) are defined according to modalities that are more instrumental, indirect, abstract, and openly contrary to every principle of authority. In reaction, global social movements (pacifist and environmental movements are typical of these) and NGOs arise that convey a generalized ("globalized") ethics of solidarity and social responsibility and which have negligible effects to the extent that they remain on an equally abstract ethical plane.

Subsequently, globalization must deal with its effects on a "local" level. There is the spread of contexts characterized by *glocal* and *hyper-local* relations (to be clarified hereinafter) in which the ethics of virtues can become less abstract and less generic. Indeed, in these contexts it is more probable that human virtues will emerge, in particular, civic virtues (of the good citizen) and mercantile virtues (the honesty of sellers and buyers of goods and services).

We must avoid committing the fallacy of confusing globalization with some of its effects, given that its outcomes are not unambiguous but often highly ambivalent. For example, some identify globalization with unregulated and risky neo-capitalism (casino capitalism), while globalization also means the transfer of social practices (such as democracy) and of regulatory norms (e.g., against child labor) and, in general, the spread of human and social rights to parts of the world previously lacking them. Or globalization is identified with the spread of homogenous and standardized culture around the globe (such as the so-called McDonaldization of consumption or hackers' mentality), forgetting that the processes of globalization also create new (indentitary) cultures, nourish new cultural differences, and spread so-called relational communities (Griswold 2004) that are not tied to a geographical territory. In brief, globalization breeds cultural pluralism (even in the form of "multiculturalism") and, thus, also the problems of cultures entering into relation with one another.

Globalization is therefore a highly relational process. In order to understand it, it is necessary to specify the causes that generate it and the effects that it produces. We must analyze globalization (A) as *explanandum* (as a reality to be explained causally) and (B) as *explanans* (as a cause of other processes). Let us look at these two aspects separately.

(A) As regards the causes that generate globalization, they consist in the totality of those causal factors and mechanisms – which are technological, economic, political, and cultural – that (i) operate to "free" social relations from prior ascriptive constraints ("ascriptive" designates the attribution of qualities or

characteristics based on a predetermined factor, as age, sex, ethnicity or race, and not on individual achievement, for instance, the constraints of traditional cultures and national or local political systems), (ii) erode the boundaries between different cultures (and ethical systems), and (iii) nullify boundaries of space and time.

The generative mechanism of globalization consists *in freeing every particular society from the ascriptive constraints that normatively regulate relations within that society, opening them to the contingencies of its "environment" (in a systemic sense) and, therefore, crossing or even nullifying the boundaries between system and environment.* Generally speaking, the nullification of boundaries is a process of indifferentiation that may prelude to new processes of differentiation, even with respect to ethics and virtues. That is why moral boundaries require an ethic of care (Tronto 1993).

Sociological theory has clarified for some time now that liberation from a social system's ascriptive constraints is the precondition for changing that system, including an entire society (Parsons 1961). Globalization is, in the first place, synonymous with denationalization, that is, with the loss of power (sovereignty) of nation-states (Sassen 2002, 2007), but, as a long-lasting historical process, globalization goes well beyond such characteristics and constitutes the basis of a new historical epoch. The failure of prior ascriptive constraints produces an opening to new contingencies (the world of the possible) that can bear the mark of positive or negative opportunities, even from the moral point of view (Luhmann 1990). "Global relationality" arises from these processes, which endow it with particular qualities.

The constellation of entities and activities that generate globalization consists, in the first place, in the new information and communication technologies (ICTs). The fact that these have allowed money to become the constraint-free operator of social exchanges on a global scale (the financialization of the economy) belongs to this historical phase. ICTs make it possible to connect any point on the globe with any other point without having to answer to the prescriptive constraints of "local" systems, whether the political-administrative systems that regulate physical territories or those dictated by the traditional *ethos* of a local population.

The global society is, in its essence, the society characterized by an *unlimited communication*, that is, without communicative limits, and which lacks moral constraints and moral strictures on communication as such, except for the areas of public order and public decency. Communication is to be understood here above all as the transfer of information and not necessarily as the "making something communal" (*cum-munus*), which is the premodern meaning of communication (*communicatio*). That communication by means of ICTs can cause something to be held in common by the sender, and the recipient is only one possibility and the one with the least probability. On the other hand, saying that it is "unlimited" does not mean that it covers the entire globe and all populations. The global society is *the society created by the communications that appertain to the subjects who participate in the worldwide network.*

Whatever is not communicated is not part of the global society. The global society excludes those "particular or marginal societies" that are not in the communication stream. The global society thus creates its opposite, "local societies," that is, those particular social networks that exclude themselves or are effectively excluded from the unlimited communication, or, in any case, that create barriers (boundaries) with respect to the latter.

We can thus understand why globalization is a major challenge to a truly human relationality: social relations – which are emergent effects of interactions between subjects – are reduced to mere communications, that is, to communication *and only to* communication (Luhmann 1995), repressing the fact that social relations always incorporate a moral dimension (the ethical norms of the relation) and a dimension having to do with values (the values attributed to the relation and played out through it).

(B) Globalization's effects on contexts and actors consist in making social relations virtual, as they are increasingly mediated by technology, become indifferent to the place in which they are actualized, and happen in an "evenemential time" that has neither a past nor a future (i.e., a time without history, lived as a succession of single, particular events lacking any connection between them). The process of globalization, begun as a form of expansion of markets on a global scale, has produced a morphogenesis of capitalism itself, making it increasingly immaterial. It has generated the economy of knowledge, of information, and of networks. It has nourished a "new social sphere" that consists in the modification of all styles of life and work, on a micro-meso-macro-scale.

Globalization is not a process of universalization (*the global is not the universal*), given that, on every geopolitical level, contexts are generated which are characterized by processes that are a mix of homogenization and differentiation and of intertwinement between the global and the local. Social relations lose the sense of spatial distance: being face-to-face or seeing one another on a screen at a distance of thousands of kilometers becomes equivalent (while they are not so). Space is replaced by time, and time increasingly depends on the speed and accelerations of ICTs. The time of relations becomes more and more interactive (i.e., it lasts only as long as the communication and then disappears), which entails the loss of the capacity of attributing a symbolic meaning and a temporal duration to relations (which were once experienced with their own history, from the moment of their origin to their end).

Globalization involves three major processes that create a completely unprecedented relational environment (Bartelson 2000): (1) first of all, there is an intensification of the *transfers* of information, goods, and services on a planetary level; all actors (whether individual or collective) are put into play by the necessity of having to increasingly exchange themselves with the outside (inside-out relations increase); (2) in parallel fashion, there are growing numbers of interactions that, from the outside, impact the inside of every actor (outside-in relations increase); a phenomenon of *emergence within* each actor is seen, owing to increased interactivity among actors; (3) as a consequence of the two phenomena previously mentioned (the growth of inside-out and

outside-in relations), a *transcendence* of the distinctions that defined the actors' identity and of their systems of belonging is brought about. Globalization is not only an increased relationality from the inside to the outside of each actor and vice versa but also becomes a process of *emergence of relations outside* actors (those that make up the network), which dissolve the distinctions between "inside" and "outside" (e.g., the dividing lines between public and private are weakened). Human agency is pushed to transcend itself, its identity, by dissolving its boundaries (the phenomenon is observable in all relations, from familial to work and civic relations).

Every identity must project itself into the global sphere as the condition of its existence. The globe itself, on account of the new information and communication structures, is constituted – it does not matter whether as a relation between actors distant from each other on a global scale or as a relation in a local community – on the basis of "streaming networks" rather than on previously constituted identities. Human agency becomes this type of activity, that is, a mobile node in a network that is made up of communication networks. The human "person" becomes only a point of reference for communication and nothing else. The world of objects and services to which we were used to referring our agency loses its symbolic character and becomes a world of marks (we draw the distinction between *symbol,* which is a representation of a meta-reality – it is a form which makes visible what is invisible and transcends its particular modes of materialization, for instance, the symbol of justice or other virtues, peace or love, and *sign* or *mark,* which is a pure indication carrying a cognitive information, as a trademark or the image of a consumer product). Global relations are increasingly permeated by sign mediation. The markets of work, consumption, and trade become streaming networks of advertising signs in the global information economy.

Since economic and social exchanges take place with rules that are different from those of the monetary equivalence typical of the classic capitalist economy, there is a change in the parameters with which the necessity and freedom of human agency are defined. That which was until now contemplated and experienced as the normativity (the morality) of agency, which modernity took it upon itself to combat in order to emancipate human beings and to free the "random" individual cut loose from the community, alters its binding character: freedom and necessity become aspects of the same logic of emancipation or, one could say, of transgression with respect to the typically modern capitalistic culture (and economy) still based on an ingenuous opposition between freedom and necessity. If a problem of regulating social and economic behaviors exists (and it does, in effect), this is no longer a problem of ethical regulation on the part of the state (or of the political-administrative system) but a problem of coordination among networks of a cosmopolitan character, constituted by information streams.

The society that we call "global" is the way of living, working, trading, and participating in public life that consists in a continuous morphogenesis of social relations and thus entails a morphogenesis of the morality of agency.

The example of virtues connected to work activity is emblematic. Work ethics is acquiring an increasingly relational character (Donati 1999). Doing one's work well no longer means expressing an honest and selfless personal commitment so much as inserting oneself into a network of relations that is satisfying for those who participate in it. Work is no longer an a priori identity (a service relationship) that can act as a presupposition for projects (systems/ organizations/businesses). It can no longer be predefined, even by collective contracts that seek to frame it ex ante. More generally, in acting economically, people strive to distinguish the social relations that are most meaningful for them. For each type of relation, people set boundaries and mark them on the basis of the means used to obtain them. Transactions in the world of work are not evaluated on the basis of functional criteria (roles and services) but rather on the basis of the value of the relations that a certain activity makes possible. People mark with "ethical" boundaries the jobs that they seek and implement the means that they believe are most suitable for achieving them (Zelizer 2012).

In brief, globalization does not only put work in a different context: it transforms the concept of work. It intrinsically alters all the stratifications of occupations, even functional ones, which have been contemplated and practiced until now. Work becomes globalized, not only in that the work market becomes global (and thus it becomes unavoidable that one must measure oneself referentially with the context on a planetary scale) but also, and above all, in that work opens up on to a horizon of possibilities that is a new structure of expectations, transfers, emergences, and transcendences: concretely, work can give rise to goods and services that can be transferred in another way, it can create from within itself other ways of existing because it reflects interactively with its outside in another way, and it can transcend itself in other activities. Its freedom and its necessity, its resources as well as its constraints, become inseparable and mutually implicating elements of an unprecedented and complex structure of planning and expectations untethered from a given context. The ethics of management goes hand in hand.

Work and management relations still create human meaning, but it is a meaning that is absolutely different from the past. It is the meaning of relations that exist only if and in that they are actuated in, with, and through "global communication," which ICTs are creating and transforming through continuous innovations. However, this is not an (illusory) "unlimited community of discourse" *à la* Apel (2008) where the discourse ethics *à la* Habermas (1990) can be really practiced; rather, we are dealing with an "anonymous matrix of communication" (Teubner 2006). Just as it presents dimensions of freedom, it also presents new pitfalls. It is well known that an unregulated exposure to the anonymous matrix of global communication (read: Internet) quite often leads to psychological and moral problems. The morality of the human act – which should proceed according to the sequence: *discernment, deliberation, dedication* – is drastically altered (Archer 2003). Staying within the anonymous matrix of global communication in an excessive and undisciplined way may easily lead to a decisional anorexia: users passively accumulate an

enormous amount of the cognitive material available, but they become unable to critically elaborate it (especially on an expressive and symbolic plane); they cannot synthesize it and, therefore, find it difficult to make choices. The morality of action comes to be fractured or hindered. A practical undertaking, rather than becoming a virtuous choice, becomes extremely "random," purely instrumental or emotional, and dictated by contingent impulses.

The Challenge of Morality in the New "Global Society"

Seen from this viewpoint, it becomes evident that globalization is centered on the means, and not the ends, of human agency. In order to have a virtuous globalization – in other words, a globalization that sustains public and private virtues – institutions that care about ends are needed. The failure of the so-called *Millennium Goals* launched in 2000 is an example of how nation-states are not institutions capable of achieving global ends. This objective can be better pursued on a limited scale through contextualized plans, for instance, plans for settled industrial districts, corporate welfare networks, healthy cities, or smart cities.

In these contexts, one can more easily observe whether globalization produces *relational goods or relational evils*. Central to the dialectics between the global and the local levels are the ICTs (information and communication technologies), on which business and management heavily depend. Surely, the new media of social and economic communication which generate the global society and modify the local contexts are not good or bad in themselves, but this fact does not mean that they are morally neutral. The new media that foster what we call "global society" and its new information and knowledge economy are not ethically neutral due to the fact that they produce relational goods or evils de facto. This is so because ICTs give form to (*inform*) social relations and connect people with links and bonds which have an ethical value. Social relations do not exist without having ends, means, norms, and values distinguishing them. Saying that social relations are pure communications in which the ethical problem is the search for esteem on the part of the acting subject, as many scholars claim (for instance, Luhmann 1996), ignores the fact that forms and connections *necessarily produce good or bad outcomes* (i.e., relational goods or evils) regardless of the estimate given to actors.

We need a *relational* social science in order to analyze the mechanisms that are at work in these processes (Donati 2011). In parallel, we need a *relational ethics* in order to judge when the outcomes are morally good or bad (Donati 2014). As a matter of fact, we need social virtues, not only individual virtues (Fukuyama 1995). Which relational ethics? Virtue ethics needs a new framework adequate to provide deeper insights into *relational reinforcement learning* when dealing with decision processes over relational domains (Van Otterlo 2009).

Here we have a confirmation of (but also a challenge to) MacIntyre's (1984) theses of *After Virtue*. The confirmation has to do with the fact that globalization marks the advent of an epoch that abandons the virtues connected to cultural traditions because globalization is a phenomenon that erodes all cultural traditions

and does not replace them with a rational *ethos*. It is by definition a process of de-traditionalization of society that conceives of reflexivity as a pure problematization of the world. Nevertheless, contrary to some pessimism shown by MacIntyre (1999) on the possibilities of witnessing the development of new rational ethics in our society, globalization – under certain conditions – can elicit the emergence of virtuous cultures and identities.

This happens if and when globalization erodes the boundaries between systems (e.g., between the economy and politics, between the economy and ethics, between technology and the moral sphere, etc.) in such a way as to oppose the intrinsically self-referential tendency of single systems. In such a case, there is an increase of links that connect systems in a relational way rather than separate them in a functional way. For instance, globalization spreads corporate social responsibility, which evaluates a company's activity in terms of social and human rights in relation to both its stakeholders as well as its environmental effects. Ethical banking comes into existence connecting ethics and finance (Jones 2003, 2010). If the boundaries between system and environment are crossed (crossing) and eroded, the systemic-functionalist view of ethics no longer works.

Many express the hope that the actors in play would confer a morality to the global context. Catholic social doctrine, for instance, invites us to globalize solidarity, peace, justice, charity, subsidiarity, care for the human person and for the common good, and an array of all the loftiest virtues (Hittinger 2002). Others limit themselves to proposing to globalize a series of "minor" virtues such as honesty, legality, probity in compliance with contracts, and transparency in behaviors and the civic virtues of the good citizen in general. But how is it possible to think that these aspirations can be realized – and realized over and above voluntaristic appeals?

The relational perspective can help us understand whether and how it is possible to address the lack of public and private, personal, and social virtues in the various spheres of life, starting from a fundamental consideration: that is, the fact that, in the new relational context, virtue loses its connotations of *habitus* and becomes increasingly an *exercise of reflexivity*.

To be ethical, globalization must equip itself with instruments that allow acting subjects to practice a reflexivity able to normatively (morally) guide social networks, which is, to say, an after-modern reflexivity that has to do with the morality of relations as such and not only the morality of individual agency. As long as globalization adopts an operating principle that immunizes human agency against social relations, it will tend to de-normativize society and therefore render it amoral.

The question that we must answer becomes: which type of social morphogenesis can generate the *conditions of context* (structural, cultural, and agential) required for the development of moral virtues? In other words, which characteristics must the contexts that condition actions, social relations, and their outcomes have in order to foster a type of reflexivity suitable to the exercise of virtues? The answer is to be found in the type of social morphogenesis (Archer 2013) that the processes of globalization will be able to actuate. Let us synthesize the possible scenarios.

Conclusion: Social Virtues Under Different Conditions of Social Morphogenesis (Three Scenarios)

Global society is the product of a social morphogenesis that can evolve in various directions. Here we limit ourselves to indicating three major theoretical modalities.

1. The modality currently underway can be termed *unbound morphogenesis*. The initial (conditioning) social structure operates through positive feedbacks in order to increase the contingencies of the possible interactions based on the assumption that a broader variety of ethics, which justify the morality of single behaviors, is always a factor of innovation and progress. Autonomous reflexivity is privileged (Archer 2003). This type of morphogenesis presents diminishing marginal advantages and produces escalating failures so that forms of fractured or hindered reflexivity increase, demonstrating that this globalization is self-defeating. In this scenario, virtues are intentionally put at risk and considered to be necessarily improbable. They are envisioned as outcomes of actions inspired by a pragmatistic and opportunistic ethics operating on the basis of trial-and-error principles.

2. An alternative modality, and indeed opposite to the first one, is what we can call *bound morphogenesis*. This is a modality for actualizing a virtuous globalization of the type that seeks to "globalize social responsibility," "globalize solidarity," "globalize subsidiarity," "globalize human rights," "globalize the common good," etc. on the basis of predetermined ethical norms which constrain the initial (conditioning) structure of the morphogenetic process. These norms should reduce the contingencies of the possible interactions between agents by constraining them with rules that induce them to act on the basis of a dependent reflexivity (i.e., a reflexivity which depends on simple *habitus*, routine, and predetermined ethical references, called "communicative reflexivity" by Archer). This is an improbable scenario because the factors that cause globalization, such as science and technology, cannot be managed with this kind of reflexivity. More generally, a bound morphogenesis is improbable because it operates through negative feedbacks (i.e., it reduces variability and a dependence on unconditional values) and therefore opposes the requirements of innovation.

3. A third modality is *relationally steered morphogenesis*. The initial (conditioning) structure operates through relational feedbacks which have the property of retro-acting on the outcome of actions on the basis of an ethical evaluation of the outcomes. To this end, meta-reflexivity is needed: in particular, the meta-reflexive type that operates on relations and revisits them in order to reconsider their effects both on the agents and on social structures (called "relational reflexivity": Donati 2011, pp. 192–210). This type of regulation increases the contingencies of the possible interactions, but it does so on the presupposition that greater variety (of behaviors, morals, etc.) is not in and of itself a guarantee of true innovation and progress. Virtues become those actions that are guided by a relational meta-reflexivity which consists in reconsidering the outcomes of actions continuously, evaluating them by reentering ethical distinctions into the

relational outcomes and introducing the variations necessary so that the outcomes can move closer to achieving relational goods rather than relational evils. The ethics of virtues is promoted here through an ontology of the ends that avails itself of a greater contingency of means provided that the means (opening of opportunities) must be suitable to the human character of the social relationality implied by the end. In this case, ethics refer to the human good inherent in social relation's own nature and not to the principle that the ends justify the means.

It is important to understand that relationality on a global level cannot be virtuous without there being a morally robust relationality on a "local" level, that is, within particular contexts, be they small communities surrounding single actors (e.g., a corporation) or larger areas managed by a network of many actors (for instance, companies and other stakeholders). For instance, the hyperlocal websites make it possible to create social networks among economic actors (business men, companies, trade unions, etc.) that are more integrated within a neighborhood or community because they give participants closer and more direct ethical control over reciprocal behaviors and over what is happening in their context. Connecting virtual relations with real ones, operating in such a way that the former are verifiable and tested, allows for the promotion of a "local" or communitarian ethos oriented toward sustaining virtuous behaviors (Etzioni 1995). New forms of glocal initiatives (such as partnerships between public and private actors, corporate social governance, coproduction enterprises, community foundations, etc.) suggest new horizons for the ethics of business and management.

These innovations indicate that the social morphogenesis brought by globalization can be directed toward building relational contexts favoring human and civic virtues.

So far, globalization has eroded axiologic ethics because the latter have not been able to relationally manage their values and criteria. The economic structures that generate social morphogenesis still adopt, alternatively, individualistic ethics and/or collectivistic ethics, both in a permissive and pragmatic vein. The point is that the trade-off between these ethics (individualistic/*lib* and collectivistic/*lab*) fosters precisely the *unbound* morphogenesis that makes a stable and sustainable ethics of virtues impracticable since it sustains a relationality that is incompatible with a morally oriented agency. For this reason, global society is permeated by peculiar moral contradictions. A virtuous globalization becomes possible when the conditioning social and economic structures that loom on the morphogenesis of society adopt a proper reflexive ethics able to handle the world of global communication and the social relations that the latter generates. Only this kind of relational ethics could guide a societal morphogenesis with a human face. In fact, there are not only the reasons of the heart and the mind but also those of social relations.

Virtues can be lived in a globalized environment more easily where people can act within a context of relational goods.

Markets are social formations which emerge discoursively (Mützel 2013) through the coordination of actors' actions. To say that actions can be virtuous, or follow an ethics of virtues, is very close to say that they pursue a relational justice by producing relational goods.

References

Apel K-O (2008) Globalization and the need for universal ethics. In: Cortina A, García Marzá D, Conill D (eds) Public reason and applied ethics. The ways of practical reason in a pluralist society. Ashgate, Aldershot, pp 135–152

Archer MS (2003) Structure, agency and the internal conversation. Cambridge University Press, Cambridge

Archer MS (ed) (2013) Social morphogenesis. Springer, New York

Bartelson J. (2000) Three concepts of globalization. In: Therborn G. (ed) Globalizations are plural. International Sociology 15(2):180–196

Calhoun C (1992) The infrastructure of modernity: indirect social relationships, information technology, and social integration. In: Haferkamp H, Smelser NJ (eds) Social change and modernity. University of California Press, Berkley, pp 205–236

Donati P (1999) The changing meaning of work (secularized versus humanistic) and its implications for the "New" society. In: Archer MS (ed) Towards reducing unemployment. Vatican Press, Rome, pp 287–324

Donati P (2011) Relational sociology. A new paradigm for the social sciences. Routledge, London/New York

Donati P (2014) Morality of action, reflexivity and the relational subject. In: Finn D (ed) Distant markets, distant harms: economic complicity and Christian ethics. Oxford University Press, Oxford

Etzioni A (ed) (1995) New communitarian thinking: persons, virtues, institutions and communities. The University Press of Virginia, Charlottesville

Fukuyama F (1995) Trust: the social virtues and the creation of prosperity. The Free Press, New York

Griswold W (2004) Cultures and societies in a changing world. Sage, New York

Habermas J (1990) Moral consciousness and communicative action. MIT Press, Cambridge Mass, pp 43–115

Hittinger R (2002) Social roles and ruling virtues in catholic social doctrine. Annales Theologici XVI(2):295–318

Jones A (2003) Managing constructive banking in an era of globalization. Palgrave Macmillan, New York

Jones A (2010) Globalization. Key thinkers. Polity Press, Cambridge

Luhmann N (1990) Paradigm lost: Über die ethische Reflexion der Moral. Suhrkamp, Frankfurt a M

Luhmann N (1995) Social systems. Stanford University Press, Stanford

Luhmann N (1996) Die Realität der Massenmedien. Westdeutscher Verlag, Opladen

MacIntyre A (1984) After virtue: a study in moral theory. University of Notre Dame Press, Notre Dame

MacIntyre A (1999) Dependent rational animals: why human beings need the virtues. Open Court, Chicago

Mützel S (2013) On coordination: stories and meaning making in markets. Econ Sociol 14(2):4–8

Parsons T (1961) Some considerations on the theory of social change. Rural Sociol 26(3):219–239

Sassen S (ed) (2002) Global networks, linked cities. Routledge, London/New York

Sassen S (2007) A sociology of globalization. W. W. Norton & Co., New York/London

Teubner G (2006) The anonymous matrix: human rights violations by 'Private' transnational actors. Mod Law Rev 69(3):327–346

Tronto JC (1993) Moral boundaries. A political argument for an ethic of care. Routledge, London/New York

Van Otterlo M (2009) The logic of adaptive behavior. Knowledge representation and algorithms for adaptive sequential decision making under uncertainty in first-order and relational domains. Ios Press, Washington, DC

Zelizer VA (2012) How I became a relational economic sociologist and what does that mean? Polit Soc 40(2):145–174

Virtue Ethics and Realistic Responsibility in an Age of Globalization

Jens Zimmermann

Contents

Abstract

What contribution, if any, do virtue ethics make to moral concerns about the modern world and its globalized market? In this chapter, Jens Zimmermann proposes a philosophical and theological examination of this question. He first briefly rehearses the ancient origins of virtue ethics and their Christianization in the early and medieval Christendom, to then, second, employ Alasdair MacIntyre's criticism of modernity to outline the problems of virtue ethics in a global environment. Based on the ancient and Christian roots of virtue ethics, the author then puts forward the Christian humanism of Dietrich Bonhoeffer, who transforms traditional virtue ethics into a Christ-centered, this-worldly social ethic of "realistic responsibility."

Keywords

Virtue ethics • Aristotle • Aquinas • Globalization • Economics • Christian humanism • Theology • Dietrich Bonhoeffer • Realistic responsibility • Social justice • Natural law

J. Zimmermann (✉)
English and Philosophy Departments, Trinity Western University, Langley, BC, Canada
e-mail: jensz@twu.ca

Introduction

Whether we conduct business affairs or not, the evidence that we inhabit an age of globalization is only a mouse-click away. Most commentators agree that globalization is evidenced by the "inexorable integration of markets, nation-states, and technologies to a degree never witnessed before in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before" (Friedman 1999, pp. 7–8). Yet there continues to be much debate about the reality and quality of this shrinking world. As Pierpaolo Donati points out in his contribution to this handbook, while no one doubts the increasing worldwide integration and interdependence of business and trade, this commercial network does not resemble an organic, real society ("▶ Does Relationality Make Sense on a Global Level? Is There a Global Society?" pages in this book.). In contrast to the traditional social relations of family, ethnicity, and nationality, supported by a common history, the global society exists predominantly as a virtual reality represented predominantly by those with access to self-representation in a global communications network.

Undoubtedly, however, globalism does impact societies in very tangible ways. Whether globalization is merely a general process driven by a developing world or a particular ideological project driven by the West to export its products and political ideologies to open up new markets and exploit resources (McMichael 2000), globalization clearly affects social structures and values. New business practices and more efficient distribution of goods will inevitably circumvent more traditional business enterprises and thus break down social structures associated with these traditions (Friedman 2007, pp. 405–409). Since these developments can have good and negative effects – they can democratize trade, social structures, and indeed undermine state sovereignty, but they can also destroy traditional, and often more humane, social networks and cost jobs through centralization – the debate over whether globalization is good or bad will likely never be settled (for a detailed discussion concerning the impact of colonialism on traditional economic structures, see Sankaran 2009).

The central question raised in this section of our handbook is what virtues can or should look like in this global scenario. Virtue has always been a religious concept, if we take religion in the broad sense to mean the conformity of human behavior to a universal, transcendent standard of human flourishing. Moreover, any discussion of virtue within the context of globalization cannot avoid the historical fact that just as globalization remains inseparably connected to Western culture, so the idea of "virtue," as indicated by the Latin term, inevitably evokes the Greco-Roman context within which Western conceptions of human flourishing and "the good" have been formed.

Indeed, in the Western context, we cannot talk about virtue without talking about Christianity. Christianity first transformed Greco-Roman values into a truly global and humanistic ethic, because Christianity, through its own theological grammar and also through its historical development, has a global orientation. A dominant theme in the theology of the Apostle Paul, in the gospels, and in the depiction of the

early church in Acts, concerns a unified humanity, beyond the accustomed Jew-Gentile separation, in light of God's self-revelation in Christ. This new humanity no longer divides people along ethnic, national, or racial lines (see, e.g., Ephesians 2:15: "He has abolished the law with its commandments and ordinances, that he might create in himself one new humanity in place of the two, thus making peace, and might reconcile both groups to God in one body, through the cross, thus putting to death that hostility through it" (RSV)), but looks forward to a universal commonwealth, the "new Jerusalem" or "City of God" (Augustine, *City of God*, X.31, pp. 420–24.). In the theology of the church fathers, this Christological humanism developed into a universal Christian humanism with the message that Christ had become human so that all human beings were now unified as one race and called to a new humanity in him. By aiming ultimately at conformity with Christ, Christian virtue ethics possesses an inherent global concern, even if Christians' practice has not conformed readily enough to this central dimension.

Our historical cultural heritage thus leaves us with this rough definition of virtue: virtue is a religious concept, based on a religious anthropology that remains a main pillar for human dignity and universal human rights, essential values which are invoked by those who want to construct ethics for a global market. Yet this classic definition of virtue faces two basic problems. The first is that in contrast to ancient philosophy, the modern mind no longer believes that moral norms are grounded in the general moral nature of reality. The second problem is that even if we could somehow revive ancient virtue ethics, their usefulness for a global scenario is rather limited. Traditional virtue ethics center on righteous conduct through character formation within a particular society. For example, in the Aristotelian beginnings of virtue ethics, wise decisions are made in the context of the values embodied by the city state or *polis* and had no real ethical vision for those outside the city.

How do we move from such a particular context of virtue formation to the global framework we inhabit today? My response to this question is that only a religious framework with inherent global dimensions (or at least with a conception of reality open to metaphysics or transcendence) can adequately respond to this challenge. As the German philosopher Robert Spaemann (1989) has shown, other nonreligious and antimetaphysical contenders for global ethics, such as Habermas's discourse ethics (itself an extension of Kant's universal moral imperative), do not actually generate moral habits but assume them (p. 183).

Given the Judeo-Christian roots that still nourish Western ideals of virtue, I will use Christian theology to show a possible response to the need for virtue in a global world. More particularly, I will draw on the work of Thomas Aquinas (1225–1274), who summarized the Christian virtue tradition and its appropriation of Greek philosophy, and on the ethics of the Protestant Theologian Dietrich Bonhoeffer (1906–1945). Bonhoeffer offers two important correctives for contemporary theological virtue ethics. First, he departs from the typically Protestant preoccupation with individual salvation and offers a socially oriented, this-worldly Christianity (Haspel 2011, p. 23). Secondly, while Aquinas reminds us of the importance of virtue as trained dispositions that enable and ensure virtuous action, Bonhoeffer argues that such habits can also betray us and flounder on the rocks of political

realities. He suggests a transformation of virtue ethics into what he calls "realistic responsibility," that is, the discerning realization of God's reconciliation with the world in the incarnation. His concept of vicarious representation in particular allows for a global ethic with a realistic sense of responsibilities, depending on our concrete roles and relations in society.

Traditional Virtue Ethics

The long and complex history of virtue ethics is beyond the scope or purpose of this chapter. Suffice it to say that from its beginnings as descriptions of heroic prowess and manly excellence, the Greek ἀρετή and Roman *virtus* (from the Latin *vir*, meaning man) over time developed in both cultures into broader character traits that defined a truly human being (Hutchinson 1995, p. 202). In some ancient forms of virtue ethics, as in the case of the ancient Roman statesman and Stoic philosopher Marcus Tullius Cicero (106 BC-43 BC), the goal of attaining true humanity transcended even the aristocratic social class and extended to anyone who could acquire the virtues of prudence, justice, temperance, and courage (Cicero trans. 1913, book 1.4).

When Greco-Roman virtues are Christianized by such thinkers as Augustine (AD 354–430) or Thomas Aquinas (AD 1225–1274), the Christian virtues of faith, hope, and charity become the ground and ultimate goal of virtue. Greek and Stoic ideas of "nature" are replaced by the Christian idea of God in such a way that cosmos and nature now become *creation*, a universe created by an utterly transcendent and thus wholly free creator God, whose human creature is made in God's image. From early on, Christian theology had interpreted the incarnation of God in Christ as the ultimate definition of what this image of God entails, namely, communion with God and love of others.

Based on this biblical view, a truly human life is one in which virtues are now shaped by the infusion of divine grace and lived out of participation in the new humanity inaugurated by Christ. The incarnation remains central to the idea of the Christian transformation of classical virtues, because in analogy to God's perfection of humanity, the Christian virtues of faith, hope, and charity are the supernatural completion of the natural virtues inherited from Greco-Roman philosophy. Thus, Christian ethics validated earlier nonbiblical notions of virtue and granted them relative autonomy in relation to the Christian virtues of faith, hope, and charity. Thomas Aquinas' conclusion on the relation of natural and supernatural virtue is representative for this relation of the cardinal virtues to the Christian virtues:

> it is possible by means of human activity to acquire the moral virtues in so far as they produce good deeds that are directed to an end which does not surpass the natural resources of man, and as acquired thus, they can be without charity, even as they were in many pagans. But in so far as they produce good deeds bearing on a supernatural last end, thus they truly and perfectly have the character of virtue, and cannot be acquired by human acts, but are poured forth by God. Such moral virtues cannot exist without charity. (trans. 1996, p. 187)

In other words, courage, temperance, and justice can be accomplished by anyone willing to try, insofar as they pertain to particular secular segments or practices of civic life. However, the ultimate purpose of human life, and thus the ultimate vision of humanity, to which every virtue tends is the "supernatural end" of true humanity revealed in Christ.

Grounding the virtues in communion with God added important new dimensions to inherited classical notions of morality. Perhaps the most radical difference from traditional ethics is the New Testament's subversion of social strata: not only do slaves, the poor, and the suffering lead virtuous lives (for Aristotle, misfortune or physical deformation inhibited virtue), but the rich and noble are presented as having a harder time in attaining a blessed life. The Hebrew prophets had always proclaimed that God does not delight in animal sacrifices but in a life dedicated to justice and care for societies' disadvantaged. Christianity revolutionized the ethical imagination by deepening this divine philanthropy through its embodiment in a concrete person, whom the Christians believed to be God himself.

We have an impressive instance of this Christian humanitarianism in Basil the Great's (330–379 AD) sermons on social justice. To be sure, Basil is heir to many traditional Greco-Roman and Jewish teachings against the amassing of wealth. Even so, the former Stoic idea of shared resources takes on a more personal note: God has created the world for all to share, but we respond with "a bitter disposition, misanthropy, and an unwillingness to share" (trans. 2009, p. 60). Basil invokes the notion of humanity's divinely appointed stewardship over the earth, which ought to reflect God's liberality

> O mortal, recognize your benefactor. Consider yourself, who you are, what resources have been entrusted to you, from whom you received them, and why you received more than others. You have been made a minister of God's goodness, a steward of your fellow servants. Do not suppose that all this was furnished for your own gullet! Resolve to treat the things in your possession as belonging to others." (trans. 2009, p. 61)

Basil, in other words, argues from a Judeo-Christian understanding of creation and providence. If God blesses us in this life, he does so to help those less fortunate. A truly human life reflects the justice of God by demonstrating "benevolence and faithful stewardship, while the poor are honored for patient endurance in their struggles" (Basil trans. 2009, p. 69). To ignore the poor and insist on amassing property, argues Basil, is in fact robbery. By hogging what God freely dispenses to all, one resembles a man who goes to the theater and, after taking the first seat, reserves all remaining seats for himself to enjoy alone what was intended for public entertainment (Basil trans. 2009, p. 69).

However, Basil's strongest argument, by far, for the just distribution of resources is his appeal to model one's life on the life of Christ: "He became poor for us so that He might make us rich through his poverty" (trans. 2009, p. 57). It is hard for our modern minds to imagine how strongly Basil's imagination was shaped by the new social order he saw inaugurated by Christ. The primal sin of seeking to possess goods for selfish reasons, expressed in Adam and Eve's eating the forbidden fruit,

had been overturned by Christ's selfless submission to God on human behalf. Hence, every Christian is called to demonstrate this reversal and not cling to their wealth (Basil trans. 2009, p. 86). Christians were to proclaim this new order, either through their behavior among their non-Christian neighbors or by building institutions reflecting the new social order which Basil called a "polity that accords with Christ" ("τῆς κατὰ Χριστὸν πολιτείας") (Basil trans. 1926, p. 361). Basil himself was true to his vision by using his money and considerable influence to found the *Basiliad*, a quasi-monastic community that cared for the material and medicinal needs of the poor. In early Christian theology, it is no longer just Aristotle's Athenian gentleman who deserves respect but now also "the least of these," who bear the image of God. The rich, chides Basil, can easily detect the fake image of a counterfeit coin, but they ignore the poor who bear the genuine image of God (trans. 2009, p. 64).

The Modern Global Economy After Virtue

We set out to determine what role virtue ethics could play in the modern, global market economy. We have already seen that ancient philosophies such as Stoicism condemn unjust distribution of natural resources. Yet ancient Greco-Roman ethics provide only limited resources for addressing global responsibilities, because they are based on a concept of nature as a material, living being (see Diagoenes Laertius 2000). Not only can we no longer accept this cosmology on scientific grounds (although pantheistic materialism is making a comeback in our day), but ancient ethics were mostly oriented to next of kin and citizens of the same state and thus lack a truly global dimension. Christianity, by contrast, allows for an unprecedented universal solidarity and sociality. Showing divine philanthropy concretely and historically in the life of Jesus, a particular human being, deepens the ethical vision. At the same time, extending ethical responsibility to every human being as one whose divine image reflects the image of this particular figure widens the scope of ethics. Thus Christianity, at least to some degree, provides a globally oriented humanitarian framework based on virtue ethics. Everyone, especially everyone who is poor and destitute, becomes a neighbor to be loved. In this sense, every particular Christian community stands for humanity as a whole.

As the philosopher Alasdair MacIntyre (2007) has pointed out, however, modernity "partitions each human life into a variety of segments, each with its own norms and modes of behavior . . . . And all these separations have been achieved so that it is the distinctiveness of each and not the unity of the life of the individual who passes through those parts in terms of which we are taught to think and to feel" (p. 204). This fragmentation undermines any attempt to view human life in the holistic and communal way that gave rise to classic virtue ethics and provided the possibility to think of virtue as moral habits directed by an ultimate goal or *telos* for what it means to be human.

The challenge in our modern world is to learn how we can possibly view human life as a unified whole with an overarching purpose, when our modern culture is

characterized by sociological and philosophical fragmentation. MacIntyre's own answer is to construct "local forms of community within which civility and the intellectual and moral life can be sustained" in the midst of global fragmentation (2007, p. 263). Such communities could serve as nerve centers for resistance against current fragmentation and inhumane economics. His models for such islands of community are the medieval Benedictine monasteries, "in which and around which communities could not only survive, but flourish in a period of social and cultural darkness." From such places, he writes, new possibilities of virtue ethics may arise, and such communities also provide stimuli for "resisting as prudently and courageously and justly and temperately as possible the dominant social, economic, and political order of advanced modernity" (MacIntyre 2007, p. xvi).

That the global economic orders of "advanced modernity" are incommensurate with human sociality and the just distribution of goods has become a common criticism of current market structures, shared by economists and religious leaders alike. For example, John Paul II in his encyclicals *Laborem Exercens* and *Sollicitudo Rei Socialis* emphasized the importance not just of human work as part of the divine image in man but of humane labor as befitting human being's inherent dignity based on this image (1996, pp. 186–188). John Paul also pointed out the structural imbalance between Western countries and underdeveloped nations who provide cheap labor for Western consumerist cultures (1996, p. 434). His successor, Benedict XVI (2009), reminded his readers of the need to subordinate economic policies and developments to the Church's long-standing vision for an integral humanism to preserve the central importance of human flourishing by promoting human freedom, solidarity, and equal opportunity (Sects. 21–22). Global economies have to be directed morally by "a commitment to securing authentic integral human development inspired by the values of charity in truth" (Benedict 2009, Sect. 61) (emphasis in the original.).

Not unlike the ancient Greco-Roman ethics, Benedict XVI holds that every culture contains traces of a universal moral law, which points to a universal human nature and allows for "ethical convergence." This universal moral law, he argues, "provides a sound basis for all cultural, religious and political dialogue, and it ensures that the multi-faceted pluralism of cultural diversity does not detach itself from the common quest for truth, goodness and God." Thus, "adherence to the law etched on human hearts is the precondition for all constructive social cooperation [. . .]. The Christian faith, by becoming incarnate in cultures and at the same time transcending them, can help them to grow in universal brotherhood and solidarity, for the advancement of global and community development" (Benedict 2009, Sect. 59). More recently, Pope Francis has continued his predecessors' criticism by castigating our present "economy of exclusion and idolatry of money" (2013, Sects. 53–58). Francis has continued and extended his criticism of consumerism by including strong environmental concerns in his recent encyclical Laudatio Si'.

Such theological directives for humane economics, however, may sound little convincing to those whose thinking is still guided by the sociological and philosophical fragmentations of late modernity. One of modernity's most damaging legacies – stemming in part from the Cartesian dualism of mind and body and in

part from the scientific method's pretentions to neutral observation – is the fact-value distinction. Many people still believe that the world presents us with naked facts to which we then apply more or less subjective values. Much of economic theory has adopted this view, whereby any moral evaluations, and especially those with religious motivations, are brought to bear on an otherwise self-contained, factual economic science, governed by the objective observations of goods, labor, and compensation.

For example, belief in neutral market dynamics "tempts us to view the world in terms of *values*" and produces a frame of mind "that reduces everything which is good, true and beautiful to a formal value based on usefulness" and is thus replaceable by an equally useful idea or social constellation (Long 2000, p. 262). As Rowan Williams (2010) has pointed out, such belief in neutral markets obscures the subtle but powerful reshaping of our imagination through metaphors such as the word "client." For instance, in health care and education, the term "client" or "customer" is increasingly replacing such traditional terms as "patient," or "student," thus redrawing our imagination around the model of economic exchange and threatening "to reduce other sorts of discourse to its own terms – to make a bid for one world in which everything reduces to one set of questions" (Williams 2010, p. 20).

Williams draws our attention to the crucial ingredient for discussing virtues, namely, our imagination. The meaning and purpose of reality is not neutral, as little as "nature" is a neutral concept; rather, the meaning of both depends on our imagination. The essential, all-important question is what vision of reality informs our ethics for the global world? Moreover, we have to realize that without the notion of a shared ultimate end for humanity as a whole, we cannot speak coherently about the virtues as moral habits that work toward this final end. Yet our present late modern or postmodern culture has lost both the ancient metaphysics that nourished virtue ethics and the Enlightenment's confidence in rational universal moral standards. The post-metaphysical attempts to continue the Enlightenment project of grounding public moral consensus in reason alone have not fared too well. Over time, such attempts either became exposed as secularist ideologies or, as in the case of Jürgen Habermas's discourse ethics, they had to admit their debt to the religious imagination for essential human values on which their whole enterprise depends.

From Virtues to Realistic Responsibility

Most critics of unbridled consumerism and global capitalism argue for the importance of justice and temperance, that is, for the need to distribute fairly material resources and wealth. Given our brief review of virtue ethics and its global challenges, what intellectual resources remain to meet these challenges? Aristotle and the Christian natural law tradition make human nature itself the primary source for independent moral reasoning. Thomas can say, for example, that basic principles of morality are clearly discernable by human reason according to which

"adultery, homosexuality, usury, drunkenness, gluttony, suicide, murder, lying, and the breaking of promises are opposed to nature" (Sigmund 1995, p. 224). Neo-Aristotelians have tried to revive this tradition on scientific grounds. As Alasdair MacIntyre (1999) pointed out in his later work, even animals such as dolphins possess the virtue of caring for others to sustain their shared lives. Yet they are far from having the human capacity for independent practical reasoning that has to be trained and is commensurate with human freedom and decision-making (MacIntyre 1999, pp. 82–83).

Modern Protestant theologians have been suspicious, and not without reason, of classical virtue ethics and their foundation in the analogy of being and natural law. Karl Barth (1886–1968) developed his suspicion of any natural theology against the Roman Catholic view that there remains a general relation to God in creation on the level of being (Bonhoeffer trans. 2004, p. 30). Barth's rejection of natural theology, however, was equally directed against Lutheran theologians who justified German nationalism and anti-Semitism as anchored in divine orders of creation. In this context, Barth rejects the language of virtues as part of the unholy "union between Augustine and Aristotle" (p. 33).

Barth insisted that divine directives for human life come only as direct address from God and are proclaimed in scripture and preaching. What, however, happens when the church's proclamation of God is not heard or has become blunted or even incredible? Such was the situation faced by Dietrich Bonhoeffer, whose theological ethics were forged and tested in the crucible of the Nazi regime. At the height of the Nazi terror, Bonhoeffer had to argue not only against Lutheran orders of creation but also against political apathy. Many Christians, satisfied with an inner spirituality, eschewed actual obedience and thus avoided concrete acts of political resistance (Bonhoeffer trans. 2003, p. 79ff).

This divergence between the act of faith and political life was one of the reasons why Bonhoeffer emphasized a theologically founded ontology that permitted the discernment of God's will in the very structures of being, to find the sacred, as he once put it, in the profane (trans. 2004, p. 59). When, for example, the Nazi's began to exterminate the supposedly "unworthy" lives of the mentally handicapped, theological proclamation was ineffective in soliciting public protests. Neither disenchanted Christians nor secular humanists would be persuaded by an appeal to biblical commands. What was needed, argued Bonhoeffer, was a rational argument for decrying such actions as unnatural.

At the same time, however, he also recognized the impotence of traditional virtue ethics, because established moral habits such as truth-telling or promise-keeping, indeed even loyalty to authority, often stood in the way of achieving the preservation of human life or the common good of the German people. Probably having in mind German officers whose oath of loyalty to Hitler prevented their active resistance, Bonhoeffer commented on Kant's duty ethics, asserting that "people of duty must finally fulfill their duty even to the devil" (trans. 2004, p. 79). Equally useless were virtue ethics that focused on private virtuousness but lost sight of politics and reality as a whole. Bonhoeffer comments that "Only at the cost of self-deception can they keep their private blamelessness clean from the

stains of responsible action in the world. In all that they do, what they fail to do will not let them rest. They will either be destroyed by this unrest, or they will become the most hypocritical of all Pharisees" (Bonhoeffer trans. 2004, p. 80).

Under the extreme pressures of a situation when all customary ethics failed and traditionally held residual Christian values of human dignity and rights crumbled, when no common good was recognized, Bonhoeffer saw the need for a Christian ethics that provided a universal *telos* of human flourishing and unified all aspects of human life, but which also allowed for hard-nosed, realistic political decision-making. Ethics was not about obedience to principles but about living authentically and faithfully in light of God's reality as revealed in Jesus Christ. Ethics is a mode of being before it is a matter of doing. In Bonhoeffer's words,

> The question of the good becomes the question of participating in God's reality revealed in Christ. Good is no longer an evaluation of what exists, for instance my essence, my moral orientation [Gesinnung], my actions, or of a state of affairs in the world. It is no longer a predicate that one can apply to something that exists of itself. Good is the real itself [das Wirkliche], that is, not the abstractly real that is separated from the reality of God, but the real that has its reality only in God. Good is never without this reality. It is no general formula. And this reality is never without the good. [...] A desire to be good for its own sake, as some sort of personal goal or life vocation, falls prey to an ironic unreality; honest striving for good turns into the ambitious striving of the paragon of virtue. Good as such is no independent theme for life. To take it as such would be the craziest Don Quixotry. Only by participating in reality do we also share in the good. (trans. 2004, pp. 49–51)

Ethics, in other words, is not about striving for an abstract common good but about participation in the living reality of God. Similar to patristic humanism, Bonhoeffer defines this reality christologically, as communion with God for the purpose of attaining true humanity. On account of the incarnation, of God's assumption of humanity in Christ, the Christian ethic is intrinsically a universal, global ethic, oriented beyond the body of believers to all of humanity. Bonhoeffer's "one Christ-reality" inaugurates a new humanity that transcends ethnic and racial boundaries. In the God-man Jesus, the true image of God, every human being was now linked in solidarity. As Bonhoeffer explains,

> Inasmuch as we participate in Christ, the incarnate one, we also have a part in all of humanity, which is borne by him. Since we know ourselves to be accepted and borne within the humanity of Jesus, our new humanity now also involves bearing the troubles and the sins of all others. The incarnate one transforms his disciples into brothers and sisters of all human beings. The "philanthropy" (Titus 3:4) of God that became evident in the incarnation of Christ is the reason for Christians to love every human being on earth as a brother or sister. (trans. 2004, pp. 49–51)

As already noted in patristic humanism, for the Christian, fellowship with God is both rational ground and ethical motivation for a universal philanthropy.

In contrast to Barth's ethic, Bonhoeffer argued that the incarnation provided a pattern for human reasoning whereby we find the divine only through and within the world. This incarnational view of reality had two important consequences. The first

suggests that what is worldly and what is Christian can no longer be determined beforehand but becomes evident only as we try to make moral decisions based on the one Christ-reality. In short, theology moves from casuistry, from the case-by-case application of moral principles, to a genuine theology of discernment. Ethics is no longer about the "application of some timeless principle" but "in each given situation one has to observe, weigh, evaluate and decide within the limits of human understanding." It would be wrong, argues Bonhoeffer, to try to implement directly some ultimate reality but rather examine what can be done realistically to ensure human flourishing appropriate for those made in God's image (trans. 2004, p. 266).

The second result of Bonhoeffer's incarnational view of reality is the importance of recognizing the way creation itself works. He recovers for Protestantism a christologically grounded understanding of natural law, or what he calls "the natural" or "natural life." Bonhoeffer's starting point for this recovery is a return to the patristic emphasis on Colossians 1:17, which declares that all things are created through and sustained by the eternal and universal *Logos* of God. Thus the natural life, both its origin and its goal, is ordered toward Christ: "only in its relation to Christ does everything created have its being; this is true not only of human beings, but also of state, economy, science, nature etc." (Bonhoeffer trans. 2006, pp. 542–543). The natural, however, is not identical with the *ultimate* redeemed reality of Christ's humanity but is the *penultimate* creation marked by the effects of sin, a creation that nevertheless still reflects its original goodness and is held over for the renewal that is already present in Christ.

This *penultimate* natural life is unified through divine mandates of work, government, culture, marriage, and church. In these areas of responsibility, the life of every person is unified because while these spheres of activity possess relative autonomy, they all share an orientation to Christ and their function to ensure human flourishing. These mandates are not immutably fixed "orders of creation" but divinely ordained orders for maintaining and preserving creation until the final renewal of all things by God. Whenever representatives of these mandates dehumanize them, protest and eventually physical resistance are legitimate Christian and civic responsibilities. Within these penultimate structures, realistic responsibility respects a world that is created by God to function in certain given ways we need to respect. "Realistic action," says Bonhoeffer, "is Christ-like action because it allows the world to be world, because it reckons with the world as world and yet never loses sight of the fact the world is loved, judged, and reconciled to God in Jesus Christ" (trans. 2004, p. 263). For this reason, realistic action does everything to grasp as extensively as possible the nature of the situation at hand. It is rigorously oriented by the nature of its object (*sachgemäß*) and pays attention to the internal dynamic of institutions, natural relations, and economic structures.

Such attention to the internal dynamics or laws (*Wesensgesetze*) of existing social life allows Bonhoeffer to recover, for example, the classic idea of justice as proportionate distribution of goods (*suum cuique* – to each his own). This directive, arising from human relations themselves, raises questions concerning individual rights and their relation to the community as a whole. According to Bonhoeffer, however, natural law itself does not allow us to discern who guarantees

such rights; only God Himself and particularly the Christian Trinitarian God can provide the actual living ground for balancing individual and community interests (trans. 2004, p. 178). "Suum cuique," argues Bonhoeffer, "constitutes the highest possible knowledge of reason in accordance with reality and which perceives within natural life the rights granted to the individual by God, whom reason does not know" (trans. 2004, p. 183). In protecting the individual against the threat of collectivism, natural justice draws its justification from life itself, but life offers this only because the ultimate reality of God grants the penultimate "natural life" its relative autonomy and structure. Justice and bodily pleasures in this life are signs pointing to the ultimate reality of and eternal joy promised by God (Bonhoeffer trans. 2004, pp. 186–187). Thus the structures of human sociality itself contain these human rights that predate any positive human laws and which demand their due. Therefore, denying individual rights and worshipping the collective, as Nazism did, will over time exact a toll for violating natural principles (Bonhoeffer trans. 2004, p. 193).

At the same time, however, the given does not ultimately determine reality either so as to allow a straightforward natural determination or affirmation of the social status quo. Because Christ is both the ground and also the ultimate fulfillment of penultimate reality, both its legitimization and its limitation, human decisions are determined neither by nature nor an arbitrary imposition on reality but by free responsible practical reasoning in light of Christ. Thus Bonhoeffer can conclude that in the deepest sense of this phrase "Christlike action is realistic action" (trans. 2004, pp. 261–263).

Ethical responsibility, based on the incarnation, also acknowledges the historicity and thus the fragility of social values. Under the impression of the Second World War and the Holocaust, Bonhoeffer's generation recognized that values such as freedom, human dignity, emancipation, and social equality had Christian roots, which had to be preserved and nurtured or they would be lost and replaced by less humane horizons of meaning (for a fuller discussion of the Christian humanistic roots of Western culture, see Zimmermann 2012).

Christian influence has worked itself out in different ways in America and Europe, and Bonhoeffer does not sanction one particular form of culture or government; he does argue, however, that the church, both by confessing its faults and by continuing to preach the new humanity in Christ, is the first and foremost engine for the cultural renewal of Western cultures. Many of his contemporaries, both Catholic and Protestant, agreed with him (see, e.g., Brunner 1948). It is well known, for example, that the intellectual circles active in the Nazi resistance worked out a social order according to Christian values (Bonhoeffer trans. 2006, pp. 361–364, Bethge 2004, pp. 872–874). Bonhoeffer himself was connected to the so-called Freiburg circle, a discussion group on Germany's postwar future that was eventually dispersed by the Gestapo. Bonhoeffer, in preparation for a meeting of this group, noted in his reflections about a new social order for Germany after the war that the model most conducive to human flourishing would be a secular society within the framework of the Decalogue. Such an order may not be Christian, but "it is an appropriate worldly order according to God's will" (Bonhoeffer trans. 2006,

p. 531). Only such an order, he believed, could resist the dangers of omnipotent governments or commercial, economic powers (Bonhoeffer trans. 2006, p. 531). The Freiburg circle generally worked within a Christian framework, and Germany's later social market economy owed a great deal to the influence of surviving group members such as the economist Walter Eucken (1891–1950). Eucken's understanding that economy required relative freedom to operate according to its internal dynamic but also required a controlling framework to avoid the abuses of a laissez-faire economy reflects Bonhoeffer's own understanding of the mandates and the natural.

Conclusion

What might an analysis of the global market through the lens of Bonhoeffer's "realistic responsibility" look like? At the penultimate level, realistic responsibility acknowledges all the problems pointed out by MacIntyre's analysis in *After Virtue*. A global community can at best be virtual. The Internet and Skype are no substitute for real organic societies nor do they heal the philosophical and social fragmentation of modernity. And yet against these tendencies, the ultimate reality of a unified humanity in Christ raises up before us the whole world as our field of responsibility. If our consumption of certain goods furthers the abuse of workers on other continents, we are indeed harming neighbors who are united with us in bearing the image of Christ. How are we to handle this universal responsibility? Here too, Bonhoeffer calls us to discern and wrestle with the realities of life. As a Christian who participates in the new humanity, this call to heightened responsibility and world-wide solidarity reaches me especially as one already enmeshed in social responsibilities such as father, mother, worker, and citizen, roles that rightfully demand my first allegiance. Yet none of these roles should serve as an excuse for turning a blind eye to the economic situation as a whole or restricting neighborly concern to workers at home. As Bonhoeffer says, "the neighbor can be met precisely in the one who is farthest away, and vice versa" (trans. 2006, p. 295). It all depends on the particular situation in question.

Bonhoeffer's incarnational ethic also prohibits unrealistic enthusiasm as reflected in condemning global commerce or in romantic idealism concerning humanitarian actions. Market enterprises with global effects and efforts to ensure human flourishing through commercial projects must target concrete individuals and demand a realistic grasp of each social context. What Bonhoeffer shares with MacIntyre is the need not just for resistance to unjust market structures but for creating centers that nourish the desire and train habits for just and humane practices, both locally and globally. Clearly, for Bonhoeffer, the central place for such training is the church. In addressing the church's responsibility for society, Bonhoeffer reintroduces the discourse of virtue (*Tugend*) that was missing from his earlier deliberations on ethics. When addressing the church, he speaks of developing Christian character through habits. Yet while Christian character formation may call upon the cardinal virtues as penultimate aids, Christian virtue consists foremost

in developing habits of self-examination and of being conformed to the image of
God through the following exercises: the Church's sacramental life and willingness
to bear the burden of others, confession of sins, meditative scripture reading, self-
examination in light of God's word, and prayer (Bonhoeffer trans. 2009, p. 232).

Cross-References

▶ Does Relationality Make Sense on a Global Level? Is There a Global Society?
▶ MacIntyre's Critique of Management
▶ Virtue Ethics and Global Development

References

Aquinas T (2006) Summa theologiae, vol 23 (1a2ae. 55–67): virtue (trans: Hughes WD). Cam-
    bridge University Press, Cambridge
Aristotle (1934) Nichomachean ethics (trans: Rackham H). In: The Loeb Classical Library, vol 19.
    Harvard University Press, Cambridge
Aristotle (2004) The Nichomachean ethics. In: Thomson JAK (ed). Penguin Books, New York
Basil, Bishop of Caesarea (1926) Letters 59–185 (trans: Deferrari RJ) The Loeb Classical Library,
    vol 2. Harvard University Press, New York
Basil, the Great, Saint (2009) On social justice (trans: Schroeder CP). St. Vladimir's Seminary
    Press, Behr Crestwood
Benedict XVI (2009) Caritas in veritate. http://www.vatican.va/holy_father/benedict_xvi/encycli
    cals/documents/hf_ben-xvi_enc_20090629_caritas-in- veritate_en.html. Accessed 15 Aug
    2013
Berger P, Huntingdon SP (2011) Many globalizations: cultural diversity in the contemporary
    world. Oxford University Press, Oxford
Bethge E (2004) Dietrich Bonhoeffer: theologe-Christ-zeitgenosse. Eine biographie. Gütersloher
    Verlagshaus, Gütersloh
Bonhoeffer D (2003) Discipleship (trans: Green B, Krauss R). In: Godsey JD, Kelly GB (eds)
    DBWE, vol 4. Fortress Press, Minneapolis
Bonhoeffer D (2004) Ethics (trans: Krauss R, West CC, Stott DW). In: Green CJ (ed) DBWE, vol
    6. Fortress Press, Minneapolis
Bonhoeffer D (2006) Conspiracy and imprisonment 1940–1945 (trans: Dahill LE). In: Brocker MS
    (ed) DBWE, vol 16. Fortress Press, Minneapolis
Bonhoeffer D (2009) Berlin 1932–1933 (trans: Best I). In: Higgins D, Stott DW (eds) DBWE, vol
    12. Fortress Press, Minneapolis
Brunner E (1948) Christianity and civilization, 2 vols. Scribner, New York. See Part I, p. 158, and
    Part II, pp. 127–140
Cicero MT (1913) De officiis (trans: Miller W). In: The Loeb Classical Library, vol 21. Harvard
    University Press, Cambridge
Diagoenes Laertius (2000) Lives of eminent philosophers. In: Loeb Classical Library, vol 2. Har-
    vard University Press, Cambridge, p 241
Francis (2013) Evangelii gaudium. http://www.vatican.va/evangelii-gaudium/en/#1/z. Accessed
    30 Nov 2013
Friedman TL (1999) The lexus and the olive tree: understanding globalization. Farrar Straus and
    Giroux, New York
Friedman TL (2007) The world is flat: a brief history of the twenty-first century. Picador,
    New York

Haspel M (2011) Sozialethik in der globalen gesellschaft: grandlagen und Orientierung in protestantischer perspektive. In: Ethik – Grundlagen und handlungsfelder. Kohlhammer, Stuttgart

Hutchinson DS (1995) Ethics. In: Barnes J (ed) The Cambridge companion to Aristotle. Cambridge University Press, New York, pp 195–233

John Paul II (1996) The encyclicals of John Paul II. Our Sunday Visitor, Huntington

Long S (2000) Divine economy: theology and the market. Routledge, London

MacIntyre AC (1999) Dependent rational animals: why human beings need the virtues. In: The Paul Carus lecture series. Open Court, Chicago

MacIntyre AC (2007) After virtue: a study in moral theory, 3rd edn. University of Notre Dame Press, Notre Dame

McMichael P (2000) Development and social change. Sage, Thousand Oaks

Sankaran K (2009) Globalization and postcolonialism: hegemony and resistance in the twenty-first century. Rowman & Littlefield, New York, pp 63–105

Sigmund P (1995) Law and politics. In: Barnes J (ed) The Cambridge companion to Aristotle. Cambridge University Press, New York, pp 217–232

Spaemann R (1989) Glück und wohlwollen: versuch über ethic. Klett-Cotta, Stuttgart

Williams R (2010) Knowing our limits. In: Williams R, Elliott L (eds) Crisis and recovery: ethics, economics, and justice. Palgrave & Macmillan, New York

Zimmermann J (2012) Humanism and religion: a call for the renewal of western culture. Oxford University Press, Oxford

Virtue Ethics and Global Development

Maria Sophia Aguirre

Contents

Abstract

Global development is an outcome of more than economic processes. It is an outcome of economic, social, and political processes that interact with and reinforce each other in ways that hinder or facilitate its achievement. These interactions are multiform and take place at different levels. To reach development, opportunities need to be generated, effective initiatives at all levels enabled, and stability ensured. At the center of these dynamics is the human person, the economic agent. He or she seeks to meet his or her needs and that of others. In doing so, the economic agent can develop as a person and help others do the same, or it can undermine his or her development and those of others. In cooperating freely with others, persons also share in the responsibility and the outcomes of those actions while, at the same time, they shape their own way of living and direction. What is the role of habits, virtues, and vices in these interactions? What virtues are necessary to facilitate global development? This chapter suggests that human virtues or their lack thereof are an important part of reaching global development (or not). While all virtues are relevant, magnanimity and prudence (practical wisdom) are especially pertinent.

M.S. Aguirre (✉)
School of Business and Economics, The Catholic University of America, Washington, DC, USA
e-mail: aguirre@cua.edu

Introduction

Global development is an outcome of more than economic processes. It is an outcome of economic, social, and political processes that interact with and reinforce each other in ways that hinder or facilitate its achievement. These interactions are not only multiform, but they take place at many different levels: local, state, and international spheres. To reach economic development, opportunities need to be generated, effective initiatives at all levels enabled, and stability ensured. At the center of these dynamics is the human person, the economic agent who has material as well as other needs. When engaging in economic activity, he or she seeks to meet these needs and that of those he or she relates to. (For the sake of facilitating the reading of the text, inclusive language is not used in the remaining text. The author asks the reader to find in the masculine reference an all-encompassing reference to the person and therefore to women and men.) What is the role of habits, virtues, and vices in this pursuit? What virtues are necessary to facilitate global development? This chapter suggests that human virtues or their lack thereof are an important part of reaching or not reaching global economic development. While all virtues are relevant and although one can claim that the relevance of different virtues vary depending on the economic activity one is considering, we will focus on the role of prudence (practical wisdom) and magnanimity as two virtues especially pertinent to facilitate economic development. The former facilitates the identification of what is and what is not consistent with the achievement of sustainable development. The latter helps implement the right scale of action to ensure sustainable development.

It is the economic agent who generates and is served by the economic activity. Elsewhere I have explained the reason for why the way the economic agent seeks to meet his needs is not value neutral (Aguirre 2013). The economic agent exists, lives, and acts together with others, i.e., human beings have a social nature. It follows that in collaborating freely with others, a person also shares in the responsibility and the outcomes of those actions while, at the same time, he shapes his own way of living and direction. Furthermore, in his pursuit of material needs, through his interpersonal interactions, he contributes toward or jeopardizes his personal development and that of others (see Wojtyla (1969), MacIntyre (2001), and Rhonheimer (2008) for a more complete analysis by Wojtyla (1969), MacIntyre (2001), and Rhonheimer (2008)). In other words, he and those he interacts with develop good and bad habits, virtues, and vices. Prudence, i.e., the practical wisdom of acting well, plays an important role in this process.

For some time now, there has been a discussion on whether the path to achieve development is through a top-bottom approach or a bottom-up approach. On the one hand, economists such as Jeffrey Sachs suggest that aid agency officials and

national government leaders should plan from the center to make development happen in poor countries (Sachs and Warner 1995; Sachs 2005). For example, Sachs (2005) recommends that low-income countries have the benefit of a united and effective UN country team. Its role would be to coordinate in one place the work of the UN specialized agencies, the IMF, and the World Bank. Then author goes on to recommend that "In each country, the UN country team should be led by a single UN resident coordinator, who reports to the United Nations Development Program, who in turn reports to the UN secretary-general" (p. 285). Often in this process the intended beneficiaries have almost no voice in what policies are needed or how funds are spent. On the other hand, economists such as William Easterly provide evidence suggesting a failure to generate the growth and development promised by the former approach (Easterly 2003, 2006). Thus, they favor an approach that focuses on local level interventions, which tries to meet specific needs and where priorities and strategies for development are determined at the local level rather than through centralized schemes. Poor and developed nations include a very large variety of institutions, cultures, and histories. Therefore, they contest, solutions planned from the center are not effective (Easterly 2001). The process of globalization has made this reality even more evident. Achieving effective development requires identifying the needs at the local level and seeking specific solutions to meet them while keeping the big picture in mind, i.e., the reality of globalization increases the interdependence that exists between people and countries. Magnanimity, the virtue that empowers us to pursue great aims that are really worthy of honor, is necessary to choose the right scale. Magnanimity helps us to focus on both, the small and the large things.

   This chapter is organized as follows: Section II addresses the role of practical wisdom in economic development. Section III deals with the scale of development and the role magnanimity plays in it. The chapter finishes with conclusions.

Economic Development and Practical Wisdom

Economic development has three fundamental activities: production, exchange, and consumption (Aguirre 2006). In order to produce, the economy needs to use resources and it needs to do so in an optimal manner. This is so because, in the short term or at a given point in time, the resources available are limited. Over time or in the long run, however, resources are not necessarily limited. In order to obtain income and/or other products to meet their needs, economic agents exchange. This exchange takes place in the market. Here the market is understood as any arrangement that enables buyers and sellers to get information and to do business with each other. In order for the market to last, a need for exchange among people as well as some institutional and structural conditions, such as competitive terms of trade or openness to trade, must exist. It also requires other fundamental features such as trust, communication, order, and political stability (Fukuyama 2000). How and which goods and services get produced and how those contributing with their

resources are paid, both at home and abroad, depend on the choices made by those producing them. When income and profit are not obtained, production is typically stopped and, often, corrupted structures of individuals take over.

To consume, one needs first to obtain goods and services. To obtain these goods and services, one needs purchasing power and a distribution system that will allow consumers to reach them (Sen 1994). The distribution of purchasing power typically takes place through income and profits, but some portion is redistributed. There are three ways this transfer from one person to another takes place: by voluntary payments, by theft, or through taxes and benefits organized by the government. In addition to history, nature, and luck, each player in the economy influences how the redistribution will take place by the way they behave and the way they vote (Easterly et al. 1993). Thus, for an appropriate distribution to take place, i.e., for this distribution to actually meet the needs of the economic agents and their families, a fair and equitable distribution system for goods and purchasing power are fundamental.

It is important to recall at this juncture that behind the processes, institutions, and decisions mentioned above, it is the economic agent with his social nature, i.e., a person who acts together with others, who is engaged in economic activity. He seeks to make his decisions by maximizing the outcome of his choice given his social nature, his certain preferences, and his limited amount of resources. In spite of this being the reality of life for the economic agent, the social nature of man is systematically omitted from standard economic analysis. Instead, it is typically assumed that an economic agent is a self-interested, utility maximizing individual (Blaug (1992), Boland (1982), Heap (1989), Alesina and Rodrick (1994), Acemoglu (2010), and Deaton (2010)).

Thus, to open the path for right choices, the first step in the process of seeking sustainable development by means of economic activity is to substitute the aforementioned self-utility maximization assumption by an assumption which matches the reality of the economic agent's social nature (Aguirre 2013).

The choice of the right means and conditions – right action – is necessary for production, exchange, and consumption to obtain sustainable development, development that indeed serves the needs of present and future human persons and their families rather than the simple accumulation of material goods for its own sake. To arrive at the right choice, discernment, not only calculation, is an indispensable condition. Prudence (practical wisdom), according to St. Thomas, "assists in the determination of concrete actions, in a certain sense also sets the goal for moral virtues" (Rhonheimer 2008, p. 118). Thus, prudence (practical wisdom) together with experience "guides moral virtues not only in the choice of actions that lead to the goal, but also establishing the goal itself" (*ibid*). The reason for this, Rhonheimer continues, is that "specific actions are in fact the goal of each virtue, and thereby the arrival in every case at the means appropriate for each realm of action" (*ibid*). The importance of virtues, more specifically of the virtue of prudence (practical wisdom), and of experience –knowledge of the concrete reality and of empirical evidence of economic development – is now clear. The discovery of what actions are in accordance with the social nature of man and what actions are

not, and thus of what actions facilitate human development and what actions do not, is done through experience of particular cases. This has to be so because in the human world there are no general things but only concrete, particular things, persons, relationships, actions etc. General truths about reality are always the content of a knowledge after the fact, in the light of which the concrete particulars can again be more deeply grasped . . .. Concrete actions as particulars to be put into practice "here and now" can be understood as a concretizing the "good life", of what is "good for man." (Rhonheimer 2008, p. 119) Good choices of economic action thus require the particular circumstances to fit into the larger picture of a "good life." In order to do this, not only the immediate effects but also the long-term effects and needs of those affected by a course of actions should be considered. This indeed is the real meaning of efficiency in economics.

The experience of economic development in past years seems to point us in the right direction regarding what can and what cannot be considered sustainable within the context of global development. Some examples might help clarify this point. When economic agents imprudently decide to determine what the level of production should be based on *what they see possible* rather than on *what is needed* for the population to live a "good life," corrections in the economy such as the so-called subprime crises happen. Specifically, the production of financial instruments over and above what was needed for investment, generated an artificial demand for these goods. Because it was artificial, it could not be sustained by the real capacity of the global economy. In the short term, economic growth was accelerated, and an economic boom, perhaps better described as an economic bubble, occurred. The boom reached all levels of income, including the poor. It did not last, however. The growth was artificial – not *real* – and thus, it was not sustainable. It cost a 60 % correction of the global economy and it caused great harm to the well-being of the population all over the world. The damage varied by regions and even by countries within same regions, but it was nevertheless felt in every country.

Similarly, when China also imprudently decided to expand its good markets by means of an undervalued currency, its trade expanded rapidly. The decision was unilateral and it sought the benefit of China alone. The country experienced significant growth for some years but eventually it slowed down. Neither the supply nor the demand corresponded to the *reality* of the populations being served. The 2007 subprime crises brought this reality to the surface. China faced a significant fall in the demand of its goods, and the capacity to absorb this excess domestically was and still is not there. Today China is facing the need to reverse both its undervalue currency and expansion strategy.

Last but not least, we can mention the experience of imprudent consumption or consumerism on a global scale. Developed countries have spent over and above their resources and needs for several decades. The excessive focus on a life of comfort has been accompanied by a severe decline of their population. At first, people and countries resorted to their savings as they were wealthy countries; then they borrowed from other countries but, eventually, their pattern of consumption became unsustainable. Their economies are currently suffering from recession and

stagnation. The patterns of consumption followed by the population did not correspond to their *real needs*. Thus, sustainability could not be possible.

Mary Hirschfeld analyzes the tensions that economic activity encounters between development understood as achieving a "good life" in an Aristotelian-Thomistic sense and development understood as material prosperity only. In the latter, more is viewed as always better because temporal goods are the economic agent's ultimate end (Hirschfeld 2010). In the former, consumption is based on need. As a solution to this tension, the author suggests that in order to practice economic virtue "we can identify communities that can develop and support genuinely virtuous social norms for standard of living" (Hirschfeld 2006, p. 63). Albeit helpful, perhaps such an exercise might indeed not be necessary. Rather, facilitating conditions and a framework for the right choice of means – right action – in production, exchange, and consumption might suffice. Openness to what experience indicates regarding what is "good for man" in the context of economic activity can be of assistance in this endeavor. What empirical evidence seems to suggest is that sustainable development necessitates meeting the needs of people and their families while discouraging greed. The latter renders outcomes inefficient and, therefore, is unsustainable. It also suggests that for the former what works best is a bottom-up approach, where identifying real needs and accountability in the use of resources are easier. Fostering solutions at the local level as well as private/public initiatives has proven helpful in facilitating sustainable development. The field of economic development both in practice as well as in research is moving in this direction.

Scale of Economic Activity and Magnanimity

Globalization is a multifaceted and complex phenomenon, which requires taking into account both differences and communalities encountered in the interpersonal relations brought about through the economic, social, and political process of development. Dependability on large-scale planning exercises to attain development has typically focused on what development has in common at the aggregated level. It has taken place at the cost of overlooking the unsolvable information and incentive problems faced by these large schemes. It also makes the assignment of responsibilities for outcomes difficult. A more promising approach seems to be the design of incentives for aid recipients that can be then implemented through piecemeal interventions. It can also better serve the diversity of needs often encountered at the local level. These, in turn, deliver effective and large benefits for the population relative to costs. In addition, responsibility for outcomes is more clearly delineated.

Professionals and policy makers now understand that economic development is a complicated interplay of imperfect markets, politics, social norms, institutions, and government policies, social services, and microeconomic interventions. Development economists realize that new solutions need to be devised if sustainable development is to be accomplished. The process of globalization has significantly

increased interdependence between people and countries. As a consequence, local institutions and governments now can insert themselves in the global economy without interventions at the federal level. Similarly, small local businesses and other local actors can also directly insert themselves in the global market without the need of intermediaries. Reciprocally, local levels are in a more vulnerable position regarding large swings of the global economy. Such interdependence requires identifying the needs at the local level, and to seek specific solutions to meet them, while keeping the big picture in mind. It also generates the opportunity for local actors to effectively contribute to the global development process. These realities in turn require the choice of not only the right means but also the right scale of engagement by local, national, and international actors so as to ensure sustainable development.

The spread of private/public sector initiatives at local levels across Latin America and Sub-Saharan Africa is an example of these scaling choices. Large multinationals and/or foreign companies seek investments that generate long-term growth in the localities where they operate. Typically, civil society, local officials, and business work together to ensure development in specific areas. Similarly, the emphasis of securing investment over aid assistance on the part of developing countries also reflects changes in scales. These initiatives foster inclusiveness, sustainability, and good governance. They focus on interventions that encourage greater domestic resource mobilization, entrepreneurship, and the effective application of new technologies, best practices, and standards. International organizations, not only government, are also engaging in scaling exercises. The Millennium Development Goals Fund initiative (MDG-F) is a case in point. Under this scheme, the UN through its UNDP arm allocated competitive funds to projects that fostered local ownership while encouraging the coordination of different UN agencies to work together with specific local initiatives.

While prudence (practical wisdom), as was discussed in the previous section, assists in the choice of right means, magnanimity, the virtue of achieving what is really great in the small and the large things, is necessary to choose the right scale. Aquinas defines the magnanimous person as he who is "minded to do some great act" (Aquinas, S.Th., II-II, Q.129, a.1). He goes on to explain that an action "may be called great in two ways: in one way proportionately, in another absolutely" (*ibid*). Thus, an action "may be called great proportionately, even if it consists in the use of some small or ordinary thing" (*ibid*). An act can also be "simply and absolutely great when it consists in the best use of the greatest thing" (*ibid*). The right scale choice of engagement in a globalized process requires, on the part of the economic agents, decisions based on accurate knowledge of the local conditions and needs as well as on the right knowledge of its people's potential and limitations. At the same time, it needs vision. It also demands that the economic agent seek opportunities for common of collaboration with others and of service of others. The daring and courage implied in magnanimity require, on the one hand, not to feel restricted by the large space which globalization provides and, on the other hand, to be truly effective at the local level, remaining connected with the reality of the local space. Magnanimity thus allows people to look at the globalization process from the

location in which the economic agent lives and moves. It facilitates the use of local, small, and ordinary realities with openness toward others outside this sphere but without losing sight of one's identity. It assists the nourishment of healthy cultural differences, while it seeks for common grounds for encounter.

Conclusions

Global development involves more than economic processes. These processes take place within wider networks of relations than ever before. These interactions are not only multiform, but they take place at many different levels: local, state, and international spheres. Such interdependence makes it necessary to identify the needs at the local level and to seek specific solutions to meet them while keeping the big picture in mind. It also generates the opportunity for local actors to effectively contribute to the global development process. The experience of recent decades has helped those engaged in economic development to take a new look at this reality, the assumptions used in their analysis, and its practices.

The centrality of the human person as well as the importance of the institutions in which economic development takes place have been recognized. It is the economic agent who generates and is served by the economic activity. Consequently, the interpersonal dimension present in all economic activities continues to be exposed by empirical evidence as well as by experience. It underlines the reality of the social nature of man. It also has assisted us in realizing that how the economic agent interacts with others in the globalized economy is not value neutral. In his pursue of material needs, through his interpersonal interactions, the economic agent contributes toward or jeopardizes his personal development and that of others. In other words, he and those he interacts with develop good and bad habits, virtues, and vices.

New solutions to old and new problems as well as opportunities in a globalized context have been sought. They are built on positive experiences and on the rejection of negative ones. While prudence (practical wisdom) assists in the choice of right means; magnanimity, the virtue of the small and of the large things, helps us choose the right scale.

References

Acemoglu D (2010) Theory, general equilibrium, and political economy in development economies. J Econ Perspect 24(3):17–32

Aguirre MS (2006) The family and economic development: socioeconomic relevance and policy design. In: Love S, Holman T (eds) The family in the New Millennium. Praeger Perspectives, London

Aguirre MS (2013) An integral approach to an economic perspective: consequences for measuring impact. J Market Morality 16(1):53–67

Alesina A, Rodrick D (1994) Distributive politics and economic growth. Q J Econ 109(2):465–489

Blaug M (1992) The methodology of economics or how economists explain, 2nd edn. Cambridge University Press, Cambridge

Boland L (1982) The foundations of the economic method. Allen and Unwin, London

Deaton A (2010) Understanding the mechanisms of economic development. J Econ Perspect 24 (3):3–16

Easterly W (2001) The elusive quest for growth: economists' adventures and misadventures in the tropics. MIT Press, Cambridge

Easterly W (2003) Can foreign aid buy growth? J Econ Perspect 17(33):23–48

Easterly W (2006) The Big Push Déjà Vu: a review of Jeffrey Sachs's the end of poverty: economic possibilities for our time. J Econ Lit 44(1):95–105

Easterly W, Kremer M, Pritchett L, Summers L (1993) Good policy or good luck? Country growth performance and temporary shocks. J Monet Econ 43(4):459–483

Fukuyama F (2000) Social capital and civil society. IMF working paper N. 74

Heap SH (1989) Rationality in economics. Basil Blackwell, Oxford

Hirschfeld M (2006) Standard of living and economic virtue: forging a link between St. Thomas Aquinas and the twenty-first century. J Soc Christ Ethics 26(1):61–77

Hirschfeld M (2010) From theological frame to a secular frame. In: Finn DK (ed) The true wealth of nations: Catholic social thought and economic life. Oxford University Press, Oxford

MacIntyre A (2001) Dependent rational animals. Peru, IL: Carus Publishing Company

Rhonheimer M (2008) The perspective of the acting person: essay in the renewal of thomistic moral philosophy. The Catholic University of America Press, Washington, DC

Sachs J (2005) The end of poverty: economic possibilities for our time. Elsevier, New York

Sachs J, Warener A (1995) Economic reform and the process of global integration. Brook Pap Econ Act 1:1–95

Sen A (1994) Population and reasoned agency: food, fertility, and economic development. In: Lindhal-Kiessling K, Landberg H (eds) Population, economic development, and the environment. Sage, New Delhi

Wojtyla K (1969) ed. by Anna-Teresa Tymieniecka, trans. by Andrzej Potocki , Dordrecht, Holland: D. Reidel Publishing Company, 1979)

The Virtue of Global Solidarity

Martin Schlag

Contents

Abstract

Since business is a part of the good life, that life constituted by the virtues, virtues are also important in the contemporary globalized economy. The practice of the virtuous life enables one to avoid falling into the profit-seeking paradox, thus maintaining an open and liberal society by means of a core of freely shared values.

Solidarity is the virtue of love for the common good. Herein, the common good will be analyzed in its two types, two dimensions, and two perspectives. These different aspects result in the manifold meanings of solidarity, which are, however, all manifestations of love for the common good, albeit in its varying dimensions. As it is a virtue to be exercised by all in society, solidarity must not be limited to government intervention.

M. Schlag (✉)
Pontificia Università della Santa Croce, Rome, Italy
e-mail: schlag@pusc.it

On the global level, a common good exists only within specific sectors of global cooperation, wherein love of the common good makes sense. Protection of human rights, the creation of global public goods, and trust as global social capital will all be analyzed in their relationship to solidarity.

Introduction

At first glance, the title of this essay might appear as an oxymoron to the power of three: solidarity is usually associated with nonvoluntary measures, such as the redistribution of wealth by the government; virtue, on the contrary, is a voluntary individual manner of behaving; and both virtue and solidarity take place in communities, not on a global scale. The three terms used in the title thus seem to contradict one another. This chapter will argue that all three terms not only fit together but that their combination is of utmost importance for the future of humanity. It will begin by briefly explaining the vision of virtues and of virtue ethics as such in business. A reflection on solidarity will then follow. The concluding section will strive to study the possibilities and limits of the virtue of solidarity on a global level.

Why and How Do Virtues and Virtue Ethics Fit Into the Contemporary Globalized Economy?

In this section of the handbook, all that has already been said on the foundations and general aspects of virtue ethics in business cannot be repeated (see Russell 2013a, b; Abbà 1996; Rhonheimer 2011; Rodríguez-Luño 2003). However, in order to clarify my position on the role of solidarity as a virtue, it is necessary to define the general understanding of virtues in business that I presuppose.

Business is a professional practice with an internal good of high social relevance: through the free market, business produces and distributes the material goods and services required for the material well-being of people. Business is a public service aimed at the common good. Thus, business virtues are possible: they constitute the essential benchmarks of excellence of practice in the institutions of the capitalist economy of free enterprise. It is not the task of business ethics to reject the existing economic system but to cleanse it of elements of evil that are undeniably mingled therein (Solomon 1993, 6f; Hartman 2013).

The question is: are individual virtues necessary to solve the world's economic problems? Is not the aim of business to solve precisely these problems and to save the planet's starving population? Should we not therefore just choose that economic system which guarantees the best technical results without bothering about interior

dispositions? Why are virtues necessary if the important thing is simply to "get the job done"? One can make money without being virtuous; one can be effective without a good, virtuous intention; and one can contribute to the flourishing of others unintentionally. The capitalist system as such can do a lot of good, by creating wealth for many, without their actors intentionally pursuing a good life (cf. Rhonheimer 2012, 27f).

Nevertheless, virtues are a necessary and intrinsic element of the contemporary globalized economy for two reasons. The first is that one cannot be happy without the virtues, and happiness is the universal aim of all human activity, including business. One can become rich without virtues, but one cannot enjoy one's wealth without them. One can experience pleasure spending money, in the same manner in which one uses a narcotic or a drug, but one cannot be happy without virtues. Virtues and vices decide what we enjoy: a virtuous person enjoys good actions; a vicious person reviles in evil deeds. The experience of such destructive passions confirms the insight of practical wisdom that our enjoyment and our disgust, in a word our passions, need to be educated by the ordering activity of right reason. Right reason directs our passions, desires, and craving for material goods (in the plural) to what is good (in the singular) for us on the whole and thus integrates our passions into the flourishing of the human person. Reason certainly should not be the slave of our passions, as David Hume thought (cf. Mercado 2013, 238f). Moreover, vicious enjoyment is not happy enjoyment at all but rather a bitter and saddening experience (cf. Russell 2013b, 11–14; Hartman 2013, 245f).

On the other hand, the contention of the Skidelskys that capitalism is "founded on a Faustian pact" with the devil goes too far. They insist that the devils of avarice and usury were released, "on the understanding that, having lifted humanity out of poverty, they would quit the scene for good." In reality, they specify, the devil always exacts a price: the endless expansion of wants, on which capitalism rests, "has taken away the chief benefit of wealth: the consciousness of having enough" (Skidelsky and Skidelsky 2013, 69). There is much truth in the authors' critique of capitalism. Even Michael Novak has affirmed that in democratic capitalism there is a tendency to self-destruction through neglect of the moral-cultural subsystem, its weakest link (Novak 1982, 186). However, capitalism is a human system, created and operated not by the devil but by human persons, and it has brought much good to humanity. As such, its fundamental goodness can be fearlessly affirmed, while at the same time the realization of its sinful elements implies a striving to cleanse them from the economic system. It is also incorrect to say that capitalism rests upon the endless expansion of wants. This is not an essential, constitutive trait but an accidental blemish and sinful element of the system. The challenge is precisely to promote an ethical form of capitalism in which solidarity plays an important role. In such a prospective, Solomon's suspicion of the "profit motive" acquires new plausibility. Profit, as an inherent and necessary element of any monetary society, is not the same thing as the "profit motive," the notion of profit for its own sake. Profit is necessary in order to stay in the game; it is a means or an indicator of the proper and efficient functioning of any business enterprise. However, it cannot be the exclusive aim. The aim of a business is a good or a service. If the order of things

is inverted, a business falls into "the profit-seeking paradox": the more a firm makes profit its sole aim, neglecting the quality of its goods and services, the less profit it makes (Solomon 1993, 40–44). This does not imply that business ought not to pursue profit or that the only really ethical forms of business are nonprofit organizations. Business may pursue profit as a means. Means are goods (*bonum utile*) and therefore aims, but they are intermediate aims directed toward a greater purpose. It is morally good and virtuous to pursue profit as long as profit is considered as a means. Making money for its own sake, thus confusing a means with an aim, is possible without virtues. Or as the Skidelskys have put it: "cynicism is knowing the price of everything and the value of nothing" (Skidelsky and Skidelsky 2013, 41). The present economic situation is not free of this cynicism. Success, however, requires more. It requires a fulfilled life in communities of shared values. For this reason, business is a part of the good life. Directing economic activity toward profit alone is senseless and pointless.

The second reason for the need of virtues in the globalized economy is the need to overcome the "great gap" between economics and ethics. This separation is a characteristic element of modern economics, which has emancipated itself from religious and ethical guidance. It is quite true that a free society cannot impose one version of the good life and common aims on everyone. A free, liberal society must leave open a wide range of aims from which an individual can choose. The modern public sphere is void of common aims. It allows individuals to follow their own aims and goals, without even binding them to their own freely chosen individual aims, because they can change them at will. Virtue ethics thus does not seem to be adequate for a modern economy. However, Friedrich A. Hayek has shown that even a free society, in order to be free and protect its freedom, must suppress, through general laws, certain individual aims that damage the well-being of society. Crimes, such as murder, theft, and fraud, are punished, because they make social life impossible (Hayek 1978, 27–39). Negative, i.e., prohibitive, laws, however, are not enough. A free economy in a free society presupposes the values and the virtues of natural morality. It would be a thorough misconception of liberalism not to realize that liberalism has always defended values such as human dignity, tolerance, and civility and is itself the result of civilization whose values need to be maintained (Hayek 1981, 161–176; Skidelsky and Skidelsky 2013, 11f). Slightly varying a well-known dictum, we can affirm that without virtues, in the long run a free economy is dead.

Is Solidarity a Virtue?

Solidarity is one of many polysemantic concepts often used with contradictory meanings, and in fact, it does mean different things. It was one of the battle cries of communism as well as the name of the workers' union in Poland that toppled communism: between these two extremes, there is a wide gamut of notions.

Herein, the word solidarity will be used to designate the virtue of love for the common good.

Human action can be either individual or form part of a larger order. An employee in a firm, for example, leads his private life according to his own plans, pursuing his self-chosen aims at home. In the firm, however, he forms part of an organization. His work and his actions are absorbed in that of the firm: through his work, the firm produces, the firm expands or contracts, and the firm makes profits or losses. The firm appears as the agent: we say Goldman Sachs has made profit, not the individual employee. Of course, while the results of collective actions are attributed to the collective agent, the activity of the organization as such also affects the individual employee, be it by the economic results of corporate activity or by the corporate culture that constitutes the framework of the individuals' daily work. Social ethics, however, considers the ethical quality of an organization and of its culture. As such, the acting subject it considers is the organization as a collective agent. Certainly an organization is not a human being with free will and a conscience and therefore is not an ethical agent in the normal sense of the word, but it consists of and is erected and governed by individual persons. Thus, an organization, as the product of free human agency, possesses an ethical dimension.

Individual ethics, in contrast, studies how individual humans can flourish in a virtuous life. The aim of individual ethics therefore is happiness. It describes in which ways humans can become happy through and in their activities. Social ethics too obviously has to do with human happiness; otherwise it would not qualify as ethics; however, the aspect under which it studies the directedness of organizations toward human happiness is the common good. This means it studies human actions and organizations insofar as they promote the common good while simultaneously reflecting upon what that common good is.

What Is the Common Good?

There are two types, two dimensions, and two perspectives of the common good.

Firstly, an organization has two types of common good which stem from the two types of order which shape it:

(a) *Its parts are ordered to one another. This produces its harmonious functioning as an organism or its* intrinsic *common good, which good only exists in the singular.*
(b) *The organization is ordered toward a common end that it is meant to achieve. This is the* extrinsic *common good for which it exists.* In the case of business corporations, the extrinsic good is a product or a service that it supplies, with the help of money. The reward is profit. Thus profit too, albeit in an instrumental sense, is an extrinsic common good. There can be multiple extrinsic common goods. That is why the extrinsic common good can be used in the plural (cf. Baur 2012, 239).

The intrinsic common good is indivisible, while the extrinsic common goods are divisible. In divorce, for instance, the couple cannot take parts or fractions of their

married life as their own. The good of a common life as couple can only either be destroyed or maintained; it cannot be divided. What can be divided are the extrinsic common goods, such as houses, cars, pets, money, etc., which they have acquired together during their married life (cf. Hittinger 2012). This example highlights that the intrinsic common good is essentially shared and participated. While the intrinsic common good only exists when shared, a particular extrinsic good cannot be shared and its consumption excludes others from doing the same. One cannot swallow the same bite of food or sip of wine (external goods) which another person has just put into his or her mouth, but one can enjoy the same meal and the conversation of friends at table (intrinsic common good). For the same reason, the intrinsic common good cannot be explained as a sum of the particular goods of its members. The difference between an intrinsic and an extrinsic common good is not merely quantitative. The intrinsic is a good of its own kind and in itself.

Secondly there are the two dimensions. The distinction of the two different dimensions of the common good refers to what could be called their formal and material aspects:

(a) *The common good under its* formal *aspect consists of the rules of cooperation in a free society, one in which everyone pursues their own aims, thereby achieving personal fulfillment.* In other words, it consists of the conditions of possibility for human flourishing for all of its members. We can consider this understanding of the common good to be identical with ordered liberty in a democratic society. This dimension is denominated formal, because while defining a certain procedural framework, it does not impose any specific material version of the good life.

(b) *Under its* material *aspect, the common good is the core of freely shared values, which forms the common aim or end of any society* (cf. Etzioni 1996). Without such common aims, as general as they might be, a society cannot survive as a project of common life but will inevitably disintegrate. These core values are the respect of human dignity and of human rights, tolerance, civility, and so forth, which could be identified with the rights and duties contained in the International Bill of Human Rights (the Universal Declaration of Human Rights and the two United Nations Covenants of 1966). In a positive, material way, they define the type of society in which we would like to live. The formal procedures serve as paths to the material common good: the avoidance of certain evils or the programmatic delineation of certain aims of public policy. Aristotle and Thomas described the material aspect of the common good as a kind of political friendship that constitutes the fabric of society (cf. Pangallo 1990). This translates well into modern terms: friendship is an exchange of goods, the sharing of values. Postulating a core of shared values comes very near to the Aristotelian conception of social friendship.

Thirdly there are the two perspectives of the common good. These are derived from the angle at which one looks at the common good. One can consider the common good:

(a) *From the viewpoint of the persons responsible for a society, so to speak "from above."* These can be the politicians in parliament or in the government, judges, the director of a board in a company, parents, and so forth.
(b) *From the viewpoint of the person who is a subordinate part of the organization, so to speak "from below."*

Depending upon the perspective, the same action at the service of the common good can be judged differently. A judge that justly condemns a criminal can consider his judgment to be good because it is necessary for the common good of the whole of society, whereas the wife or the children of the criminal can consider the same judgment to be bad for the common good of their family. Both judgments are correct from their perspective: one seen from the perspective of the institutions responsible for the common good and the other from that of the good of the family (cf. Aquinas, Summa, I-II, q. 19, a. 10).

The two types, two dimensions, and two perspectives of the common good do not exclude one another. They are different modes of analyzing the same reality, synchronic, partially overlapping co-principles simultaneously present in any form of human organization, society, or community. The common good is the common final cause or end of an organization. In its various types, dimensions, and perspectives, the common good is the reason for which a community exists and through which it is perfected. Take the business firm as an example: therein, we find an intrinsic common good by which it functions well as a community of persons together with the products that constitute its extrinsic common goods; we find the formal dimension of the common good in its rules of cooperation and codes of conduct and the material common good in the freely shared values that form the culture and social capital of the company; and, of course, there will be different perspectives of the common good according to the different layers and subsystems that when taken together compose the entire firm.

The virtue that directs our reason toward the common good of the community to which we belong is the virtue of justice. This is the first and primary virtue of social life. However, due to the pluridimensionality and pluriperspectivity of the common good, justice alone is insufficient to effectively direct our actions. The virtue of solidarity, which we can define as the *love of the common good*, is also necessary. Love never contradicts or supersedes justice; in fact, it requires that justice be done. However, as love, solidarity goes beyond justice. The loving or charitable person does many things, which go beyond the strict obligation of justice, and corresponds to gratuitous love for others. Solidarity does just that. The virtue of solidarity leads us to love the common good more than our own particular good and aids us in subordinating the willing of our particular good to our willing of the community's common good. Similar to the sacrifice of a hand to defend one's life against a deadly blow, a person with the virtue of solidarity is prepared to suffer material disadvantage or even sacrifice herself for the common good which she loves more than her own particular good. Such a sacrifice requires the virtue of love. Justice alone does not suffice (cf. Aquinas, Summa, II-II q. 26, a. 3; I, q. I 60, a. 5, Aquinas, De Caritate, 4). From the Stoics onward, it has been a tenet of political philosophy

that the two principles governing social life are justice and benevolence. Although justice is the more important, it must not be separated from benevolence (or charity). Otherwise life in society becomes hard and unbearable: "Remove benevolence from human dealings and you have removed the sun from the world; for without benevolence there are no human dealings: showing a stranger the way, correcting the errant, returning hospitality are all fruits of benevolence. It is like a spring of water, which refreshes the thirsty" (Ambrose, De officiis ministrorum, I, 32, 167, Schlag 2012).

This analysis follows Arthur F. Utz, who emphasized the close relationship between solidarity as social charity and social justice. He relates both directly with the common good. The attainment of the common good requires both approaches, those of justice and solidarity. Solidarity is a distinct virtue, different from justice, since in reality not all human beings will fulfill their social duties. In falling to do so, they oppose social justice and thus equality is damaged, and others in turn can withdraw from the fulfillment of their duties, further damaging the common good. It is therefore necessary for solidarity (social charity) to come before social justice. Solidarity is "the categorical and unconditional esteem of the common good [. . .], which even then makes the effort for society when the duties cannot be distributed equitably or when it is prevented by the failure of members of society" (Utz 1964, 197). There is no justice without solidarity.

As a ray of light is split into many colors in a kaleidoscope, so does the concept of solidarity unfold when it is considered according to the different angles created by the types, the dimensions, and the perspectives of the common good. Solidarity is the love of the common good and therefore a form of directedness of the human person toward the good of her family, community, group, or organization: the concept of solidarity is thus affected by the way we consider the common good. This changing and shifting image accounts in part for the confusion surrounding the concept of solidarity, making it colorful, enigmatic, and multifarious. The following is similar to a map of solidarity, illustrating the different types, dimensions, and perspectives of the common good to solidarity, distinguishing their meanings while not separating them, because they are all manifestations of the same reality: the love of the common good.

As highlighted in Table 1, the love of the common good produces different consequences according to the varying types, dimensions, and perspectives of the common good. The leader of an organization who not only fulfills her duties but also loves its intrinsic common good (square 1) will be filled with devotion to the entrusted organization; this will result in the desire to exercise a leadership of excellence, obviously relevant for the achievement of the extrinsic common good of the firm (square 2). As regards the rules of cooperation (formal common good), a leader who is inspired by love of the common good (square 3) will not only abide by general and distributive justice but, through the empathy that inspires her, will feel constantly urged to improve the rules and to discover the situations of injustice that will inevitably occur in any human, i.e., imperfect community. As regards the values which a community shares (material common good), a leader (square 4) will soften the strict application of rules in cases where the general character of

Table 1 The Kaleidoscope of solidarity

Solidarity	Intrinsic common good	Extrinsic common good	Formal common good	Material common good
Common good seen "from above"	1 Devotion to the persons, community, or organization	2 Excellent leadership	3 Motive to improve the rules Helps discover injustice	4 Equity and *epikeia* (benign interpretation of law)
Common good seen "from below"	5 Loyalty	6 Identification with the mission or the product	7 Compliance of rules with inner verve and good will	8 Acceptance of disadvantages and sacrifice
Formal common good	9 Positive affirmation of coworkers; civility; love of the rules	10 Efficiency	–	–
Material common good	11 Friendship; trust	12 Stability, duration, and sustainability of the organization	–	–

rules would lead to unjust results. This is the application of norms to individual cases through practical wisdom (*epikeia*) for the perfection of justice. It is not good leadership to rigidly apply laws and rules without realizing that in a certain case they can contradict the aim for which they were enacted.

From the viewpoint of an organization's member (perspective "from below"), the love of the intrinsic common good (square 5) will lead to loyalty to the other members of the organization. The organization will thus be understood not as a cold apparatus but as a community of persons. Love of the extrinsic common good of a firm means an identification with its mission and products beyond that which is strictly necessary. It confers enthusiasm and joy in achieving the common aim. Something similar can be said when it comes to the formal common good as seen by a member of an organization (square 7): the rules that make possible a smooth, harmonious, and free cooperation will be accepted not only in obedience and exterior compliance but with inner verve, good will, and affirmation. The same is true as regards the material common good, or the creation of community through a core of freely shared values (square 8): a person with the virtue of solidarity is motivated by love and hence will put the collective good before her individual good.

As regards the love of the formal common good in its intrinsic type (square 9), solidarity will be conducive to a positive affirmation of coworkers, exceeding their mere toleration as inevitable elements of an organization. It will result in civility and in love of the rules of harmonious cooperation. Contemporaneously, it will have the positive effect of greatly enhancing the efficiency of the firm by bringing about an improvement in its overall economic performance (square 10). The love of

the material dimension of the intrinsic type of the common good finally constitutes the innermost core of solidarity as friendship and trust (square 11), granting stability, duration, and sustainability to the organization (square 12) as the extrinsic expression of the firm's common good.

How Does the Virtue of Solidarity Fit Into the Global Context?

As has become clear, solidarity is not identical with redistribution nor is solidarity collectivist or statalist. It must be distinguished from the abuse of the term "social justice and charity" by certain interest groups and lobbies. Solidarity is the virtue of love of the common good. A common good, in the full sense of the word and strictly speaking, requires a community of which it is the aim. Without such a community, there can be no common good; it just does not exist. In this sense, there is no global common good, because there is no real global community. Therefore, strictly speaking, there is no virtue of global solidarity. Nevertheless, solidarity as a virtue does play an important role on the global scale, as will be shown.

Otfried Höffe, probably one of the most outspoken advocates of a "world republic," distinguishes three dimensions of globalization:

1. Globalization of cooperation (in trade, commerce, production and distribution of goods, mobility of services, goods and capital, and other positive effects)
2. Globalization of violence (through terrorism, war, the responsibility to defend, and humanitarian interventions as well as violence of an economic nature, as the result of irresponsible behavior)
3. Globalization of suffering (either as an immediate and personal consequence of violence or through the media) (Höffe 2008, 382)

These dimensions constitute areas of community on the global level in which a certain kind of common good exists. It is not a universal common good in the sense of a cosmopolitan citizenship. Kate Nash has spoken of "'cool' cosmopolitanism as an ideal" as opposed to "hot" emotions associated with national states (see Nash 2005, 34–36). However, "cool" globalized feelings can become hot in those sections of global affectedness, in which globalization has enhanced awareness of mutual interconnectedness, thus creating a sectorial global common good where solidarity makes sense.

Three connected areas of the common good on a global scale and of global solidarity in as far as business is concerned can be sketched out:

(a) *The protection of human rights*
(b) *The creation of global public goods*
(c) *The creation of trust as global social capital*

A basically positive appraisal of globalization cannot be neglected: thanks to globalization, extreme poverty has diminished since the 1990s (cf. Llach 2008, 31).

However, there are also difficulties and looming challenges, for which neither businesses nor governments are prepared. Corporations act globally but are regulated by national law. This means that the legal framework in which they operate is fragmented. Moreover, the control of the extended value chain, spread out over the globe, has become very difficult for managers who work from another continent.

The Protection of Human Rights as the Virtue of Solidarity

Free markets on the national and global scale are the best system for curing poverty and creating wealth. However, in order to be free, markets need ethics and humane culture. Without individual and social virtues, without the rule of law and a culture of work, markets are not free. Corruption, for instance, ruins free enterprise, because it allocates market opportunities in a biased, noneconomic way. While markets on their own do not produce ethics, good ethics produce free markets.

A global economy thus needs global virtues and some kind of global culture that includes an international rule of law. There is no central, global political authority. Trying to impose one would be a serious danger for world peace. Instead, the UN Guiding Principles on Business and Human Rights could be the correct method to implement global solidarity in the protection of human rights in business. The principles renounce the wish for a central authority and opt for a "polycentric governance," composed of three distinct governance systems: state public law, civil governance, and corporate governance. These conjoin and jointly influence the economy. The guidelines, reflecting this situation, propose an approach that can be summed up in three concepts: states must protect, companies must respect, and those harmed must have redress (Ruggie 2013, xxi–xliii). Such a system can only function if all actors (government officials, directors of multinational corporations, national business managers, judges, etc.) devote themselves to the common good of protecting human rights. This engagement is primarily a question of justice. However, effectively and constantly guaranteeing human dignity as well as ensuing human rights to all pertains more to the question of love than that of justice and thus to solidarity (Schlag 2012, 93–95).

The Creation of Global Public Goods as Virtue of Solidarity

Adam Smith has already indicated the importance of public goods (roads, bridges, and other infrastructures). Many of these are taken for granted, and not unrarely, business success due to their existence is falsely attributed to personal prowess. Without such public goods, an economy would not function. These must be created by public effort and cooperation, either because they exceed the economic possibilities of individuals or they elude the logic of markets. Thus, the financing of public goods is one of the justifications for taxation. Smith correctly underscored the fact that these public goods must truly be at the service of the common good to deserve the name. A bridge built with tax revenue for the convenience of a

politician's private home is not a public good but a form of corruption (Smith 1991, book V, ch. I, part III).

The creation of public goods for the global economy is an area in which the virtue of solidarity is to be exercised. Freedom from piracy and terrorism; the security, ease, and cost-effective transport of persons and goods; the transfer of information and money through a reliable international banking system, and the availability of capital and credit through financial markets are all examples of such global public goods. Once again, justice and love complement one another. Contributing to these common goods is a matter of justice; however, the constant and perpetual devotion to the common good is rather a result of love, thus of solidarity. The spirit of solidarity mitigates the risk of free-riding. As has been repeatedly stated, solidarity means identifying one's own interest with that of the group or even placing the community's interest first (Fukuyama 1995, 155–159).

In the context of global public goods, there is also an urgent need for solidarity on the financial markets, an extremely important public good. Without a radical inclusion of strong ethical convictions and the adherence to clear precepts, the system of "Wall Street" (to use an acronym for the entire worldwide financial industry) is unsustainable. Solidarity can be a guiding virtue to lead finance back to serving the common good and to discover which practices sustain integrity and social responsibility in the complex institutions of modern finance (Santoro and Strauss 2013, 20f). The polycentric approach adopted by the UN Guiding Principles for Business and the Human Rights could be the right method to draw the world of finance into the project of solidarity, drawing upon the natural human sentiment of responsibility and amity.

The Global Social Capital of Trust as a Result of the Virtue of Solidarity

Fukayama's insight is equally valid on the global scale: "a nation's well-being, as well as its ability to compete is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in the society" (Fukuyama 1995, 7). Without trust in international business dealings, transaction costs soar, controls multiply, legal frictions consume energies and resources, and contracts fail. Credit, for instance, will only be granted if one can trust in promises. Trust across the globe and the ability of people to work together for common purposes is the global economy's social capital. Global social capital, people's ability and willingness to associate with each other across cultural differences and barriers, is a necessity. Without it, a global economy will not work. The ability to associate depends upon shared values. Out of such shared values emerges trust, based upon reliable and foreseeable ethical behavior. Foremost among all the social values that create trust (honesty, reliability, cooperativeness, a sense of duty to others, etc.) is the virtue of solidarity. It is the basic attitude, together with justice, which directs our actions toward the common good and the formation of communities. Without solidarity, the strenuous task of honest and stable cooperation, weathering the inevitable setbacks and

disappointments, would not be undertaken. Without solidarity, numerous vicious circles of retaliation would arise. However, with solidarity, virtuous chain reactions are set off. It is quite wrong therefore to imagine that there is a necessary trade-off between solidarity and efficiency. To the contrary, those who build community through solidarity may prove to be all the more efficient. Solidarity is the moral strength of globalization.

Conclusion

Kant conceived of trade, money, and commerce as important incentives for perpetual peace and cooperation (Kant 1964, 226). His forecast was certainly too positive, denying sufficient importance to the trade wars and the belligerence that economic competition without virtues can beget. It is much truer to say that the virtue of global solidarity as love of the common good has the potential to bestow on humanity the spirit of cooperation that peace requires.

Cross-References

▶ Being and Doing: How Virtue Shapes Work
▶ Personal Virtues and Firm Goals: An Aristotelian–Thomistic Approach
▶ Virtue Ethics in the Catholic Tradition
▶ What Virtues for Business Ethics?

References

Abbà G (1996) Quale impostazione per la filosofia morale? LAS, Roma

Ambrose. De Officiis Ministrorum. In: Migne JP (ed) Patrologiae Cursus Completus, Series Latina, Paris 1844–1864, vol XVI, pp 25–184

Aquinas T (1953) De Caritate. In: Quaestiones Disputatae, vol 2. Marietti, Torino/Rome. pp 753–791

Aquinas T (1999) *Summa Theologiae,* (Cinisello Balsamo: San Paolo, 1999, 3rd edn). In English, *The Summa theologica.* 2d, rev edn. 22 vols, (trans: Fathers of the English Dominican Province), (London: Burns, Oates & Washbourne, 1912–36). Reprint in 5 vols, (Westminster: Christian Classics, 1981)

Baur M (2012) Law and natural law. In: Brian Davies B, Stump E (eds) The Oxford handbook of Aquinas. Oxford University Press, Oxford, pp 238–254

Etzioni A (1996) The new golden rule. Community and morality in a democratic society. Basic Books, New York

Fukuyama F (1995) Trust. The social virtues and the creation of prosperity. Simon & Schuster, New York

Hartman E (2013) The virtue approach to business ethics. In: Russell DC (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge, pp 240–264

Hayek FA (1978) Law, legislation and liberty, vol. 2. The mirage of social justice, 2nd edn. The University of Chicago Press, Chicago/London

Hayek FA (1981) Law, legislation and liberty, vol. 3. The political order of a free people, 1st edn. The University of Chicago Press, Chicago/London

Hittinger F (2012) Divisible goods and common good: reflections on *Caritas in Veritate*. Response to Martin Rhonheimer. In: Schlag M, Mercado JA (eds) Freedom of markets and the culture of common good. Springer, Heidelberg/New York/Berlin, pp 41–52

Höffe O (2008) Vision Weltrepublik. Eine philosophische Antwort auf die Globalisierung. In: Brugger W, Neumann U, Kirste S (eds) Rechtsphilosophie im 21. Jahrhundert. Suhrkamp, Frankfurt/Main, pp 380–396

Kant I (1964) Zum Ewigen Frieden. Ein philosophischer Entwurf. In: Weischedel W (ed) Immanuel Kant, Werke in sechs Bänden. Schriften zur Anthropologie, Geschichtsphilosophie, Politik und Pädagogik, Band VI. Wissenschaftliche Buchgesellschaft Darmstadt, Darmstadt, pp 191–251

Llach JJ (ed) (2008) Summary on globalization. Main outcomes of the work of the pontifical academy of social sciences on globalization. PASS, Vatican City

Mercado JA (2013) Entre el interés y la benevolencia. La ética de David Hume. Peter Lang, Bern

Nash K (2005) Cosmopolitan political community: why does it feel so right? In: Eade J, O'Byrne D (eds) Global ethics and civil society. Aldershot, Ashgate

Novak M (1982) The spirit of democratic capitalism. Touchstone, New York

Pangallo M (1990) La solidarietà come « amicitia politica » nel pensiero di San Tommaso. Vita e Pensiero 6/LXXIII:53–57

Rhonheimer M (2011) The perspective of morality. Philosophical foundations of thomistic virtue ethics. The Catholic University of America Press, Washington, DC

Rhonheimer M (2012) Capitalism, free market economy, and the common good: the role of the state in the economy. In: Schlag M, Mercado JA (eds) Freedom of markets and the culture of common good. Springer, Heidelberg/New York/Berlin, pp 3–40

Rodríguez Luño Á (2003) Scelti in Cristo per Essere Santi. Elementi di Teologia Morale Fondamentale. EDUSC, Roma

Ruggie JG (2013) Just business. Multinational corporations and human rights. W. W. Norton, New York/London

Russell DC (2013a) Introduction. Virtue ethics in modern moral philosophy. In: Russell DC (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge, pp 1–6

Russell DC (2013b) Virtue ethics, happiness, and the good life. In: Russell DC (ed) The Cambridge companion to virtue ethics. Cambridge University Press, Cambridge, pp 7–28

Santoro MA, Strauss RJ (2013) Wall street values. Business ethics and the global financial crisis. Cambridge University Press, Cambridge

Schlag M (2012) "Iustitia Est Amor": Love as principle of social and economic life? Acta Philosophica I/21:77–98

Skidelsky R, Skidelsky E (2013) How much is enough? Money and the good life, 1st edn. 2012. Penguin Books, London

Smith A (1991) Wealth of nations, 1st edn. 1776 as An inquiry into the nature and causes of the wealth of nations. Prometheus, Amherst

Solomon RC (1993) Ethics and excellence. cooperation and integrity in business. Oxford University Press, New York/Oxford

Utz AF (1964) Sozialethik, Part I: Die Prinzipien der Gesellschaftslehre, 2nd edn. Kehrle/Nauwelaerts, Heidelberg/Löwen

Part XXVII

Virtues, States, and Markets (Ideologies)

Society, Markets, and Virtues: An Aristotelian Analysis

Ricardo F. Crespo

Contents

Abstract

This contribution deals with the virtues that, according to Aristotle, favor the development of a healthy economic life, that is, oriented toward the achievement of the good life. This orientation is the criterion to determine the consequently convenient set of virtues. The chapter will account for the relation between the market and the polis, the ethical principle regulating exchange, the role of money, and the virtues involved in economic matters.

Keywords

Virtues • Market • Society

Introduction

This chapter will identify the virtues that, for Aristotle, are particularly linked with economic life. (Bruni (2012) makes an interesting proposal about the market based on the tradition of civil economy – an economy of civil virtues.) The criterion that

R.F. Crespo (✉)
IAE Business School, Universidad Austral, Pilar, Buenos Aires, Argentina
e-mail: rcrespo@iae.edu.ar

regulates this discernment is the Aristotelian conception of the goal of the economic life: it must be oriented toward human fulfillment. This includes the activities of the market: exchange and production. The achievement of human fulfillment, a human final end, is the goal of the political community or polis. Economic life must favor the attainment of the end of the polis. The Aristotelian economic virtues are those contributing to assure this alignment of economic activities to the political objectives.

The Polis and the Market

In his treatise on justice on the *Nicomachean Ethics* (*NE*, V, 5), Aristotle highly praises the market because he thinks that people "are maintained in a community by exchange" (1133a 2). The polis possesses an ontological prominence in the Aristotelian conception because it is the appropriate locus of human flourishing. The Aristotelian *polis* is an ordered relationship of individual actions aiming at a common goal. This common goal goes beyond the aims of exchange: the market is not sufficient to achieve flourishing. Thus, the polis is more than a market. However, it is built over it. He asserts:

> It is clear, therefore, that a polis is not an association for residence on a common site, or for the sake of preventing mutual injustice and easing exchange. These are indeed *conditions* which must be present before a polis can exist; but the existence of all these conditions is not enough, in itself, to constitute a polis. What constitutes a polis is an association of households and clans in a good life [*eu zên*], for the sake of attaining a perfect and self-sufficing existence [*autarkous*] (...). The end [*telos*] and purpose of a polis is the good life, and the institutions of social life are means to that end. A polis is constituted by the association of families and villages in a perfect and self-sufficing existence; and such an existence, on our definition, consists in a life of true felicity and goodness. It is therefore for the sake of good actions [*kalôn praxeon*], and not for the sake of social life, that political associations must be considered to exist. (*Politics* III, 9, 1280b 29–35 and 1280b 39- 1281a 4, my italics)

That is, exchange and the subsequent possibility of possessing the goods that are necessary in the search for a good life are conditions of existence of the polis. In this way, the final goal of the polis subsumes the end of the market. At the same time, the market is a condition of society's unity.

For Aristotle, politics – as the practice and science of good life – is moral in itself, and economics must also serve the "chief good" or final end: "it is that which is the object of the science which is supreme over all others, namely political and economic science and wisdom" (*Eudemian Ethics* I, 8, 1218b 13–14). Politics determines this end. Economics receives it from politics. The Aristotelian virtues related to the assistance and reassurance of a good – ordained to the good life – economic life, including the work of the market, stems from this specific relation between the polis and the market.

Justice, Money, and the Market

Aristotle tackles the issue of the determination of the virtues connected with the relations between the market and the polis in *Nicomachean Ethics* V, 5. For him, economic exchanges fall under a type of justice: reciprocal justice. What is for him the principle regulating reciprocal justice? Scholars agree that this chapter of the *Nicomachean Ethics* is one of the most obscure passages in Aristotle's work. Taken literally, however, his writing argues that justice in reciprocity entails a proportional equality between reciprocated things, which implies that these things can be compared. The criterion used for this comparability is the need for them:

> for if this [proportional equality] does not happen, there will be no exchange and no community. But proportionate equality will not reached unless they [the goods exchanged] are equal in some way. Everything, then, must be measured by some one measure, as we said before. In reality, this measure is need [*chreia*], which holds everything together; for if people needed nothing, or needed things to different extents, there would be either no exchange or not the same exchange. (*NE* V, 5, 1133a 24–29)

Indeed, these passages are no exempt of difficulties of interpretation. However, it is clear that Aristotle concludes that the (just) principle that regulates demand – and, therefore, prices and salaries – is a type of need he calls *chreia*. This is the key for union through exchange: "now clearly need holds a community together as a single unit, since people with no need of each other, both of them or either one, do not exchange" (*NE* V, 5, 1133b 6–7). As the "good life" is the end of economics, *chreia* must be what is necessary for the "good life."

The English version of *Nicomachean Ethics* by Sir David Ross translates *chreia* as "demand," a term that, while probably not the most appropriate, outlines the type of need involved here. *Chreia* is not necessity in an absolute sense. Wealth is useful, for the sake of something else, which is not absolute (*NE* I, 5, 1096a 8). What is useful is "exchangeable," and, though exchanges are necessary, human beings can carry them out in different ways and, even, provisionally. According to Aristotle's framework, this indetermination of economic need means that, though just and aimed at attaining the "good life," necessity is individual, given that morality has a relevant personal component. Every individual knows which goods she needs and how much of each. The virtue of prudence or practical wisdom helps in the discernment of this real necessity. Now, for there to be justice in exchanges, needs should even out. When people demand something, they are expressing their need, but this need must be equated with that of someone else in order for an exchange to take place. Justice is achieved in this equalization through price, if it indeed expresses a shared appraisal.

Thus, what does justice in reciprocity consist of? When reciprocity is truly proportional, an exchange takes place through the value that emerges from a need and the resulting common appraisal. Equality is the condition required for an exchange and for this exchange to be fair. The exchange is fair, hence, when both parties satisfy what they justly consider necessary. Then, for Aristotle, justice

resides in reciprocity, which is attained when their exchanged needs are equal and demand is infused with an ethical attitude – just and prudent.

Comparisons between needs are possible using money and prices (cf. *NE* V, 5). Money then has a positive role in economic life. Aristotle asserts:

> [t]his is why all goods must have a price set on them; for then there will always be exchange, and if so, association of man with man. Money, then, acting as a measure, makes goods commensurate and equates them; for neither would there have association if there were not exchange, nor exchange if there were not equality, nor equality if there were not commensurability. (*NE* V, 5. 1133b 15–20)

Thus, Aristotle's views on money are analyzed against the backdrop of his concern for the *polis*.

Money is the instrument by which justice can be exercised in exchanges; it is an element used to maintain reciprocity in social relations. Justice requires the measurement that money makes. Second, money plays a role in social cohesion, as, by facilitating exchanges, it is an instrument for the distribution of what *polis* members need: without money, there is no exchange in society (*NE*, V, 5, 1133 b 18–9).

Money is important on account of its measurement capacity – much like a ruler or a meterstick that allows for comparisons. Its absolute value is not as important as its stability – Aristotle points out that, even though money can change in value, it is quite stable (*NE*, 1133 b, 14–5) – which allows for relative measurements, setting prices, and making exchanges and society itself possible. With money, exchange values can be expressed in monetary terms.

What do money and prices represent? They stand for need – *chreia* – and the impact of scarcity, which bring about changes in exchange values. The fact that something is more necessary or scarcer than something else is reflected in the fact that more money is required to obtain it. This representation is conventional: "it exists not by nature but by law and it is in our power to change it and make it useless" (*NE*, 1133 a 31–2). Money is a sign, just like the decimal system or the vocabulary of a language – arbitrary signs that human beings can create using their rationality to express a reality.

Aristotle names three functions of money:

1. It is a unit of measurement: "There must, then, be a unit, and that fixed by agreement [...] for it is this that makes all things commensurate, since all things are measured by money" (*NE* V, 5, 1133 b 19–23). In this sense, money is also a standard value.
2. It is a means of exchange: "all things that are exchanged must be somehow comparable. It is for this end that money has been introduced" (*NE* V, 5, 1133 a 19–21). "The various necessaries of life are not easily carried about, and hence men agreed to employ in their dealings with each other something" (*Politics* I, 9, 1257 a 33–5). "Money was intended to be used in exchange" (*Politics* I, 10, 1258 b 4).
3. It is a value reserve: "for the future exchange –that if we do not need a thing now we shall have it if ever we do need it– money is as it were our surety; for it must

be possible for us to get what we want by bringing the money" (*NE* V, 5, 1133 b 11–3). Money is meant to be spent, but it can also be accumulated (*NE* IV, 1, 1120 to 8–9). Thus, it becomes capital or accumulated wealth, to the extent that it maintains its purchasing power. This feature turns money into an implicit payment means.

In short, Aristotle separates the conventional aspect of money from the value underlying it, which emerges because it has been tasked with representing need, which is something real. We conventionally award value to something, but conventions emerge naturally, as a result of necessity, to the point that society could not exist without them.

Still, when it comes to money, as Aristotle indicated, we run the risk of falling into what he calls "unlimited chrematistic": thinking that all value is exchange value, that everything can be bought, and that everything is commensurable using money (*Politics* I, 9, 1257b 37–39). These ideas merge in a reductionist view of reality: money takes the place of true and fundamental reality. Marx (1887) elaborates on this inversion, arguing that, while economics responds to a C-M-C circulation model (commodities are traded for commodities through money), the unlimited chrematistics (of capitalism) responds to an M-C-M scheme: commodities are converted into money, and commodities become the means of exchange. This is a keen, graphic way of demonstrating an actual process, underlain, as Aristotle also points out, by a limitless appetite (*Politics,* I, 9, 1257b 40 a 1258a 2). Indeed, the point is not eliminating capitalism, as Marx claimed, but rather living up to the virtues associated with economic prosperity. For Aristotle, if unfair distortions were to occur in exchanges, necessary corrections would take priority over the mechanism. The common good, subject of "general justice," is the principle for this correction.

Exchange takes place in the market. The market, just like society, is composed of relationships that link its members, guiding them toward a common end. The web of market relations is formed by citizens, acting as buyers and sellers; market order or unit comes from the matching wills to buy and sell in order to satisfy needs, and this coincidence is made possible by prices. This web of relations is embedded in the broader web of society as a prerequisite and component. Markets is part of society, and its adequate working depends on their orientation toward common good (*Politics* VII, 1, 1324a 1). The end of a market is for everyone to obtain what is needed and is embedded in society's end. In a cohesive society, the market contributes to this cohesion by supplying the goods required to satisfy needs. When it does not, the authority of the polis must intervene to restore justice.

Other "Economic" Virtues

In addition to justice, we can consider other Aristotelian "economic" virtues. According to Aristotle, goods should be used moderately and liberally (*Politics* II, 6, 1265a 32–3 and 36–7). These two virtues should come together because, when

separated, moderation can lead to avarice and narrowness, and liberality, to luxury. Excesses and unjustified accumulation should be avoided (*Politics* IV, 1). Wealth is much more than merely possessing (*Rhetoric* I, 5, 1361a 18). "Spending and living seem to be the using of wealth; taking and keeping rather the possession of it" (*NE* IV, 1, 1120a 8–9).

In his treatise on virtues, *Nicomachean Ethics*, Aristotle dwells more extensively on liberality – *eleytheriotes* – (or generosity), a virtue unique to free (*eleytherios*) men, which describes their due attitude toward material goods. Prodigality is excessive giving, a defect, and its opposite is avarice. One must give for the beauty of giving itself: the great drive of liberality is friendship. "Liberality, then, being a mean with regard to giving and taking of wealth, the liberal man will both give and spend the right amounts and on the right objects, alike in small things and in great, and that with pleasure" (*NE* IV, 1, 1120b 27–30).

Magnificence is a virtue related to spending money (*NE* IV, 2, *passim*) and involves opportune large-scale expenses. Its defect and excess are pettiness and vulgar ostentation, respectively. For Aristotle, splendid people are liberal, but their work becomes remarkable for its timing and proportion. Aristotle also considers magnanimity (*megalopsychía*), which is the adequate attitude for seeking the honor deserved and includes moderate behavior concerning honors and wealth. Its defect and excess are pusillanimity and vanity (*NE* IV, 3, *passim*), respectively.

The contribution of virtues to an adequate economic functioning does not mean that virtues are instrumental: virtuous actions are good in themselves for agents, not merely on account of their results. (On Aristotelian economic virtues, see Yuengert (2012), pp. 75–77 and 90–91.)

Conclusion

Given that the economy for Aristotle was a human action oriented toward the good life, virtues contribute to the successful achievement of this goal. The main virtues involved in the process are justice and practical wisdom, which assists personal decisions and actions in the market. The political authority must pay attention to possible distortions in the market relations and correct it by justice aiming at the common good. Additional virtues as moderation, liberality, magnificence, and magnanimity also contribute to a good performance of economic life.

References

Aristotle (1925/1954) Nicomachean ethics (trans: Ross SD). Oxford University Press, London/New York

Aristotle (1958) The politics of Aristotle (ed & trans: Barker E). Oxford University Press, Oxford

Aristotle (1999) Nicomachean ethics (transl and introduction by Irwin T). Hackett Publishing Company, Indianapolis

Bruni L (2012) The genesis and the ethos of the market. Palgrave-MacMillan, Basingstoke

Marx K Capital. A critique of political economy, volume I book one: the process of production of capital. First published: in German in 1867, English edition first published in 1887; Source: First English edition of 1887 (4th German edition changes included as indicated) with some modernization of spelling; Progress Publishers, Moscow, USSR; Translated: Moore S, Aveling E, edited by Frederick Engels. http://www.marxists.org/archive/marx/works/1867-c1/

Yuengert A (2012) Approximating prudence: aristotelian practical wisdom and economic models of choice. Palgrave-MacMillan, London

Virtue Ethics and Political Ethics: The Relationship Between Politics, Ethics, and Economics

Álvaro E. Pezoa

Contents

Abstract

For centuries, the tradition of Western thought held that economics was an activity – and an area of knowledge – that was subordinate to politics and ethics. What is more, it claimed that the moral character of the economy could only be understood by means of its inclusion within politics and that the guiding ethic of the *polis* and therefore, of economics, should be that of a virtue ethics. The aforementioned worldview underwent substantial changes during modernity, gradually making economics an activity – and a body of knowledge – that subordinates politics to itself and that is independent of ethics. This transformation would seem to be a significant cause for the current situation wherein the attempt to establish grounds for an ethics of economics and of business is seen as a dead-end street. For this reason, it will prove beneficial to revisit the fundamentals of the traditional order between politics, ethics, and economics, with its

Á.E. Pezoa (✉)
ESE Business School, Universidad de los Andes (Chile), Santiago, Chile

Center for Business Ethics, Bentley University, Waltham, MA, USA
e-mail: apezoa.ese@uandes.cl

potential application to the present time in mind. This and the following articles allow for a greater understanding of the phenomenon that is laid out in general terms in the present work.

Introduction

The predominant worldview of the social order in classical antiquity, and then during European Christendom up to the so-called Middle Ages, always understood that economics was an activity that was at the same time both subordinate to politics on the one hand and that should be governed by ethics on the other, with both realities seen as intimately linked as well. Ultimately, the economy had to be oriented to the common good and, therefore, to the personal good of the members of the *polis* or political society (cf. Crespo 2014, p. 58). Aristotle, and later Thomas Aquinas (cf. Widow 2004), firmly defends this way of understanding the relationship between politics, ethics, and economics in the arena of ideas.

The Spatiality of Political Society

Spatiality is the feature that first and foremost specifies political *ethos*. (This work is, in large part, based on the book *Ethos y polis: bases para una reconstrucción de la filosofía política* by Afredo Cruz Prados. In particular, it has been informed by the deep and intriguing thoughts expressed in Chaps. II to VI. Cf. Cruz Prados 1999.) This is characterized by its being a spatial *ethos*. The political order is an order of space (Cruz Prados 1999, p. 249). Every activity of man, and human life as a whole, needs a foundation (Alvira 1997, p. XVIII). Man is by nature political, and not only social, because the flourishing of human life itself is linked to the order of space upon which that existence is based. The *polis* is the *ethos* or spatial order that acts as a framework and foundation for every spatial order that might occur within political society as a comprehensive and integrating ethos; it is the order of all human activity as spatially based activity. An activity that had no spatial reference would be an activity without any political nature, and the *polis* would have nothing to do with it (cf. Cruz Prados 1999, p. 250).

Aristotle asserts that good, as far as place is concerned, is called *habitat* (Aristotle, *EN*, 1096th – 25–29). On the other hand, he claims that it is impossible

for those who live in the same *polis* not to have something in common, as this is a community, and therefore, of necessity citizens have place in common, as every political society has its own *locus* (Aristotle, *Politics*, 1260b 39 – 1261a 1). Indeed, the first common good that citizens share is place as the sphere for living, as the site for their living together. This good is the *polis* itself as a place or space that has become the objective basis of a human way of living together. And this transformation is manifested in the ordering of a place: in organizing a space for man and transforming it into a human *habitat* or *ethos*. Political life is life in a space. The Greek *polis* and the Roman *civitas* represented a measurement of space and order. However, that space was not only a physical reality; because of that measurement and order, it was also an ethical reality and it was a spatial *ethos* (Cruz Prados 1999, p 260.).

Political space is both practical and ethical, but it is also a physical reality. It can be said that space is a physical space elevated to the status of *ethos*, which is not left to its physical or geographical reality, but rather through the human action of taking it and organizing it for man – by means of his dominion – is transformed into *habitat* where human life becomes a possibility, takes shape, and is given direction. Political action, the action of creating and defining a *polis*, is in fact the action of elevating the status of a physical space to that of human habitat: the action of wrenching a space from nature in order to civilize it. In transforming this "given" space into human space – in space that has been "taken" by him – political action removes space from its bare physical reality (cf. Cruz Prados 1999, p. 260).

Man's place is primarily a physical place because man has a body and lives an earthly existence. But this physical place, to truly be man's place, needs to be a concrete space that evidences human content that is at the same time meaningful to him. This cannot be an abstract, homogeneous space, nor simply a place in nature. The space needs to be characterized by something beyond what is given by nature, and this characterization is the political activity of man. By means of this work to make the space man's place, that is, to transform a physical reality into human *ethos*, man forms himself: he gives shape to his collective life and by means of the same, to his personal life. The constitution of the subjective or personal *ethos* is mediated by the configuration of the objective and common *ethos*, which, in the case of a political *ethos*, is a spatial *ethos*. When speaking of human space, it is important to remember the Aristotelian distinction between place (*ubi*) and space: place is what a thing occupies, that is, where it is; space is the separation between one thing and another, that is, the empty distance that exists between them. The place of the *polis* is the space shared politically as a member of the same. The organization of space that the *polis* constitutes provides man with guidance in his life and activity. For man, who is a being who lives in space, spatial orientation is also necessary for moral guidance. Basically, the moral concern for man involves concern for the needs and qualities of a space as a place for men and for men as citizens or residents of a place. To lead a moral life and a life lived in community, man needs to know that he lives life with others and what that way of life consists of (cf. Cruz Prados 1999, pp. 261–262).

Virtue Ethics and Political Ethics

The preceding argument demonstrates that virtue ethics entails, in itself, the preeminence of political ethics. The moral perfection of man is fully realized as political or civic perfection. In this respect, it is known that Aristotle distinguishes three types of life – the pleasant, the political, and the contemplative – and considers the last of these as superior to the other two. However, according to the same Aristotle, the contemplative life is not distinctly human: it is a divine life or at least one lived in accordance with the divine in man. Therefore, this way of life cannot be perfectly evidenced in man. Man's life is one of practice, one that is lived out not only according to the intellect but also in accordance with a psychophysical whole. This is the life that can be perfect in man and whose fullness is the political life characterized by its practical nature, ethics, and overarching structure (cf. Aristotle, *EN*, 1177b 27 – 1178b 34).

The rationality of politics is the rationality of an action; action is constituted as a dynamic relationship between a subjective *ethos* and another objective *ethos*; and action and *ethos* always possess an integrative nature. In addition, practical knowledge, the recognition of real action, would seem to consist of the appeal to a subjective *ethos* that is consistent with the objective *ethos* of the action. (Practical truth is the *logos* of a subjective *ethos* in accordance with its objective counterpart.) It could be argued that discourse about practical truth takes place between two boundaries: one fundamental and theoretical, represented by the nature of the objective *ethos*, and the other terminal and having to do with desire, represented by the nature of the subjective *ethos*, by the moment when inclination becomes decisive. Therefore, excellence in the form of possessing said subjective *ethos* will make excellence in the form of knowing – of acting out – practical truth, true action, and possibility (cf. Cruz Prados 1999, p. 145). This last consideration makes clear that political rationality possesses an undeniable ethical nature and, specifically, of a virtue ethics. The essence of ethics is moral perfection, that is, excellence in the way of possessing an *ethos*; and this excellence is what virtue consists of, or rather, what virtues consist of. Political ethics, in particular, has to do with reflection on excellence in the form of possessing a particular *ethos*, which is referred to as a *polités* or citizen. And this subjective *ethos* corresponds to an objective one, which is also specific: the *polis* that is the subject of politics (cf. Cruz Prados 1999, pp. 145–146).

For this reason, the virtue which is particular to man is virtue ethics in the political community, the virtue of practical life, and man's particular happiness is happiness in accordance with virtue ethics. In this context, the condition of the virtuous man is to desire a common good, to love himself as a member of a community, and to be excellent in the activity that relates to this common good, that is, in governing. The maximum degree of these three elements is political in nature. In the *polis*, the citizen who is fully such – who is an agent of true political activity – participates fully in political life and civic excellence or virtue is the perfect virtue (cf. Cruz Prados 1999, p. 189). For the citizen, therefore, ethics cannot be autonomous from politics. The possibility of political rationality as

practical rationality requires that the *polis* be an objective ethos in which it is possible for man to acquire a subjective *ethos* or corresponding personal identity. Ethical perfection, virtue, consists of excellence in the right *ethos*; and analysis of virtue leads to recognition of the supremacy of political ethics. If moral perfection consists of the excellent possession of a subjective ethos, the supreme condition of that perfection is to be found in the excellent possession of civic *ethos* (cf. Aristotle, *Politics*, 1259b 28 – 1260a 15; 1276b 20 – 1277b 32).

Therefore, for a man who is a citizen, the various ethical excellencies that he can achieve in different specific contexts can only be properly defined, can only represent authentic moral improvement, if they involve the recognition of the primacy of political ethics, and are directed to the same to the extent that they are able to do so (cf. Cruz Prados 1999, p. 190). The supremacy of political ethics is logically based on the fact that political society is the supreme *ethos*, that political common good is the greatest common good, that the status of citizen is the greatest subjective condition, and that full political activity is the most excellent activity of man as man (cf. Cruz Prados 1999, p. 191). And consequently, the preeminence of political ethics creates demands of the ethics of other areas of human endeavor for the correct definition of these other ethics in political society. The existence of a supreme *ethos* rests on two fundamental reasons: that the *polis* is an *ethos*, as already mentioned, and that there needs to be an organizing *ethos*. The existence of a preeminent ethos that embraces the others is essential for ethics not to remain fragmented in a disperse series of atomized ethics, whose different demands cannot be ethically reconciled. But a supreme *ethos*, despite being maximum and encompassing, remains limited. Otherwise, it would not be an *ethos*. Political society is an *ethos* and not simply the organization of a partial sphere or dimension of human existence. Were this the case, action in the *polis* could only be subject to technical, instrumental, or strategic reasons but not ethical reasons: political ethics would not only be supreme but would rather be impossible. For this reason, political society, moreover, cannot be integrated into a higher *ethos* that is not a political *ethos* as well (cf. Cruz Prados 1999, pp. 191–192).

The Public and the Private

The *polis*, as an organization of space, is internally articulated based on an initial distinction: the distinction between public and private space. As mentioned above, space, as the place of the *polis*, of human habitation is the first common good that citizens share. Therefore, political space is originally possessed publicly: there is a primary and fundamental way of sharing the total space of political society, which is of a public nature. Regarding this first form, and in virtue of the same, the distinction between public and private space is established. This distinction thus represents a determination or practical articulation of that primordial possession – shared and public – of political space. Public space will serve as the basis for those aspects or components of living together – activities and goods – that are shared publicly. The private sphere is the seat of the activities and goods that are shared

privately within a way of living together. With this distinction, what is being determined is how to implement, in the best possible way, the sharing of this common good which is space, in such a way that the private nature that can be assigned to a portion of political space does not nullify or contradict the primary public possession of that portion of space (cf. Cruz Prados 1999, pp. 291–293).

Therefore, the first step in organizing living together, the first political action, is the establishment of the distinction between public and private. The public is what belongs to a people as such. The public is the *res publica* and *res populi*: the thing or property of the people. According to the classical Ciceronian definition, "the republic is the property of the people; but a people are not just any group of men gathered in any way, but rather a gathering of people in large numbers, united in an agreement regarding justice and in an association for the common good" (Cicero, *De republica*, I, XXV, 39). Political action, as already noted, is the organizing action of the *polis*. We can now specify that this action is what the people as such carry out, giving shape to their living together with it, and thereby defining their own identity as a people. Consequently, the demarcation between the public and the private is not fixed, nor is it established a priori, in a decisive and universal way. It is necessary to establish it politically, by means of political action, and therefore, the criteria for its establishment will have to be political: that is, the possible perfection of the *polis*. The personal is what is not shared directly and strictly as a citizen, depending on the particular public or political identity itself. In this sense, the private is that of which a people has deprived itself as a people; it is what is deprived of being determined publicly, that which is not determined by the political action of the people (cf. Cruz Prados 1999, pp. 293–294).

The private is not in opposition to the public in the same way that the individual is in opposition to the collective. The private can be made collective in the context of various communities and associations that arise from within the *polis* and which some citizens and not others form part of. The very life of political society gives rise to shared ways of living the private, that is, so that what has not been directly defined by political action can be established collectively. Political action, in a precise and restricted sense, is the act of establishing the public. Correspondingly, and in the absence of more suitable language, the action of establishing the private can be referred to as social action. By means of political action, the distinction between public and private is established, and consequently what has been placed in the public sphere is established, leaving the determination of that which has been defined as private to social action. This means that political action precedes – with a precedence in its basis – social action, as it is political action that defines the sphere of social action (cf. Cruz Prados 1999, pp. 294–295).

It follows from the aforementioned ideas that political life does not entail the public sharing of all the goods that are present in and that make up the content of life in the *polis*. Not every good – not even the same good at any time or under any circumstances – is perfected and is more perfectly possessed when shared publicly. It is not always the case, nor in terms of any good, that the people – the political community as an immediate whole – is a more perfect subject. Therefore, political order, the correct configuration of the political *ethos*, requires the establishment of

the distinction between public and private. Ultimately, the criteria for this distinction cannot be any other than the perfection of the *polis* itself, that is, a criterion that is both political and ethical at the same time. As political society is a comprehensive and integrating *ethos*, its perfection will entail the perfection of the *ethoi* or the communities that it is composed of. The private sphere is therefore not one that is established in advance and independently of the public sphere, as if the latter were a superimposed structure and of merely instrumental value for the private. A true political order requires the real and effective "primacy" of the public and the establishment, on the basis of this primary public nature, of the distinction between public and private (cf. Cruz Prados 1999, pp. 299–300).

The Relationship Between Politics, Ethics, and Economics: In the Foundations of the Western Tradition

In this true – and logical – sequence, it is evident that the political order is a condition for the economic order within the *polis*. The political distinction precedes, as a foundational element, the distinctions that stem from economic imperatives or provisions. Therefore, the economy may be subject to ethical considerations, if what we are dealing with is an economy involved in the improvement of an *ethos*. (It should be remembered here that an action is an ethical action if it is an action that serves to shape the agent itself and if this shaping of the self does not take place immediately but by means of the shaping – by means of this very action – of the objective *ethos* within which that agent acts.) For the economy to be able to be the subject of an ethical evaluation, it is necessary that the quality of an objective *ethos* be at stake therein and of a subjective *ethos* corresponding to the former. In political society, ethical action is political action. Consequently, political economy can be of an ethical nature to the extent that it possesses the condition of political action. The nature of self-organizing action and, therefore, susceptible to being an *ethos*, is inherent to the activity that Aristotle referred to as *praxis*, in contrast to what he referred to as *poiesis*. An activity is thus *praxis* if it is carried out within an *ethos*, serving to give shape to said *ethos* and the individual who performs it. Instead, an activity that takes place outside of an *ethos*, and does not, therefore, configure an *ethos* or its subject, is merely *poiesis*: material production of an external object (cf. Cruz Prados 1999, pp. 311–314).

Because of its political status, the economy is *praxis*, practical activity strictly speaking; and it is by virtue of this political nature and practicality that we can apply a distinction to the economy which is, in turn, both political and practical: the public-private distinction. In the *polis*, the economy can be public or private, according to the criteria governing the determination of this distinction, as we have already seen. Be it one or the other, the economy will be affected by the political sense that it has, both public and private. To situate the economy, or any segment thereof, in the private realm, does not entail, as explained above, its disconnection from political society but rather the determination of the best way for it to participate in this process and to form part of the improvement of the

political *ethos*. The exercise and articulation of this activity may be entrusted to social action; but social action is a more or less proximate way to participate in the shaping of the *polis* – in political activity – even though it may not be political action in a more restricted sense, that is, the determination of what is public in the *polis* (cf. Cruz Prados 1999, pp. 314–315).

Politics, Ethics, and Economics at Western Modernity: A Brief Consideration

As a result of a gradual and complex process, in Western modernity, a way of understanding the social order that is different from the traditional way of doing so is made manifest, namely, liberalism. Although this is best left as a matter for another essay, it seems valuable to make note in these pages that, in essence, said way of understanding – in its various forms – has achieved a preeminence that continues to the present day, having been threatened by the Marxist worldview, ultimately unsuccessfully, and in particular during the nineteenth and twentieth centuries. In terms of the topic at hand, liberalism reorders the relationship between politics, ethics, and economy in a radically different way. The starting point lies in its anthropological view – of the social order linked to it – that is, in the way that it conceives of man and his life in community. Man will be seen as an individual full of rights, and these prior to his condition as a political being. Moreover, political society would have come to exist as a result of a contract between free and equal, pre-social and pre-political individuals. And the reason that would have encouraged them to shape society, giving up at least some of their freedom to the state and the government of the same, would be the safety of their individual lives and property – with its attendant rights – that arises out of a vaguely hypothetical and historical state of nature. John Locke (s. XVII), in his *Second Treatise of Civil Government*, especially in Chap. V on property, is sufficiently transparent on this point (cf. Locke 1999, pp. 285–302).

Politics thus becomes a reality that is subordinated to economic activity and individual property rights, which are put forth as chronologically prior to society, government, and hence politics, but also ontologically, since the individual and his inalienable rights belong to the natural state, as society comes about as a result of a contract and, as such, represents an artifice or "construct." More still, the very end of politics essentially resides in the preservation of pre-political rights, with that of private property standing out among them (cf. Pezoa 1997, pp. 233–241.)

Later on Adam Smith (eighteenth century) in his work *The Wealth of Nations* (Smith 1976) would consolidate another fundamental notion of liberalism: that the economy has its own natural laws of a quasi-physical nature. These have to do with forces at work in the market (roughly corresponding to supply and demand) that are the product of selfish individual interests, that, the less constrained they are, will generate a maximally beneficial outcome for the community through the involvement of an "invisible hand." Smith thus opens up a path that will have a long development up to this day: that of a kind of dissociation between economics and

ethics. The economy must be governed by its own natural laws, in passing demanding a charter of self-government in terms of ethics, not just politics. It is true that a joint reading of Smith's theoretical corpus, including *The Theory of Moral Sentiments* (Smith 2002), even seems to show some need for ethics for the proper functioning of economic activity. But in essence, the crucial change has already occurred: the economy has begun its process of liberation from ethics. By the nineteenth-century the relationship of the economy as far as politics and ethics are concerned will have fundamentally changed in stark contrast to the prevailing view from classical Greco-Latin times to approximately the fourteenth century. Entering into the twentieth century, it will be politics that is subordinated to the economy, while at the same time, the latter will have obtained autonomy from morality.

The Disengagement of Economics from Politics and Ethics

The "subversion" – or disengagement, if one prefers – of the economy from politics makes economic ethics an inherently problematic and paradoxical question that lacks any reasonably sustainable solution: the alternative of having to choose between an ethics that ends up reduced to economic efficiency and the other which ends up being an enemy of economic efficiency. This is precisely what largely occurs in contemporary intellectual debate on the subject. At present, there are two fundamental ways of understanding business ethics. In one case, it is understood in terms of economic efficiency, as that which is required for obtaining the best economic results. The ethical criterion is defined as the economic optimum. In the other case, economic ethics is presented as a set of ethical constraints, formulated from outside of the economy, and applied, as an addition, to economic activity. These constraints include, for example, social and political considerations. In the first case, the idea of an economic ethics is therein devoid of any specific content. In the second, to talk about it becomes quite problematic because it is rather a matter of an ethics against the economy. To escape this illogicality, we must reconsider the economy from an anthropology that responds to the integrity of human reality and provides a comprehensive theory of human action. That is, a model of human action is needed that integrates the three dimensions that contribute to this problem: the technical-economic, the sociopolitical, and the ethical (Cf. Cruz Prados 1999, p. 316; Argandoña 1998, unpublished).

The political sense of the economy is the necessary foundation for economic ethics, also understood as business ethics: whether this has to do with ethics between companies or ethics within the company. For the relations between different companies to be ethical in nature, and not only instrumental, and consequently, for these relationships to have an ethical dimension, and not just a technical or strategic one, it is necessary that these companies share a common *ethos*, whose nature is affected by the way in which these relationships take place. It is necessary that the different companies be involved in the bringing about of some common good, so that their respective relationships not only require but are rather

established based on more than the particular and immediate good of each. A good is always desired for someone it benefits, and this entails first caring about this someone. To seek good as a product of the company means seeking after what benefits a society that one values and for which one holds true interest. Without this political sense, without this reference to the benefit or improvement of a political *ethos*, the particular benefit of those who make up the company will be the true end of the business. Under these conditions there is only room for technical or strategic criteria, but not for ethical criteria (cf. Cruz Prados 1999, pp. 325–326).

Conclusion

The last century was marked by the struggle, sometimes even by means of war, between liberal and Marxist worldviews for dominance in the socioeconomic order. The last decades of this saw the triumph of so-called neoliberal economic trends and the resounding collapse of Marxist-inspired centralist statism. This being the case, so far in this century what we have witnessed is the unrestrained primacy of liberal strains of thought with its booms and busts in the practical application of the same, and this accompanied by more than one question being raised, especially moral, both in terms of ideas and of its real and concrete social development.

In this vein, this and the other articles in this section attempt to shed light precisely on those fundamental concepts that seem to be of help to better understand the close links between politics, economics, and ethics and virtue ethics in particular. These are ideas that incidentally contribute to an understanding of the reasons for the contemporary difficulty that has been found to exist in establishing an adequate connection – first, theoretically and then, in practice – between economic activity and ethics. Looking at the issue from another angle, ancient concepts in the Western tradition seem to hold clues to finding ways to solve the aforementioned problem, particularly if one seeks to recover those traditional organizing principles from the various spheres of social order with the aim of trying to apply them to current realities.

References

Alvira R (1997) Prólogo. In: Pezoa A (ed) Política y economía en el pensamiento de John Locke. EUNSA, Pamplona, pp XVII–XXI

Argandoña A (1998) "Principios éticos para unas políticas liberales", ponencia en el II Simposio Internacional de Filosofía y Ciencias Sociales, Colonia (sin publicar). Citado en Cruz Prados, A. (1999): Ethos y polis. Bases para una reconstrucción de la filosofía política. EUNSA, Pamplona, p 316

Aristóteles (1994), EN, Centro de Estudios Constitucionales, Madrid

Aristóteles (2005), Política, Centro de Estudios Constitucionales, Madrid

Cicerón (1984), De re publica, Gredos, Madrid

Crespo R (2014) Una reflexión filosófica sobre lo económico: comentario a un texto de Rafael Alvira. en Humanizar emprendiendo: homenaje a Rafael Alvira. Cuadernos Empresa y

Humanismo n° 123, Instituto Empresa y Humanismo, Universidad de Navarra. Pamplona, pp 49–60

Cruz Prados A (1999) Ethos y polis. Bases para una reconstrucción de la filosofía política. EUNSA, Pamplona

Locke J (1999). On property. In: Laslett P (ed) Two treatises of government. Cambridge University Press, Cambridge, MA

Pezoa A (1997) Política y economía en el pensamiento de John Locke. EUNSA, Pamplona

Smith A (1976) An inquiry into the nature and causes of wealth of nations. Clarendon, Oxford

Smith A (2002) The theory of moral sentiments. Cambridge University Press, Cambridge, MA

Widow JL (2004) La naturaleza política de la moral. Ril Editores, Santiago de Chile

From Instrumental Reason to Political Action: In Search of Business Ethics

A. Cruz Prados

Contents

Abstract

According to the most common way of thinking in the field of economic theory, economics is the allocation of scarce resources or means to achieve given alternative ends. The economic agent is an individual with subjective preferences or purposes, based on which he seeks to maximize the profits of the resources he possesses. Economic action is therefore profit-maximizing action, and the rationality of this action is an instrumental rationality: it has to do only with means rather than ends. It is evident that based on these ideas the relationship between economics and ethics is profoundly problematic. Thus understood, economics and its rationality appear as something entirely autonomous in terms of ethics and its rationality. Ethics is inevitably put forth as something extrinsic and superimposed upon economics as a set of criteria and requirements that do not arise from the very nature of economic action itself. The way to overcome this situation is to embrace an expanded conception of this rationality which understands it to be one that also deals with ends. In short, the way to overcome the separation between ethics and economics is to understand economic rationality as practical or moral rationality and not as technical or instrumental rationality. The difference between the two rationalities lies in the nature of

A.C. Prados (✉)
Department of Philosophy, University of Navarra, Pamplona, Navarra, Spain
e-mail: cosinaga@unav.es

the means with which each is concerned and the nature of the ends that correspond to these means. Instrumental rationality deals with means that are external and separable with respect to the end, which is always a particular and concrete end. Practical rationality is concerned with means that are internal to and constituent of the end itself, and this end is a global generic end, whose determination is what is at stake in the rationalization of the means. Ultimately, this global end is a good and happy life, which is what every human being by nature desires. Practical rationality gives us the reason to desire concrete ends by presenting these ends as valid determinations of this global end. We are dealing with economic ethics only if the activity we refer to as "economics" involves authentic praxis or human action, complete and real action, whose rationality is therefore not just simple instrumental rationality and whose true objective is ultimately the establishment and perfection of society. Therefore, the possibility of economic ethics is based on the ability to conceive of economics as a certain participation in political activity, and to conceive, therefore, of the role of economic agent, entrepreneur, or producer, as a realization of the condition of citizenship.

Keywords

Economics and politics • Economic rationality and instrumental rationality • Practical or moral rationality and its relationship with economic ethics and business ethics • Economic and business ethics, happiness, and citizenship

Introduction: Economic Rationality as Instrumental Rationality

According to the most common way of thinking in the field of economic theory, economics is the allocation of scarce resources or means to achieve given alternative ends. The economic agent is an individual with subjective preferences or purposes, based on which he seeks to maximize the profits of the resources he possesses. Economic action is therefore profit-maximizing action, and the rationality of this action, that is, economic rationality, is an instrumental rationality: it has to do only with means rather than ends. Economic rationality measures the efficiency of the use of the means, and this value is expressed in terms of the profits generated by the allocation of resources to achieve a particular purpose. That said, this measurement is independent of the judgment that may be made of this purpose in terms of its quality or value. Economic rationality, the rationality of economic action, is rationality regarding any end. The question concerning ends, what they are, and whether they are good or bad or better or worse is an issue that is outside of economic action and rationality.

This conception of economics takes the methodological individualism that has dominated modern social science for granted. Based on this presupposition, no other reality other than individual action is recognized as action or any other agent other than the individual as subject. Every social reality, every collective dynamic,

is merely the unintended result of the interaction of a plurality of individual actions which are governed by a purely individualistic rationality. The social order emerges objectively from individual actions, yet is not the conscious object or the subjective intent of any of them. Society is a spontaneous order, a system that is self-regulating, and individual action is, at the same time, adaptation to this system and an unintentional contribution to its makeup.

It is evident that based on these ideas the relationship between economics and ethics is profoundly problematic. Thus understood, economics and its rationality appear as something entirely autonomous in terms of ethics and its rationality (cf. Cruz Prados 1999, pp. 19–86). Ethics is inevitably put forth as something extrinsic and superimposed upon economics as a set of criteria and requirements that do not arise from the very nature of economic action itself and that at the end of the day represent an obstacle to the rationality of this action. In this scenario, economic ethics is seen as nothing more than subjecting economics to noneconomic requirements that are external to rationality, and noneconomic rationality for many people, those who reduce all rationality of action to economic rationality, talks about purely subjective requirements that are unrelated to any form of rationality. Economic excellence and moral excellence are therefore seen as truly antagonistic or at least difficult to reconcile.

Economic Rationality as Practical Rationality: Economics, Happiness, and Politics

For some, the way to overcome this situation is to abandon the reduction of economic rationality to instrumental rationality and embrace an expanded conception of this rationality which understands it to be one that also deals with ends and which, therefore, makes action something beyond mere maximization of resources. In short, the way to overcome the separation between ethics and economics is to understand economic rationality as practical or moral rationality and not as technical or instrumental rationality (cf. Crespo 2006).

It seems that the strategy needed to achieve that goal is the exact opposite. What is required is to recognize and emphasize the instrumental nature of economic rationality but incorporate the meaning of this recognition in a holistic definition. What this recognition in fact entails is that there is no such thing as *economic* action. If economic rationality is merely instrumental rationality, it is a form of rationality that is insufficient to give rise to full and real action and which cannot provide a sufficient reason to act. Indeed, economic rationality is instrumental rationality, and this means that it is not practical rationality, and practical rationality is the whole and only rationality of human action. Mere economic rationality is not the rationality of any real action. No real action is *economic* action in the sense that the action is due to pure economic rationality.

Economics appears as autonomous from ethics to the extent that by economics we do not understand any real action, any effective action, but only a partial dimension of action which is the object of an instrumental rationality, that is, of a

kind of rationality that is not the rationality of action in its entirety. Making ethics independent of economics involves the removal of the nature of action from economics and entails that it be considered to be a nonpractical reality. It is profoundly inconsistent to affirm the purely instrumental nature of economic rationality and conclude from this claim that economics as real and effective activity can be separated from ethics. If economic rationality is instrumental, there is no real and effective activity that we can refer to as "economics," without being able to refer to it as "moral" activity at the same time. The economic theory that assumes, as a basic premise, the instrumental nature of economic rationality cannot deal with authentic human actions, and the problems that this theory runs into concerning the relationship between economics and ethics are due to the fact that at its core, this theory mistakenly assumes that what it is talking about is human action, and this is authentic and real action. It is truly paradoxical that there are those who have tried to turn this economic theory in a theory of action when it is impossible to account for human action based on instrumental rationality. There is, in fact, no another theory of action than ethics.

Economics exists when there are scarce resources, and economic rationality is the rationality that has to do with scarce resources. But human action, real and effective action, is never simply *economic*; it never consists simply of "economizing," that is, in maximizing the profitability of specific means, and economic rationality, which is instrumental rationality, is never the entire rationality of action. Economic rationality is only one aspect or dimension of the rationality of action, that is, of practical rationality: the dimension that this rationality includes when resources are scarce. But what action includes due to means being scarce, what is economic about action, and what its rationality possesses of economic rationality are not the only content of the action, nor is it the complete reason why action takes place.

The simplest way to verify what we are referring to can be found in what spontaneously comes to mind when someone says he has just purchased something because it was very cheap. What we think is that the only reason to buy this thing was not that it was very cheap, but there has actually been another reason to buy it besides the fact that it was very cheap. Buying something just because its price is very low is clearly an absurd, irrational action. That said, it would be an action that maximized limited means: with the least amount of money he would have gained as much merchandise as possible. In a sense, he would have maximized benefits, the exchange value of the money spent. If such action is irrational, it is because mere maximization of resources is not sufficient to determine action and is not able in itself to account for the action.

In the face of this, it could be noted that if such action is irrational, it is because this form of maximizing resources is equally irrational. Maximization of means is rational if it entails their maximization in reference to some previously determined end, that is, in terms of something desired based on a motive that is distinct and prior to said maximization. This is indeed what is being said by stating that economic rationality is maximization of scarce means relative to given alternative ends. That the ends are given means they are the presupposition of the rationality of

maximizing means – of economic or instrumental rationality – and represent something that is first and foremost desired due to a reason that is distinct from this maximization.

However, herein what is being pointed out is that we only refer to as "rational" the maximizing of means that makes action rational and that the rationality of this maximization is only possible based on specific ends, on a desire that is based on a different reason. Maximizing means can only act as a reason for action, and it can only act as a factor in determining a rational will, by acting within the realm of this other reason. And the crucial question is whether this other reason is truly and strictly speaking a *reason*. Only if it is can the action truly be rational, and the profit maximization that takes place because of it be equally rational, if by "rational" we understand this to be "what makes action rational."

If, on the contrary, we assume that the position of ends is irrational and if we understand that referring to ends as "given" entails that we consider them to be simply factual and unrelated to any form of reason, the result is not that – as may seem to be the case – all rationality of action is instrumental and maximizing rationality, namely, that action is only rational to the extent that it is economic action. The real consequence is that there is either no action due to a lack of reason for the same or the action is completely irrational. This is because there would be no reason to place one end before another due to the fact that this order of preferences would imply a more efficient use of the means. If preference among ends is based on the maximization of means, what can the value attached to maximizing means be based on? The value of the means, which is relative to ends, cannot alone serve as a criterion for assigning value among ends. At the end of the day, to pursue one end instead of another for the sole reason of maximizing the use of the means is as absurd as buying something for the sole reason that it is very cheap: the end is being determined by the mere capacity of the means; the use value is being measured based exclusively on the exchange value.

In fact, the choice between alternative ends is only possible as a rational choice if in addition to being based on a rationalization of the means, and it is also based on a rationalization of ends, that is, on a consideration of the ends as means in relation to another more generic, embracing, and ultimate end. It is this other end, not the very means themselves which can act as a principle of commensuration of particular ends. In order to be rational, choice requires this double rationalization. Instrumental rationality, the maximization of resources is only a source of rational choice when it intervenes in harmony with this other rationality concerning ends as means, that is, that takes ends into account. For economic rationality to belong to real action, and to rationality of this action, it is necessary that the position of the end in relation to which economic rationality acts as a determining operative factor be rational itself, with a rationality that is no longer instrumental.

This rationality is practical rationality. The difference between practical rationality and instrumental rationality is not, strictly speaking, that the former has to do with ends and the latter only with means. Indeed, practical rationality is also only concerned with means: if it has to do with ends, it is to the extent that some ends have the nature of being means for another end. As Aristotle states, we only

deliberate on means (Aristóteles 1995, p, 186, *EN* 1112b 10–15). The end can be an object of reason only as a means: only as a means can an end be rationalized or justified.

The difference between the two rationalities lies in the nature of the means with which each is concerned and the nature of the ends that correspond to these means. Instrumental rationality deals with means that are external and separable with respect to the end, which is always a particular and concrete end. Practical rationality is concerned with means that are internal to and constituent of the end itself, and this end is a global generic end, whose determination – and not just its physical implementation – is what is at stake in the rationalization of the means. Ultimately, this global end is a good and happy life, which is what every human being by nature desires. Practical rationality is the search for the correct determination of this end. When practical rationality is concerned with concrete purposes, it deals with these purposes as internal to and constitutive of this end, that is, as practical determinations of said end. Practical rationality gives us the reason to desire concrete ends by presenting these ends as valid determinations of this global end (cf. Cruz Prados 2015, pp. 137–139). This is the reason that is prior to and a condition of instrumental rationality, which is the basis of the rationality of maximization of the means and the practical value of this maximization, that is, of the possibility that this maximization is involved as part of the reason for the action.

Economic rationality acts as a cause for action on the basis of and in the context of a rationality that is not one of the maximization of means but rather the determination of ends. Human action, even though it has an economic dimension and even though it also consists of maximizing scarce means, is first and foremost the determination of the global end of the subject and, inseparably so, the determination of the same subject as the subject of that end. This is what it means that action is *moral* action. Although it has a strong economic component, action is moral because it determines the subject, not only in terms of the efficient use of external and limited resources but also and principally in respect to this other type of means that make for the determination of – rightly or wrongly – a good and happy life. Action is always the choice of something more than a way of allocating scarce resources. No matter how broad its economic dimension may be, real action is more than economic action, and the subject of the action is more than an economic agent: he is more than someone who simply calculates profits.

In the same way that it is not rational to buy something *just* because it is cheap, it is not rational to produce something *just* because it is cheap to produce, that is, because we can produce more than what we would produce if the product were another. For the decision to produce something – in which economic rationality, the maximization of resources, comes into play – to be rational, it is necessary that the product itself be desired based on a reason that is prior and distinct from any instrumental reason. Obviously, the decision to produce something is due to the hope of producing a margin of profit wherein the calculation of the costs of production is lower than the income that results from the sale. This calculation is equivalent to the expectation that the product will be desirable to the consumer and that it will be desirable for him first of all for a reason other than price, because

consumers do not buy just because the product is cheap. To produce something entails judging as good that consumers will want the product and therefore also judging as good not only satisfying the desire of consumers but rather encouraging it, increasing demands for the product through advertising.

Economic Ethics and Business Ethics

But goodness in itself of what is desirable for a given subject depends on his moral quality and of his way of being and thinking. To judge a desire of others as good is to judge as good the object of this desire and the way of being which would lead one to desire it. By means of his decision to meet and increase a particular desire of consumers, the producer opts to collaborate with a moral type of citizens, to promote this moral type, and, ultimately, to foster a type of society. If the benefit the producer seeks results from the exchange with the consumer, the producer cannot be in a position of wanting something for himself without wanting something for the other at the same time, and what he wants for the other is not only the product itself that he provides but the way of being – as a personal way of being and as a collective way of being – that makes said product desirable.

The decision of the producer, the entrepreneur, of necessity contains an intention regarding society (cf. Martínez-Echevarría 2003, p. 8). When deciding what he contributes to the market, the entrepreneur is making a decision regarding society, namely, about the common good: a decision which consists of determining the generic idea of a good society, that is, a good life together with others, which is the only way to a good life for man, as he is by nature a social being. Therefore, this decision is a moral decision and not simply economic: it is a decision by means of which the subject takes a position on the purpose of his life as a whole and not only in terms of a particular and instrumental purpose in his life.

The entrepreneur cannot decide about the product without deciding about society and, therefore, without deciding about himself. His action is not only *economic* because said action does not take place in a social vacuum, nor can it be a real action without being in the truest sense a choice concerning the common good. The producer is not a mere economic agent; he is not an abstract actor in the market: he is a citizen, a social subject, whose decision about the product belongs to his life and social identity and makes him good or bad or better or worse as a subject of said life and identity. The subject of economic action as real action is not an abstract, generic, and uniform individual, as required by an economic science that aspires to be highly predictive. The subject of this action is a human being in his entirety: he is a moral and social subject who forms part of a collective ethos, who by his action improves or causes this ethos to deteriorate, and who is made better or worse as a member of that ethos. The producer is not a mere calculator, and his action does not stem from a merely instrumental rationality. His action is the result of a reasoning that, given limited resources, seeks out the most accurate determination, in the case the subject of the action, of what it means to be a producer in the type of society that the same subject considers to be desirable in general and that he purposefully comes

to encourage by means of his action. Only on the basis of the type of society that the producer considers desirable, only in relation to what he desires for noninstrumental reasons, can a given allocation of the scarce resources he has at his disposable seem rational to him. The subject may be more or less aware of the subjective conditions of instrumental rationality that his action contains, but in any case, the maximization of resources that is presented to him as being rational will depend on the desires and dispositions about society that he himself holds. His judgment about the best use of means will be determined by his judgment – perhaps only implicit – about the best kind of society.

All this clearly implies that the collective, society, cannot be a spontaneous order, the purely objective result of a plurality of strictly individual actions. If society were configured based on a logic wherein it were more perfect and effective to the extent it had less to do with the intentional meaning of human actions, choice about the common good and about the kind of desirable society which forms part of the real action of the entrepreneur, it would be a completely fictional element in this action. That option would be, at most, a psychological mechanism necessary for subjective reasons to give rise to real action, but that would not have any role in the actual efficiency of the action. The desires, judgments, and preferences of the entrepreneur about society in general act as assumptions that are necessary for rationalizing the use of the means that he himself carries out but are not part of what is truly relevant in terms of the action that follows from this rationalization. The entrepreneur's position toward the common good could perhaps be considered to be a moral characterization of himself, but it must be recognized that the moral status of the entrepreneur is in fact irrelevant in the face of the social impact of his action as an entrepreneur. Accordingly, there would not really be anything like business ethics, since the morality in question would be alien and irrelevant in terms of the meaning and perfection of business.

Conclusion

We are dealing with economic ethics only if the activity we refer to as "economics" involves authentic praxis or human action, complete and real action, whose rationality is therefore not just simple instrumental rationality and whose true objective is ultimately the establishment and perfection of society (cf. Cruz Prados 1999, pp. 311–326). This involves conceiving society not as a system or spontaneous regularity but as collective action and as a voluntary and shared goal, that is, as decision and political realization. Therefore, the possibility of economic ethics is based on the ability to conceive of economics as a certain participation in political activity and, to conceive, therefore, of the role of economic agent, entrepreneur, or producer, as a realization of the condition of citizenship.

Entrepreneurial activity is the activity that consists of collaborating for the realization of the common good and of participating in shaping and improving society by means of the ways and possibilities that the institution known as the market offers for this purpose. And thus understood, business activity is seen as an

activity with intrinsic moral value: as an activity whose specific excellence is inseparable from moral excellence.

References

Aristóteles (1995) Ética Nicomáquea, Gredos, Madrid

Crespo RF (2006) Las racionalidades de la economía, Cuadernos Empresa y Humanismo. Universidad de Navarra, Pamplona

Cruz Prados A (1999) Ethos y polis. Bases para una reconstrucción de la filosofía política. EUNSA, Pamplona

Cruz Prados A (2015) Deseo y verificación. La estructura fundamental de la ética. EUNSA, Pamplona

Martínez-Echevarría MA (2003) Los orígenes de la teoría de la empresa, Cuadernos Empresa y Humanismo. Universidad de Navarra, Pamplona

Human Action, Market, and State Regulation: The Moral Object as Key in an Ethics Inclusive of Virtues, Laws, and Wealth

José Luis Widow

Contents

Abstract

A virtue ethics would prevent the unilateral visions of moral action embodied in market utilitarianism and regulatory deontology. A consideration of the *moral object* of human action is central to this, because all the complexity of economic activity appears in it, and all the particular aspects of human life are integrated in that object. A virtue ethics does not leave either the technical aspects of economic decision, or the law out of consideration, but rather integrates them into moral good in such a way that they cooperate toward its achievement. To move from market utilitarianism and regulatory deontologism to virtue ethics calls for a change in the paradigm used for understanding the economy.

J.L. Widow (✉)
Universidad Adolfo Ibáñez, Peñalolén, Santiago, Chile
e-mail: jwidowl@uai.cl

Introduction

The problem of the economic order is that it is the effect of human actions and therefore carries within it all that these contain and everything that accompanies them. I will attempt to explain that a good understanding of economic action cannot be produced only from the perspective of one of the sides contained in its constitution. The most important sides are:

(a) Human-economic action gives shape to a complex network – the market – and as such is subjected to certain laws that we might call quasi-physical which need to be considered to make good decisions.
(b) Human-economic action is social. Even when it primarily seeks the satisfaction of a particular interest, it has effects on the rest of society which should not reasonably be ignored in the process of decision-making. Economic activity and markets, as social, are subjected to regulations and laws by the state.
(c) Human-economic action is moral, because it is a free decision. Therefore good of the human being as such is at stake. To this extent, human and economic activity is subject to moral laws. However, while necessary, these laws will never be sufficient to make concrete decisions. In order to make sound concrete decisions, a consideration of the so-called moral object of the action is necessary.

In this paper I will try to show why the explicit consideration of the moral object of economic action is key in order to articulate an economic virtue ethics that, at the same time, is not moralistic in the sense that it ignores the quasi-physical laws of the market or legalistic in the sense that it confuses human good with that stipulated in positive law.

A virtue ethics includes the consideration of the moral good, the profits, and the law, unlike utilitarian or deontological ethics, which due to the hypertrophy of one element ends up atrophying all others.

The Utilitarian View of the Economy

The utilitarian view of the economy can be defined as one in which human actions are mainly evaluated for their economic consequences. If utilitarian moral theory had as its fundamental premise: "(...) that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. By happiness is intended pleasure, and the absence of pain; by unhappiness, pain, and the privation of pleasure" (Mill 1863); economic theory assumes, meanwhile,

that actions are right or wrong based on the economic benefit or damage they cause. Right rational action is that which maximizes or minimizes economic benefit or damage, respectively. Economic theory is a reduction of utilitarian theory.

Consistent with this view, business administration schools, and the texts their students study, teach that the end of the company is the maximization of profit for shareholders. This would be a particular application of a more general principle: every economic agent performs his activity primarily motivated by the maximization of his own profit. Here are some examples from administrative finance texts. Brigham and Ehrhardt state that ". . .we operate on the assumption that management's primary objective should be stockholder wealth maximization" (Brigham and Ehrhardt, Financial Management 2013). Brigham himself, now with Houston, insists on the same: ". . .management's goal should be to maximize shareholder wealth, which means maximizing the value of the stock. When we say, 'maximizing the value of the stock', we mean the 'true, long-run value', (. . .) Good managers understand the importance of ethics, and they recognize that maximizing long-run value is consistent with being socially responsible" (Brigham and Houston 2012). Finally, Shim and Siegel begin their text by saying that "financial management is the process of planning decisions in order to maximize the owners' wealth. (. . .) Company goals usually include (1) stockholder wealth maximization, (2) profit maximization, (3) managerial reward maximization, (4) behavioral goals, and (5) social responsibility. Modern managerial finance theory operates on the assumption that the primary goal of the business is to maximize the wealth of its stockholders, which translates into maximizing the price of the firm's common stock. The other goals mentioned above also influence the company's policy but are less important than stock price maximization" (Shim and Siegel 2008).

This series of texts, while demonstrating a progressive complexity in the way of understanding the purpose of financial management, at last, still contain a one-sided view of economic action.

The maximization of wealth of the shareholder as the primary reason for carrying out economic activity entails accepting that all other things are means to that end. If ethical and social goods were distinct from economic goods, they would be subordinate to economic goods. As something like this is counterintuitive, it tends to be nuanced by introducing a hypothetical natural convergence of appropriate ethical activity with a long-term concern for profit maximization. We will call this idea *convergent theory*. Consistency between maximizing shareholder value and ethical and social goods in a long term does not seem to be sufficiently proven. Moreover, examples taken from the last crisis show that there were businesses that were planned long term and run for years that were indeed at odds with ethics and social good.

If practice does not prove consistency between profit maximization in the long run and care of ethical and social goods, theoretically this presupposition is not possible. Convergent theory makes two assumptions: first, that human good can be the result of the quest for a nonhuman good and two, that all economic agents possess sufficient rationality to predict what actions maximize the long-term benefit of shareholders and, therefore, ethical and social good.

Regarding the first assumption, it would seem to be somewhat implausible because even though external goods are related to the human good, they do not seem to be sufficient to bring it about Aristoteles (1995).

Achieving ethical goods would seem to respond to a practical reasoning different from that which pursues external goods such as economic goods. Ethical goods are characterized as such because they are not only achieved *by* the actions, but *in* the actions themselves. For example, the good of kindness is obtained not only *by* the kind act but *in* it. An exterior good is accomplished *by* actions like the table by the carpenter. If this is the case, one would have to accept that ethical goods require that they be sought after for themselves and not as a mere consequence of acts that will maximize long-term economic benefit. In this Kant was right when he tried to avoid interest in extrinsic goods taking the place of moral good: if moral good comes about by means of extrinsic motivations to itself, it loses its value. Making the maximization of economic benefit the purpose of the human-economic act entails a *technification* of ethical good, because it becomes extrinsic to human being. Doubtless business administration has a technical nature. But its technical aspect should be ordered to achieve efficient production and proper management of economic goods to seek the welfare of human being as such. Therefore, ethical considerations should enter into economic reasoning as something that permeates the entire process of making economic decisions.

The problem raised by utilitarian convergent theory is that the end that it proposes for economic acts introduces a disproportion – *hybris*, the old Greeks would say – in the desire for wealth that comes to be at the heart of the whole economic system Aristóteles (1994). The current economic system includes as one of its central tenets the greed for wealth.

Another logical consequence of convergence theory is that it avoids market regulation to the utmost because it assumes that with it economic benefit is not maximized. For example, as Bouckaert (2008/2009) recalls, after the crisis of the 1930s, the banking market was regulated in order to keep traditional commercial banks separate from investment banks in order to protect people's savings, thereby preventing them from being invested in risky assets. This law was abolished in 1999 because they trusted "in the self-regulating efficiency of financial markets" (Bouckaert 2008/2009).

The Deontological Vision

The deontological view of the economy is one in which, rather than the consequences of action, principles or duties take precedence, and action is subordinate to them. These principles are the norms or rules that determine duty. The deontological vision places value on economic behavior by disregarding "the binding consideration of its consequences" (Abbagnano and Fornero 2010). They are not morally relevant because they impose an assessment of moral acts based on nonmoral goods.

Deontological ethics does not seem to have been embodied as an overall guiding ethic of economic behavior. However, deontologism has influenced economic agents to the extent that they justify their actions based only on laws.

The biggest problem with deontology is that it is very difficult, if not impossible, for the objects of human actions – with all their complexity – to be firmly grasped by law. Hence, consistent with itself, the deontological view tends to create overregulated markets. In an attempt to eliminate neutral actions from a legal point of view, rules and regulations tend to multiply.

An Inclusive Vision

One of the most lamentable conclusions after the subprime crisis is that market self-regulation did not work properly. There were probably too many people willing to cross beyond reasonable ethical boundaries. And if they were not, their attempt to maximize their own benefit blinded them and did not allow them to see social needs related to the common good.

But this would not only have to do with particular and individual moral failures. Charles Wilber states that "As with Enron, the fault lines for disaster run through the system of risk management, regulation, transparency, business interdependence, and reward systems, not simply rogue traders crossing the ethical boundaries" (Wilber 2008/2009). The question is why the system failed in these fields that are so wide ranging and central to any economy. It would seem that the main failure of the economic system was moral in nature, because of an error in the fundamental assumption needed to understand, teach, and practice economy: self-interest as the main motivation to do business. When it is assumed that self-interest is the main engine of economic behavior, it would seem to entail that at least three things be accepted: (a) that individuals have no strict moral obligation to take the common good into consideration when making economic decisions, (b) that economic decisions are of a technical, and not moral, nature, (c) and that it is the market which redirects economic actions toward the social well-being.

Regarding (c), economic crises have sufficiently shown that "the assumption that self-interest in a competitive environment always is sufficient to yield the common good and economic justice is an illusion" (Wilber 2008/2009). Also, game theory has proven that this is not the case. If an economy ordered toward the common good and justice is desired, it seems that it is not reasonable to assume (b), that is, that the economy is a exclusively technical matter, where right decisions depend only on whether or not external consequences are maximizing the wealth of the owner. On the contrary, economic decisions would have to be seen as primarily moral, that is, that they take total human good into consideration. This would put a limit on individual interest. With this it is also not possible to assume (a), that is, that individuals lack moral obligations beyond a concern for their own interests.

If one seeks to achieve a healthier economy, it would seem to be more reasonable the assumption that a moral knowledge and activity are at stake, although they include important technical aspects. Röpke says, ". . . we should turn away from

both a moralism without a notion of the economy as well as a morally ignorant economism, which has no sensitivity to the conditions and limits within which we can trust in the moral foundations of the market economy because, as here we can also repeat that the market economy is not sufficient in itself" (Röpke 1960).

What is required to have a healthy economy? It is required to have a virtuous circle whose first link is self-regulation by virtue; the second, regulation; the third, the change of paradigm from which to understand, apply, and teach economics; and the fourth, moral education in virtues.

Self-Regulation

Self-regulation is the starting point of the virtuous circle, because the foundation of existence of the economy is the freedom and responsibility of people. Without a widespread moral basis, not even the possibility of social life exists. However, as can be seen, freedom alone does not necessarily lead to desirable consequences. "Under conditions of interdependence and imperfect information, rational self-interest frequently will lead to socially irrational results unless that self-interest is constrained by an internalized moral code" (Wilber 2008/2009). Freedom must be used responsibly, not only so as to prevent harm to society but to cooperate to its good. The responsible use of freedom entails seeking after certain goods (unpolluted environment, stable political institutions, people's honor, childhood, trust, transparency). The individual should be the first promoter of these goods, through by means of his own self-regulation. However, self-regulation should have not only an individual but also social nature. Companies, industries, professional associations, etc. should be able to do their activities with acceptable ethical standards.

Regulation and Control

Self-regulation is not enough to make the economy progress and organize itself toward total human good. The first is that there will always be those willing to cause harm to others and the general social good. Alan Greenspan himself "acknowledged that he had put too much faith in the market's self correcting ability to respond to problems and underestimated its capacity to foster vice and undermine the common good. He stated, 'Those of us who have looked to the self-interest of lending institutions to protect shareholders' equity, myself included, are in a state of shocked disbelief'" (Naughton 2008/2009). The second is that, even without these unscrupulous people, the economic order requires rules and regulations, as a framework for action, for virtuous people. The market can function economic actions seek after the common social good. This requires people with internalized ethical principles but also norms and regulations.

When norms and regulations are viewed from the perspective of the common good and the functioning of markets, they take a different turn than when viewed

only from the perspective of individual liberty. In the face of the latter, any rule and regulation appears to be a constraint. But from the first perspective, rules and regulations make freedom possible. Something similar happens in what makes it possible to practice a sport: without rules it does not exist. Thus, regulations of financial markets requiring them to report significant events that affect the value of shares do not limit freedom but make freedom possible because they allow investors to make informed decisions. In the case of those norms or regulations that could entail restrictions on freedom, they will be seen as suitable when they aim for the best balance between the benefits obtained from them for markets and the associated costs they will inevitably incur.

Of course, both general norms as well as particular regulations should make sure they effectively promote good and make economic activity possible and not become mere obstacles to the exercise of responsible freedom.

Paradigm Shift to Understand Economics

"The pure commercial life creates based on ethical reserves, with which it is maintained or it falls, and which are more important than any economic law or economic principle" (Röpke 1960). But "the market, competition and the free play of supply and demand do not create these moral reserves. They establish them as a premise and exhaust them. They must take them from beyond the market as they cannot be supplied by any text on political economy" (Röpke 1960). This passage from Röpke reflects a reality that economic theory must acknowledge: there is no economic life if it is not nourished by moral good that gives it shape from within.

"Self-discipline, a sense of justice, honesty, decency, gentlemanliness, moderation, common sense, respect for the human dignity of others, strong moral standards; these are the things that men must have with them when they interact in the market and measure each other based on competition (. . .) men must be trained under conditions that favor these moral convictions" (Röpke 1960). If these moral characteristics must accompany human being in her business, as a constituent of its own reality, then the paradigm from which economic theory is understood must change.

Economic theory assumes individual interest as the main engine of actions. Interest, in turn, is often at least implicitly identified with the purely economic. Herein there is a double reductionism. They are individualistic and materialistic reductionisms. Based on these, it is possible to explain economic behavior in utilitarian and mechanistic terms, because the right economic action is that which maximizes profit. They are mechanistic because human actions are the result of passions – it is impossible not to remember Hume and Smith – which they necessarily follow after. Thus, human actions are measurable and explicable in a quasi-scientific way. What has been forgotten is economic human action understood as inherently moral action.

If economic theory at some point opened up to consider that rationality was limited, it should also do the same with self-interest, making room for a willingness

that would be open to the total and common good of human being. It has probably not done so because then human action could no longer continue to be understood in a deterministic way, which is a necessary condition for the very existence of the theory as it has been formulated.

The paradigm shift should go in the direction of granting this freedom open to the common good. Thus, it would fit in with the usual order of the will introduced by virtue.

There is another important aspect of this paradigm shift. It has to do with how to understand the law. A virtue ethics seems reasonable when it includes the law within it.

The market operates from a certain framework given by legal norms that are also of a moral nature. The problem arises because the laws are often conceived just as extrinsic principles of conduct. So conceived, laws are always posed as something that limits freedom. Thus, human actions usually seek to reach the limit of the law or even play along a diffuse and dangerous border. The law is oftentimes respected just because not doing so entails punishment but not because the good it brings about is sought after.

A law that is part of an ethics of virtue should not be assumed exclusively as an external principle. The good protected by the law should be assumed as its internal end by the virtuous human being. When this happens, it becomes evident that virtue and law need each other.

Moral Education in Economic Virtues

If the primary motivation needs to be internal, the teaching of economics and management should become, primarily, the education of virtues as applied to specific areas of business.

It would seem reasonable that the paradigm shift in order to understand the economy should come mainly from schools of economics or business administration and from companies.

Schools of economics and management should incorporate ethics in their curriculum in an essentially different way from the way they have done so up to now. Ethics is typically taught as a separate subject from other courses of a technical nature. But when economic actions are first configured based on technical knowledge of a particular area and only then an attempt is made to modify them using ethics, it is too late. Ethics should enter into the constitution of the action. Consequently, ethics should be integrated into the teaching of each specific area of economics and management.

> The "scientific model within business trains students to think compartmentally and does not prepare them to see the whole, especially as it relates to the social and moral character of human relationships. It is an education that ignores what is at the heart of a professional understanding of business: practical wisdom, which entails technical competence, a rich moral end, and practical experience. When business education adopts a scientific model or a professional model, it reduces itself to technical training and fails

to engage the student in a deeper understanding of the practice of business." (Naughton 2008/2009)

The same is true of companies. Ethics is not a particular issue nor does it belong to specific area. Ethics as practiced in a company should, therefore, come first from the CEO and then from area managers and permeate from that point on all the practices that take place inside and outside of it.

The Moral Object as a Key of an Inclusive Virtue Ethics

Throughout this article we have drawn a conception of economics centered in the moral lives of people. However, this is not reduced to being a moralizing conception, in the sense that the market's own laws or technical knowledge are relegated to a place of minor importance. Neither the natural importance of the results nor the consequences of economic actions are diminished in this view. The basic idea is that total human good, that which moral knowledge is concerned with, is possible to achieve with adequate economic progress. Hence, the increased production of wealth is not only a matter of satisfaction of self-interest but also a moral imperative. However, economic goods cannot become ends in themselves but must remain organized toward the satisfaction of the highest needs of the human being.

Understanding the economic action as a moral action organized toward the total good of human being is possible when it is considered in all its concreteness and uniqueness.

Concrete human actions would always seem to put at stake human good. Concrete actions never are morally neutral. Even when the economic agent must address technical issues in order to make a decision, he brings about effects that primarily are not technical. All the aspects involved in an economic decision appear when the so-called moral object of the action is considered. Therefore, consideration of this object appears as the key to understanding the moral nature of economic activity and the need for virtue ethics.

Moral object is the formal human good to which the entire action is directly and intentionally oriented, thereby specifying it in moral terms. We will not deal here with the arguments involved in coming to this definition but will focus on demonstrating the central nature that this object has in order to understand the nature of economic action and, from there, see how ethics that directs that action should take virtue and the law and the consequences of actions into consideration.

Here is an example. In a utilitarian view, the specific act of paying a salary is considered a quasi-mechanical result that follows from the estimate of the market price. In this case, the salary matches the lowest price that the owner can pay in order to secure the workforce. In so doing, he maximizes his profit. The payment of this salary is seen as correct from the moral point of view.

In a deontological vision, it would be very important to pay a salary as required by law. Meeting the requirements of this law would be enough to circumvent any moral consideration.

When the same problem is faced from the point of view of the moral object, all the complexity of human action of paying a salary appears. If one considers the good to which this action is oriented, she will see that it has to do with the compensation for a job that someone does in order to obtain the goods necessary to live a decent life with her particular family. A fair salary should serve this purpose. But the consideration of the moral object goes beyond this. It must also look at the common good. Thus, if the context of paying the salary is that of a severe widespread economic depression, restricting wages could become a requirement of the common good so as to ensure a labor pool. If a particular company had serious problems, this could also be sufficient reason to pay lower wages. Conversely, if the company is in a good position, this will probably be a reason to pay higher salaries. These circumstances are of such importance that they can modify what is done morally in paying a salary. If higher wages are paid when it is not possible, the well-being of workers is not being taken into account, but rather, the company is being squandered and, thus, the benefit of all. Conversely, if wages are not enough for the worker and his family to live in dignity when it is possible to do so, a salary is not simply being paid, but what belongs to the worker is being taken away from him. The action of paying a salary should also take many other circumstances into consideration: that it stimulates work done well, that it meets the criteria of comparative justice inside a company, that it considers the natural inclination to progress, etc. Finally, the action of paying a salary must also take the law into consideration. The salary will be paid in the ways that the law defines.

When the moral agent pays attention to this object, she also must pay attention to the law and circumstances, but all this will be evaluated in terms of complete and social human good.

What about virtue? Virtue is a habit that perfects human actions so that they achieve their proper ends in a stable and permanent way. Virtue is the strength of will which allows it to commit to the proper and necessary goods for successful human life. But then, the same virtue is defined as such by the purpose toward which it is oriented: that contained within the object of moral action. Hence, there is no true virtue when the end of the human being contained in concrete and particular ways in the moral object is not taken into consideration.

Conclusion

The application of a virtue ethics requires a paradigm shift in order to understand the nature of economic action. That paradigm shift comes about when economic action is understood based on the so-called moral object, as it is from such a position that it appears in all its dimensions: the economic in itself; the social, governed by law; and the moral in which human good is directly at stake. Doing so avoids the unilateral visions that have dominated the realm of economic theory in the last two centuries, namely, the deontological vision, which only emphasized law, and the utilitarian vision, which was only concerned with results. By avoiding these unilateral visions, virtue ethics better responds to and better guides economic

action, as it also takes into consideration not only financial results but also human and social good. This being the case, it is the best way to achieve reasonable and moderate economic actions, markets that work properly without being subject to the imbalances that greed brings about, and regulations on the part of the state that, while giving order to economic activity, do not constitute an obstacle to it.

References

Abbagnano N, Fornero G (2010) Diccionario de Filosofía. Fondo de Cultura Económica, México

Aristóteles (1994) Política. Gredos, Madrid

Aristoteles (1995) Ética a Nicómaco. Gredos, Madrid

Bouckaert L (2008/2009) The financial catharsis. Cult Econ 73–74:14–16

Brigham E, Ehrhardt M (2013) Financial management. South-Western Cengage Learning, Mason

Brigham E, Houston J (2012) Fundamentals of financial management. South-Western Cengage Learning, Mason

Mill JS (1863) Utilitarianism. Parker, Son, and Bourn, West Strand, London

Naughton M (2008/2009) A great opportunity for a moral reform. Cult Econ 73–74:27–39

Röpke W (1960) Más allá de la oferta y la demanda. Fondo de Cultura Ediciones, Valencia

Shim J, Siegel J (2008) Financial management. Barron's Business Library, Hauppauge

Wilber Ch (2008/2009) Financial crisis and self-interest. Cult Econ 73–74:19–22

Part XXVIII

Virtues and Sustainability

Genuine Sustainability as Virtuous Sustainable Development

Tarja Ketola

Contents

Abstract

Genuine sustainability integrates environmental, sociocultural, and economic dimensions to care for nature and human well-being. Sustainability is an absolute concept impossible to reach. Sustainable development is a more feasible, practical goal, but since it is interpreted in many ways, depending on the interpreters' interests, it requires a value basis, which virtue ethics can provide.

Keywords

Sustainability • Sustainable development • Virtue

Introduction: Genuine Sustainability

Genuine *sustainability* combines environmental, sociocultural, and economic sustainability. When economists and corporations talk about sustainability, they often mean only financial sustainability measures, i.e., profits, growth, and solidity. Yet financial sustainability is just one aspect of economic sustainability, and moreover, the other two dimensions of sustainability are at least as important. In fact, money

T. Ketola (✉)
School of Economics, University of Turku, Turku, Finland
e-mail: tarja.ketola@utu.fi

has merely an instrumental value: it is a means to contribute to – or impede – the ends of sociocultural and environmental sustainability.

Many scientists, on the other hand, may only talk about environmental sustainability when they discuss sustainability. Their approach is acceptable in the sense that, if environmental sustainability is severely and continuously compromised, the balance of nature will be upset. This may lead to vicious ecological spirals, such as rapid climate change and loss of biodiversity, which may threaten the survival of humans and other species on the Earth. Environmental sustainability is the prerequisite for the other dimensions of sustainability: if there is no inhabitable planet to live on, there will not be any human societies, cultures, or economies either. But from an anthropocentric point of view, as long as environmental sustainability is looked after, sociocultural sustainability provides for the well-being of humans.

Environmental sustainability could be achieved by staying within the limits of the carrying capacity of the ecosystems and by revitalizing the ecosystems through protecting their biodiversity and their life-support systems (Ketola 2010). With increasing data we will have sufficient knowledge of the Earth system to define exactly the carrying capacity of the ecosystems in the near future.

Sociocultural sustainability could be reached by staying within the limits of the carrying capacity of humans and cultures and by revitalizing human and cultural diversity and their life-support systems (Ketola 2010). Although we do not as yet have a full list of measurements for sociocultural sustainability, human and labor rights, capabilities given to all people (Nussbaum and Sen 1993), and gender and ethnic equality could be absolute yardsticks.

Economic sustainability incorporates financial and normative sustainability. Economic sustainability could be attained by staying within the limits of the financial resources and global, regional, and local legal and ethical norms and by advancing them, so that an environmentally and socioculturally good life could be supported both now and in the future (Ketola 2010). Princen's (2005) logic of sufficiency lays out a good foundation for financial measures: instead of aiming to maximize profits, companies could aim at sufficient profits.

Environmental, *sociocultural*, *and economic sustainability* need to be *integrated* so that all three areas of sustainability could be achieved at the same time in order to reach holistic sustainability. There should not be trade-offs because environmental sustainability is a prerequisite for long-term sociocultural sustainability, and although economic sustainability is merely a means to finance the ends of environmental and sociocultural sustainability, the latter two bring economic sustainability, if not immediately, then in the long run.

Virtuous Sustainable Development

The problem with sustainability is that it is an absolute concept: the full and permanent achievement of economic, sociocultural, or environmental sustainability is impossible as situations are dynamic, and behavior varies between and within

organizations and over time. Of course we can aim at sustainability, the ideal, but at best we manage only to enhance *sustainable development*.

The problem with the concept of sustainable development, again, is that it has numerous conflicting definitions (see Pezzey 1992). The most commonly cited definition of sustainable development: "...development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987, p. 43) gives an important emphasis on our responsibility to safeguard the opportunities for sustainable development over generations. However, the citation is incomplete, as in reality the definition continues: "...in particular the essential needs of the world's poor, to which overriding priority should be given" (WCED 1987, p. 43). This latter, social, part of the definition has conveniently been forgotten by economists, scientists, corporations, and other organizations in their need [sic] to interpret sustainable development to mean the meeting of the needs of their own interest groups (Ketola 2013). We require an ethical value basis for the definition of sustainable development. Virtue ethics can provide such a value basis.

In Western philosophy Aristotle (1985) advocated a virtue as an attitude that makes people to have courage to do good (virtue of fortitude), helps them act fairly (virtue of justice), and advises them to take the middle way. To find the middle way or golden mean between too much and too little, the virtue practitioners should find their solutions rationally (virtue of prudence), not arbitrarily, and learn self-discipline (virtue of temperance) to keep their emotions in check (Ketola 2008). In Eastern philosophy, Buddhism, Daoism, and Confucianism advocate middle-way virtues as the basis of good life (Bodhi 2013; Lao Tzu 2001; Chen 2002; Yu 1998). Virtues exemplify the natural law (lex naturae): all people in the world share the same sense of morality, irrespective of their background (Ketola 2008).

Conclusion

Genuine sustainability can be seen as virtuous sustainable development. The following articles will discuss virtuous sustainable development from environmental and social perspectives as well as from management and leadership perspectives. "Environmental approach: Sustainable development and moral business life" shows how the business ethic of virtue must include a commitment to environmental preservation. "Social approach: Virtue ethics enabling sustainability ethics for business" demonstrates how a relational virtue ethical meaning of sustainability binds business people to other contemporaries, future generations, and nature. "Management approach: Virtuous corporation as moral agent for sustainable development" deduces that companies are moral agents and have a moral character, which makes them responsible for the sustainable development of their actions. "Leadership approach: Removing psychological barriers to virtuous sustainable development" analyzes the psychological defenses companies resort to when

found behaving unsustainably and the ways in which they could be replaced by virtuous sublimation to sustainable behavior.

Cross-References

▶ Environmental Approach: Sustainable Development and Moral Business Life
▶ Leadership Approach: Removing Psychological Barriers to Virtuous Sustainable Development
▶ Management Approach: The Virtuous Corporation as a Moral Agent for Sustainable Development
▶ Social Approach: Virtue Ethics Enabling Sustainability Ethics for Business

References

Aristotle (1985) Nicomachean ethics (trans: Irwin T). Hackett, Indianapolis

Bodhi B (2013) The noble eightfold path: the way to the end of suffering. Access to Insight 30 November

Chen M-J (2002) Transcending paradox: the Chinese "middle way" perspective. Asia Pac J Manag 19:179–199

Ketola T (2008) A holistic corporate responsibility model. J Bus Ethics 80:419–435

Ketola T (2010) Five leaps to corporate sustainability through a corporate responsibility portfolio matrix. Corp Soci Responsib Environ Manag 17:320–336

Ketola T (2013) Rationale, morals and needs pyramid for corporate responsibility development. Corp Soci Responsib Environ Manag (forthcoming) 21:228–239

Lao Tzu (2001) Tao Te Ching: the definitive edition (trans: Star J). Penguin Books, New York

Nussbaum M, Sen A (1993) The quality of life. Clarendon, Oxford

Pezzey J (1992) Sustainable development concepts: an economic analysis. World Bank environment paper no. 2. World Bank, Washington, DC

Princen T (2005) The logic of sufficiency. MIT Press, Cambridge, MA

WCED (1987) Our common future. Report on the world conference on the environment and development. Oxford University Press, Oxford

Yu J (1998) Virtue: Confucius and Aristotle. Philosophy East and West 48:323–347

Environmental Approach: Sustainable Development and Moral Business Life

Lisa Newton

Contents

Abstract

From the perspective of the natural environment, capitalism, whether run by private individuals, corporations, or the state itself, is an unmitigated disaster; sustainable development a contradiction in terms; and human virtue in the capitalistic enterprise a very bad joke. This chapter argues that other strategies having failed, we should attempt a return of power and authority to the local level, where local knowledge of conditions and participants in the economy is the best possible guarantee of justice among persons and stewardship of the natural environment.

Keywords

Capitalism • Free enterprise • Natural resources • Virtue • Financial industry • Adam Smith • Aristotle • Localism • Triple bottom line • Financial reform • Defenestration • Toxic dumps • The new economy

L. Newton (✉)
College of Arts and Sciences, Fairfield University, Fairfield, CT, USA
e-mail: lhnewton@fairfield.edu

Introduction

This chapter examines the possibility that an eco-friendly business community could foster human virtue and environmental protection and concludes that except in rare circumstances, it probably could not. The problem seems to lie in capitalism itself and the vice of greed (avarice) which is nurtured and rewarded by capitalism – which, indeed, provides its driving force. The unlimited nature of acquisition of wealth is incompatible with the Aristotelian notion of virtue, which is essentially an exercise in discovering and observing the proper limits for any activity. We conclude, first, that there is a high probability that any for-profit corporation in a capitalist system will fail to meet the triple bottom line; second, that hope for genuine progress in this area will require a return of economic and regulatory power to the local jurisdiction; and third, that there is little prospect that such a return to the local will take place or that any other government intervention will improve the situation.

After Capitalism

This project embodies a question that haunts conscientious practitioners of business and ethics alike: Can business practice be tailored so that its normal profitable operations are compatible with the preservation of the natural environment? The question is based on a century of environmental destruction caused by enterprises geared to make a profit by extraction and immediate sale of natural resources (coal, oil, timber, fish) or by transformation of resources into valuable goods, with no accurate knowledge of the effects of the processes or products on the ecosystems in which they are used or into which their waste products are dumped (chemicals, transportation). In the economic catastrophe brought about by the unrestricted excesses, driven by greed, of Western capitalism, we found that the question will have to be turned around. At the industrial level, capitalism itself is unsustainable even on its own terms. What began as an attempt to find ways that a virtuous business – one that observed the limits appropriate to its practice and allowed its practitioners to develop and manifest virtues appropriate to human life – might protect the natural environment, enhancing its setting in the ecosystem or at a minimum not damaging it, has turned into an attempt to rediscover any possibility of a virtuous life or a means to preserve the natural environment from the devastation of free enterprise, an attempt that starts at a clear disadvantage.

The effect that practice in the financial industry has on the financier, among the richest people in the nation, came as something of a surprise to us. We had thought that well-educated persons given responsibility for large amounts of money would exercise that responsibility carefully; there was no reason for them not to, and most bankers had always been able to do that. We were wrong. Education is no guarantee of honesty, prudence, or common sense; small-town virtues and values cannot be resurrected on this large scale.

Let us take a particularly clear example of the problem. World War II found the redwood forests of the Pacific Northwest largely in private hands, save for a few parks and national forests, primarily in northern California. After the war, the huge building boom made it profitable for the private owners to clear-cut their parcels, especially of the old-growth trees. At the time, no one noticed. When the environmental movement began, two decades after the rush, only one company, Pacific Lumber (PL), still had most of its groves standing. The company policy, for most of the twentieth century, had been to cut only sustainably, to make sure that it had wood into the indefinite future. It's a good policy, but not the most efficient use of resources from the point of view of profitability, and Pacific Lumber (PL) was publicly owned (always had been). When "hostile takeovers" became considerably easier to bring off, in the 1980s, a financier from Houston, Charles Hurwitz, made a bid for Pacific Lumber (PL) with borrowed money, gained control of it, and started clear-cutting the most beautiful groves remaining in private hands.

The history of PL may clarify the situation. In the 1930s, the company adopted a policy of perpetual sustained yield: mature trees were marked for selective cutting, felled, snaked out by the "cat" tractor, and milled. With more light in the forest, the younger trees matured faster; where bare spots were left, the company reseeded. In theory, such practices should "keep the company supplied with redwood logs from its own lands in perpetuity" (Wilkerson and van der Zee, pp. 112–113). The sustained yield policy is economically sound and kind to shareholders. Pacific Lumber's financial statements for the years through 1984 show small cyclical adjustments to demand, but steady earnings on its outstanding shares. (In the third quarter of 1984, for instance, PL reported that its net earnings rose 50 % over the previous year ($11,337,000 or 47 cents per share, compared to $7,547,000 or 31 cents per share, for the third quarter the previous year). See Pacific Lumber (PL) annual reports, years 1981 through 1984.)

And then, in 1986, came the hostile takeover, and Pacific Lumber (PL) changed course overnight. Charles Hurwitz, CEO of Houston-based Maxxam, seized control of Pacific Lumber (PL) (with $900 million in Drexel Burnham junk bonds) and immediately terminated the pension plan, accelerated the traditionally measured timber harvest, and told the employees about his "Golden Rule: He who has the gold, rules" (Bagley 1991). He used $55 million of the pension funds to pay down part of his buyout debt (Botte and Cray 1991). An insurance company controlled by Hurwitz, Executive Life, bought more than one-third of the junk bonds and issued the "annuities" required by federal law to replace pension funds when their managers deplete them. Executive Life collapsed when the junk bond market did, leaving the workers without pensions beyond what the truncated company was able to supply on a temporary basis (Ibid., also Castro et al. 1991). "Nightline" (ABC) did a program on the dire straits of workers who have lost their pensions in the collapse of insurance companies in general, with special attention to Pacific Lumber (PL), on June 18, 1991. The program featured interviews with aging retired workers, bewildered and frightened, demonstrating in the streets, and demanding the return of their pension fund. Repayment of the same debt required that Hurwitz get money off the land as fast as possible, and Pacific Lumber's (PL) old-growth

forest was certainly available for cutting. Immediately forestry practices changed, to attack groves that the old Pacific Lumber (PL) had been saving for the end of the century, to clear-cut where selective cutting had been the rule, to speed up the pace of logging, and to abandon the costly projects of replanting that had insured the future harvest.

The selective cutting and replanting, besides providing for future harvests, had held the soil in place after logging and prevented erosion of the steep slopes in the relentless rainfall of the region; under new management, the soil began to wash into the streams. That, erosion is bad for the slopes (which cannot then grow more trees); bad for the banks of the stream, which overflow with regular spring floods; and fatal for the salmon, which cannot breed when soil from erosion covers the gravel at the bottom of the streams (Sims 1994). These practices continued without limit until 1991, when US District Judge William Dwyer declared a moratorium on the cutting of the old-growth habitat critical for the spotted owl.

A lumber company's attractiveness to a raider is easy to understand: if it owns huge tracts of timber, as PL and the others did, those trees represent cold cash as soon as they are "monetized" – cut and sold – and that cash can be distributed to the shareholders. The only way a company can be taken over like that is by offering the shareholders more money for their shares than they could get otherwise. Hurwitz certainly did that, obtaining the cash to do so from the sale of the junk bonds and other loans against the assets of the company. The shareholders of record at the time of the takeover made out very well indeed. (Shareholders later in this sort of game make out somewhat worse, because the assets are spent down so quickly. For another account of how Hurwitz's financial dealings and shareholders work in the market, see Barrett 1992, detailing Hurwitz's handling of Kaiser Aluminum.) Hurwitz may have hurt the environment and the pensioners, but he enriched the shareholders, and as he saw it, that was his job. In a publicly held, profit-oriented corporation, according to the dominant ethic of capitalism, it should not be management's obligation, or option, to look after the long-term fate of the trees. Pacific Lumber (PL) was in business to make money for the stockholders, not to act as unpaid trustee for the North Coast forest.

We have here a direct and serious confrontation of environmental value and short-term economic imperatives – the imperatives that rest on the rights of private property and the responsibilities to shareholders. Adam Smith held that business enterprise of all kind is limited by supply and demand and would have held out hope for the trees in the very saturation of the market. There is a demand for only so much redwood lumber, he would argue; ultimately it will cost PL more to mill the logs it cuts than they will sell for, and then they will have to scale back logging until demand returns. But if the market includes players who are operating by different rules – the Japanese, say, who pursue long-term instead of short-term economic interests – that reasoning fails to apply. For the lumber companies have by now disposed of their mills, as costly and unpredictable, they sell raw logs overseas, enjoy sales completely unlimited by domestic demand, and leave their workers to be taken care of by the government (see Miller 1996). The closing of the mills, not the restrictions on the logging, seems to be the real cause of unemployment in the

area. (What do the Japanese do with the raw logs? Sink them in freshwater lakes. Redwood wood is so full of oil that it will not be hurt by water, and the logs will stay there for centuries, if necessary. When Hurwitz has cut all the trees, and there are no more, then Japan will mill the logs and sell us the lumber at unthinkable prices. The lakes are large, so the Japanese demand is unlimited.)

Aristotle and Adam Smith both proved, in very different ways, that property (specifically, land and all resources for production) was better off, more likely to be taken care of, in private hands than public. This assumption, that the private owner is the best caretaker, underlies the importance we attach to the right of private property. Is the assumption now, at least in these cases, false? The redwoods of Pacific Lumber (PL) are clearly not safe in Charles Hurwitz's hands. Do we have a legal right, or structure, to take the land away from him?

Where are we going to find the limits, the sense of "enough and no more," that Aristotle held to be essential? Aristotle looked for them in the habits of the well-educated individual; but the education he had in mind was primarily moral, the development of habits of mind and customs of practice that discerned and carried out the understanding of "enough." Clearly our education does not do that; Aristotle assumed that only a small minority of his citizens would achieve that discernment and discipline, but that in a good polis, they would be the ones in power and would act wisely to govern the violence and greed of the rest of the society. We, the United States and other developed economies, cannot follow that approach; we're too large. If the business scandals have taught us nothing else, they have taught us that where people with access to money can act anonymously, in secret, not in full view of the rest of the town (other stakeholders, in contemporary parlance), there is a strong probability that they will resort to dishonesty. (I explored the thesis that visibility is the key (and the only key) to honest dealing in my *Permission to Steal*, Malden, MA: Blackwell Publishing, 2006.) Visibility (transparency) is the best and only safeguard of honest dealing, for all but the very virtuous few. The protection of the natural environment is going to require the same vigilance, and at this point in the analysis, we cannot see where that vigilance will come from.

The need is clear: we must reframe our economy, if only to keep ourselves safe from incompetence and thievery in high places; we must rediscover government by the people, if only to embody a force capable of thwarting the efforts of the unscrupulous to corner all wealth for their own purposes; and we must protect the natural environment, if only to ensure the future of nature's services, the vast operations of the biosphere that until now have provided us with air, water, soil for seeding, and pollinators to bring the flowers to fruit. (The value of "natural services," "natural capital," or "nature's services" and the compelling need to protect them has been covered in an extensive literature that cannot be reviewed in this space; two recent contributions to this literature are Mark R. Tercek and Jonathan S. Adams, *Nature's Fortune: How Business and Society Thrive by Investing in Nature*, 2013, and Edward B. Barbier and Anil Markandya, *A New Blueprint for a Green Economy*, also 2013, both of which show that saving the natural world is not only simple but profitable.) This need is recognized and addressed coherently and well, in an extensive literature that, inappropriately, we

tend to call "utopian," as if it posited levitation and institutions beyond the compass of human possibility. It does no such thing: a quick read of two landmarks in this literature – Marvin Brown's *Civilizing the Economy* (Brown 2010) and James Gustave Speth's *America the Possible* (Speth 2012) – shows only institutions with which we are familiar, recommends only actions that we have taken in the past and that were successful in confronting problems similar to ours, and asks only for common sense and the energy to act in accordance with it. (Brown's work asks for some reconceptualization of the elements of the economy; Speth's, doggedly practical, does not.)

The end point of the reframing, indicated repeatedly over the last four decades, is a return to the local economy. The first coherent exposition of this conclusion, well before the time when it might achieve acceptance, was E. F. Schumacher's *Small is Beautiful*, which came out at the peak of the oil crisis in 1973, and has since captured the imagination of much of the world and created its own society (Schumacher 1973). In his insistence that control of human affairs should be in the local community, that technology should be governed by considerations of cost and human scale, and that, above all, the economy should serve the humanity that created it, Schumacher started a revolution in political and economic theory. The basic thesis was not itself revolutionary: Aristotle had insisted that the *polis* be limited in size; Adam Smith had described an economy that could only function properly at the level of a village or small town, and since the advent of human civilizations, that is in fact the way we lived. It should have been obvious, as soon as our dependence on global oil began to strangle us, that we were going to have to change our economic focus from a world that we could not control to one that we could. The localism (or return to the local) argument became something of a political and economic movement, exemplified and summarized in the Sierra Club anthology, *The Case Against the Global Economy: And For a Turn Toward the Local*, edited by Jerry Mander and Edward Goldsmith, which came out in 1996 (Mander and Goldsmith (1996). Incidentally, Teddy Goldsmith was the brother of Jimmy Goldsmith, the financier who pioneered the hostile takeover). To underscore the link to Aristotle, Goldsmith's final essay in the anthology – "Family, Community, Democracy" – recaps Aristotle's division of society into household, village, and *polis* (Edward Goldsmith, "The Last Word: Family, Community, Democracy," in Mander and Goldsmith, op.cit. pp. 501–514).

The New Economy

More recent (and extensive) efforts toward such change center on an entire network of experimental institutions, many of them very small but flourishing, under the name of the new economy or new economics, whose general objective is to restore the harmony of flourishing nature, flourishing humans, and general prosperity, centering on local communities (http://neweconomy.net/new-economy-coalition). This search for the confluence of beneficence, justice, and human autonomy is already in the business ethics literature, which generally acknowledges the

desirability of judging corporate operations by the "triple bottom line" suggested in John Elkington's *Cannibals with Forks* (1998; see also Savitz 2006; this work claims modestly to have invented the notion of "sustainability") "[F]uture market success will often depend upon a company's ability to satisfy the three-pronged fork of profitability, environmental quality, and social justice." The "new economy" identifies itself as a more radical political movement. The New Economy Coalition, one of its activities, has as its mission "to convene and support all those who might contribute to an economy that is restorative to people, place, and planet," operating on principles of "democracy and appropriate scale." Given the depth of the ecological and economic crises, of both capitalism and socialism, restoring the society will take "deep, systemic changes to both our economy and our politics" (http://neweconomy.net/new-economy-coalition). The "New Economics Institute" incorporates among its projects a map of the world, locating and describing "innovative projects that challenge business as usual," aiming at "the systemic change to our economy that we urgently require" (http://gtne.org/). Such projects include the development of barter networks and local currencies, guidelines for ethical investment, cooperative living arrangements, local markets and green jobs, new arrangements for access to energy, and many more hopeful initiatives for social change. "Together, these projects create a world that prioritizes human well-being, within environmental limits." A programmatic experiment with these projects is found in the "Transition Towns" movement, founded in response to fears about peak oil and climate change, primarily based in the United Kingdom, which encourages each town to work on reducing energy use and, to the extent possible, grow its own food (Source: www.transitionnetwork.org).

Why this list? Or, rather, given the weight of opinion toward reform of our economic systems, why so few manifestations of this movement in our current economic policies? It is fashionable to point out that the "just transition to a new economy" is woefully short on feasible effective action, but that criticism is unjust; many of its projects have been shown to work well and admit of duplication. Then why are we not on the high road to a much better world? Mark Tercek (*Nature's Fortune*) reduces natural capital debates "from ideology to arithmetic," in the words of President Bill Clinton (inscribed on the cover of the book); financial leaders love numbers, and if he can just show that it really *is* worthwhile to invest in nature, then financial leaders will *do* it. Barbier and Markandya (*A New Blueprint*) introduce the book in what can only be called a petulant tone: this is the second edition of this plan, and it's still right, we *told* you what to do, why didn't you *do* it? And its recommendations, for the remedy of numerous aspects of environmental deficit, are very sound. The recipe is simple: do this, climate change will abate, green forests will be saved, and the sea will not rise to cover New York City. What corporations have to do is simple too. Why don't they do it? To explain this inaction, Andrew Hoffman and Max Bazerman point out that there are significant psychological and institutional barriers within the corporation that must be overcome in order to achieve significant environmental progress and suggest that they must be attacked (Hoffman and Bazerman 2007). There is nothing wrong with any of these suggestions or the overall plan of which they form a part. But there is

nothing in their plans about incentives for the current holders of wealth and power to participate in them. We recall Adam Smith's injunction, not to appeal to the benevolence of the merchants with whom we trade, but to their interests. Those with the wealth and power to institute changes have absolutely no interest in bringing about any of these reforms. They are willing to concede that such investments in nature and redirections of corporate activity would in all likelihood improve the general welfare in the long run, but they do not see that as part of their responsibility as corporate officers, and to undertake such measures would cut into the profits of their shareholders, not to mention their bonuses.

Again, the first reforms needed would be in the financial industry, to attempt to block the quick-enrichment schemes that brought down the economy in the first decade of the twenty-first century. We have to separate the savings of the "frugal private parties," on which Adam Smith relies, from the casino that Wall Street has become, and we have to make sure that when gamblers lose money, it's their own money they lose. But even after 2008, only feeble attempts to create such reforms (Dodd-Frank being the best example) were made, and by now even these are weakened beyond recognition.

Can the Government Help Us?

Since Aristotle, we have known that the *polis*, the political association, or the state is the ultimate judge of the laws that will govern the people. The natural environment will not heal itself, nor may we count on the private parties who use it in their commercial operations to preserve or enhance it, no matter how many experts, like Tercek and Barbier, insist – and prove – that it is in their best interest to do so. The financial industry will not tolerate regulations that would seriously cut into its profits, and its heavy presence among lobbyists has so far ensured that no effective laws have gone into effect that would do that. Reforms of environmental and financial practices should, and must, come from the state, expressing the will of the whole people. Yet the will of the people is silent, and the laws do not seem to be forthcoming.

One strong argument for the possibility of such reforms is the fact that we were able to do this before. In the 1970s, the US Congress passed measures ensuring clean water, clean air, remediation of toxic dumps, and strong restriction on chemicals that had been shown to be harmful to the Earth. Before that, in the 1930s, Congress passed the Glass-Steagall Act, dividing banks into vehicles for savings and vehicles for speculation (as well as numerous other reforms), and those provisions worked very well through the 1970s. Having discovered that private enterprise was in no mood to regulate itself while the rich were getting richer, Congress simply passed the laws that made sure that the worst of the practices came to an end. These measures were heartily opposed by the vested interests of the time, but the public knew that they were necessary, so over the objections of those interests, they were passed. Why are such laws impossible now?

The short answer is, at the time those laws were passed, there was blood on the street or poison in the water. After the 1929 crash of the stock market, there were no bailouts; one's losses were one's own, and no one, not from the country club, not from the gated community, and certainly not from the government, was going to make good those losses. Faced with the loss of everything they had ever valued, Wall Street brokers sometimes ended their pain by leaping from the windows of their imposing buildings. Their deaths were powerful consciousness raisers. When banking and security reforms were proposed in the 1930s, everyone knew that the system that had been created by the wealthy, trailing breadlines in every city and on the pages of every newspaper was badly broken and had to be fixed. In the 1970s, when rivers caught fire and toxic dumps terrified the city of Niagara Falls, the country was all too willing to believe that the poisoning of the environment threatened their health and in that state of terror passed the gold standard environmental laws that last, revised, to this day – even if continually under attack.

The performance of our elected representatives now does not provide grounds for hope. As I write, we are just coming off a government shutdown that costs us $24 billion, cutting back recovery from the catastrophe of a few years ago by at least half a percentage point (Packer 2013a, b). That shutdown was in the interest of no one at all, but Congress, apparently having lost sight of all reality, brought it about. Will there have to be more defenestration to bring awareness of crisis to the minds of public officials? In this mood, consistent with other favors to the wealthy, Congress will not fund the agencies that are needed to enforce the law and gather revenue. Taxation, consistently enforced, is not in the interest of the major contributors to congressional campaigns, who have powerful legal staffs, US Supreme Court-guaranteed access to political campaigns for their money, and no desire at all to pay "their fair share." *The New Yorker* magazine chronicles the difficulties of the IRS as a result of the shutdown (from the perspective of an employee of the IRS) ("Business as Usual," 2013): the backlog of work for the agency that was created by the shutdown, and the constant cuts to the budget of the agency, makes it unlikely that the offshore tax havens will be found and assessed the lawful amount outstanding, any time soon.

Conclusion: Toward the New Local?

We – we as a society, as a global conglomerate, but especially as the United States – are confronted with three signal failures of our time:

First, in our choice to prioritize economic goals over environmental preservation, we have degraded our soil, wasted our forests, endangered our water supply, and poisoned our air, changing our climate away from the beneficent stability of the Holocene to new and frightening configurations. We have failed in our basic duty to be good stewards of the natural world.

Second, even in the pursuit of economic goals, we have failed, allowing the skewed practices of the financial industry to create enormous inequalities, foreign to the

established expectations known collectively as the "American dream," to develop and to increase beyond any precedent, unchecked by headlined lawsuits, prosecutions, and regulations, ultimately destroying any hope of general prosperity.

Third, we have abandoned any sense that our social institutions should guide human lives to be good and to realize the virtues of self-control, honesty, and responsibility – let alone compassion, solidarity, and heroism. In the practices we have created, the successful are encouraged to abandon all limits on their material desires, while the unsuccessful are humiliated with loss of employment and the opportunity to improve themselves or their offspring and often, in this latest manifestation of dysfunction, their homes. The willfulness of the rich and the powerlessness of the poor together present the spectacle of a society where evil has triumphed over good.

It is not that we don't know what to do to remedy all these failures; dozens of writers, a very few of which are cited in this chapter, have presented the solutions. The literature has one very simple message: if we would only make significant investments in natural resources, protect our wild places, concentrate on preventive health care, adopt organic agriculture, or just stop eating meat (which would accomplish all those goals!) – all the while putting very firm controls on the financial industry so that it works for good rather than evil – we could create a society in which humans would flourish and the biosphere would be healthy, into the foreseeable future. If we would only. But we will not, and so a different set of imperatives must be found.

In all that we have said in this jeremiad, one thread connects possibilities from the past with hope for the future. When the social unit is small and social visibility is very high, things work that don't work on a larger scale – community loyalty, protection of local spaces and resources, and free enterprise, for some examples. We know that Adam Smith did not get his ideas from observing real butchers and bakers; he was associating primarily with cotton merchants and the bankers who funded them, who discussed economics in their Scottish societies (see Marvin Brown, op.cit.). But the commonly observed scrupulous honesty of small-town merchants comes not from some inherent (genetic?) quality that appears only in the citizens of small towns, but from the knowledge that observation of their behavior in and out of the shop, their habitual dealings with other citizens, is simple and constant. The quickest way to success in this triple bottom line endeavor, just as Jerry Mander and Teddy Goldsmith urged, is to return as much power and authority as possible to the local level.

Just such a commitment is found in the "New Economy" movement, in its requirement that all action, and authority for action, must be locally based. At the local level, the effects of policies and of decisions based on them can be immediately observed, the participants in any power structure can be known and observed personally, and trust cannot be misplaced for very long. It would seem that any action to reverse the problematic trends, toward the concentration of wealth, for instance, or the spreading power of transnational corporations, or the unending

destruction of global forests and fisheries could only be taken at the national or international level – through a newly empowered United Nations, for instance. But institutions of global scale present only smooth surfaces, with no place for a human hand to find purchase; and the United Nations has very little social trust. The result is global paralysis, no matter how intelligent and dedicated national and international leaders may be. Local institutions, however, are accessible to everyone. Holders of office can be confronted and held accountable by any group of neighbors that decides that a local condition demands action, and local institutions, from school boards to town councils, can be shaped to carry out local purposes.

Is reform, the reassertion of the pursuit of a life good for humans and for the natural world, at the local level sufficient to address the global problems that we face? Of course it is, since if every locality adopted those measures which will keep it safe and prosperous in a world of changing climate and ungovernable financial institutions, then by extension (or by definition) the entire nation will have adopted them. But that is the "if only" trap, as above, that we find all through the literature. All localities will not adopt these policies. But while no local community can detach itself from the world, it can certainly adopt arrangements that will make life much safer and more satisfying for its own residents, and that, for the moment, is perhaps the best we can hope for. The best attribute of local initiatives is that real people, not the "we" of all Americans or all humans, but the "we" of neighbors, can initiate action in real time. We had better get started.

References

Bagley CE (1991) Pacific lumber company: case presentation, June 1991
Barbier EB, Markandya A (2013) A new blueprint for a green economy. Routledge, London
Barrett W (1992) Aluminum cow. Forbes, January 6, 1992
Botte G, Cray D (1991) Is your pension safe? TIME June 3, 1991, p 43
Brown, Marvin T (2010) Civilizing the Economy: A New Economics of Provision, Cambridge University Press, Cambridge
Castro J et al (1991) A sizzler finally fizzles: in America's largest life insurance company collapse, California officials seize control of shaky giant Executive Life. TIME, April 22, 1991
Hoffman AJ, Bazerman MH (2007) Changing practice on sustainability: understanding and overcoming the organizational and psychological barriers to action. In: Sharma S, Starik M, Husted B (eds) Organizations and the sustainability mosaic. Edward Elgar, Cheltenham, pp 84–105
John E (1998) Cannibals with forks: the triple bottom line of 21st century business, The conscientious commerce series. Capstone, Oxford
Mander J, Goldsmith E (eds) (1996) The case against the global economy: and for a turn toward the local. Sierra Club Books, San Francisco
Marvin T (2010) Brown, civilizing the economy: a new economics of provision. Cambridge University Press, Cambridge
New York Times (2013) "The high cost of low politics: the economic damage from the shutdown and default threat will not be easily undone," lead editorial. The New York Times, Sunday, October 20, 2013
Packer G (2013) Business as usual. The New York Times (2013), The High Cost of Low Politics, Oct 28, 2013, pp 21–22

Savitz AW (2006) The triple bottom line: how today's best-run companies are achieving eco-
    nomic, social and environmental success – and how you can too. Jossey-Bass, San Francisco

Schumacher EF (1973) Small is beautiful: economics as if people mattered. Blond and Briggs,
    London

Sims G (1994, October–November) Can we save the Northwest's Salmon? National Wildlife,
    pp 42–48

Speth JG (2012) America the possible: manifesto for a new economy. Yale University Press, New
    Haven

Tercek MR, Adams JS (2013) Nature's fortune: how business and society thrive by investing in
    nature. Basic Books, New York

Tyler Miller G (1996) Living in the environment, 9th edn. Wadsworth Publishers, Belmont,
    pp 296–298

Social Approach: Virtue Ethics Enabling Sustainability Ethics for Business

Christian U. Becker

Contents

Abstract

The chapter discusses the theoretical and practical relevance of virtue ethics for developing a sustainable economy and sustainable businesses. Main elements of a sustainability ethics approach based on virtue ethics are highlighted, such as sustainability virtues and the concept of a sustainable person, and the potential of sustainability ethics to provide an ethical underpinning for a sustainable economy and sustainable business is discussed in detail. One focus is on the economic actor as sustainable person who is inherently motivated and enabled by sustainability virtues to act sustainably in complex global business contexts and to systematically relate herself to local, global, and future stakeholders. Another focus is on a virtue ethics-based normative framework for a sustainable economy that considers broader concepts of individual and overall welfare in the context of sustainability. This normative framework integrates the striving for individual

C.U. Becker (✉)
College of Business, Colorado State University, Fort Collins, CO, USA
e-mail: chris.becker@colostate.edu

1383

well-being and the overall welfare of other contemporaries, future generations, and nature.

Introduction

This chapter focuses on the following questions: *What is the role of virtues for the development of a sustainable business and sustainable economy? What virtues are relevant? How can we get them? How important is the virtue ethics approach for developing sustainable businesses and a sustainable economy?* For discussion of these questions, the chapter refers to literature from the fields of virtue ethics, sustainability ethics, and sustainability economics.

Sustainability has become a crucial topic and challenge for current business. The reasons for business to care about sustainability are the same as the reasons to care about ethics: It enables a business to properly relate to the broader societal and environmental context it operates in, which in turn is a necessary requirement for long-term business success. From an ethical perspective, societies can demand that businesses – as everyone else – assume responsibilities for the effects their actions and activities have on other people and the environment and play a positive role in its societal context. From a business perspective, firms can economically benefit in many ways by assuming these responsibilities and strategically aligning the entire business with its broader societal, environmental, and long-term context. Potential benefits include the identification of new market opportunities; improved monitoring of global, environmental, and long-term risks; recognition of efficiency potentials; and more robust supply chains and consumer relationships.

Sustainability occurs to individual businesses as a societal and systemic requirement – as a normative demand on what a business should care about. In this chapter, the normative claim of sustainability is discussed by a virtue ethics approach. A virtue ethics approach frames the ethical aspect of sustainability from the perspective of personal self-identity and character, rather than abstract, detached, and often overwhelming principles or rules. With this, virtue ethics approaches are of particular interest to practical business contexts, as they offer a personal motivational basis for integrating sustainability into business activities. Virtue ethics emphasizes that sustainable businesses – i.e., businesses that consider and actively address (global) societal, environmental, and future effects related to all their business activities – need to be driven and supported by business actors who understand themselves as sustainable persons and whose actions are guided by sustainability virtues.

At the same time, virtue ethics emphasizes the interconnection of individual excellence and societal welfare. The development of individual excellence and well-being is considered to be interrelated with the development of a just and stable

community that enables all other members to strive for excellence as well. In the case of sustainability, the community is rather broad and includes people around the world, future people, and environmental entities. In the business context virtue ethics can particularly explore the potential of win-win between economic success of a firm and excellence (welfare) of actors, stakeholders, environmental entities, and future people that are involved in, or affected by, the firm's activities.

In the following, the role of virtue ethics for business to meet sustainability challenges is discussed in detail. The focus is on the societal dimension of sustainability, i.e., on the ethical aspects of business interrelations with, and business effects on, local, global, and future stakeholders. However, there is some overlap with the environmental dimension of sustainability in as far as environmental concerns are often related to ethical concerns about societal effects of environmental impacts.

Sustainability Ethics and Virtues

The concept of sustainability is typically used in societal discourses in a normative and evaluative meaning. Sustainability is considered to be something positive, something one should strive for. In particular, sustainability is globally considered as crucial norm in many political documents (WCED 1987; UN 1992, 2000, 2002; EC 2006; PRC 2012). As a normative concept, sustainability is subject of ethical analysis and raises ethical questions, such as: What kind of norm is sustainability? Why should one be sustainable? What ethical implications does sustainability have? There have been some philosophical and interdisciplinary studies that explicitly analyze and interpret the (normative) ethical dimension of sustainability (Newton 2003; Norton 2005; Raffaelle et al. 2010; Ott and Doering 2011; Becker 2012).

Some core characteristics of the ethical dimension of sustainability can easily be identified by considering the basic meaning and definition of sustainability: Literally sustainability means the ability to maintain something, e.g., a system, entity, or process (Simpson and Weiner 1989; Becker 2012). However, maintaining something is not a norm or value in itself – we often appreciate the very opposite: change, innovation, and growth. In what sense, then, is sustainability a fundamental norm or value? The answer becomes obvious when considering the specific way in which sustainability has been defined and introduced in the political discussions since the 1980s. The prevalent definition provided in the Brundtland Report (WCED 1987: Chap. 2, 1) defines sustainable development as "[...] development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The same report also states that "[...] in its broadest sense, the strategy for sustainable development aims to promote harmony among human beings and between humanity and nature" (ibid. Chap. 2, 87). Sustainability, thus, is a relational concept which refers to the integration of three fundamental *sustainability relationships*: (i) the relationship among contemporaries, (ii) the relationship between generations, and (iii) the human-nature relationship (Becker 2012, p. 13).

The sustainability relationships raise fundamental and difficult ethical questions, such as: What responsibilities do we have to other contemporaries (around the world), future generations, or nature? How are such responsibilities related to each other? Generally, the ethical challenge of sustainability is how one should act or live with regard to the threefold relatedness to contemporaries, future generations, and nature (Becker 2012, p. 19).

The virtue ethics question with regard to sustainability is: What is human excellence, if we consider the human being as fundamentally related to other contemporaries, future generations, and nature? What are virtues that define excellence in the sustainability context (Becker 2012: Chap. 9)? Within the broader sustainability literature, the role of individual actors and their self-identity, motivations, and abilities has been discussed to some extent (Siebenhuener 2000; Jager and Janssen 2000; Becker 2006), and some contributions explicitly discuss the role of virtues for sustainability (Newton 2003; Becker 2012). From a virtue ethics perspective, the three sustainability relationships (with contemporaries, other generations, and nature) define the broader, ethically relevant "societal" context of sustainability and are likewise important for the development of human excellence. A set of specific *sustainability virtues* can be identified as being crucial for excellent interaction within, and development of, the sustainability relationships. Sustainability virtues include, for instance, *attentiveness* and *receptiveness*, as basic relational virtues for developing flourishing relationships with others, and *care*, *respect*, and *responsibility* for each partner in the sustainability relationships (Becker 2012, 78ff). The person that develops sustainability virtues and a personal identity as timely, socially, and biologically contingent, being fundamentally related to other contemporaries, past and future generations, and nature, can be defined as *sustainable person* (Becker 2012: Chap. 9).

The Economic Challenge of Sustainability and Its Ethical Aspects

Sustainability is an ethical concept that expresses a broadly and globally shared societal norm. Businesses, as they operate in societal frameworks on the local or global scale, cannot ignore basic societal norms and values. Running successfully a business requires – at least in the long run – being in accordance and not in conflict with the external societal framework and globally shared norms (Carroll 1991; Freeman 2010). The call for sustainability is not an arbitrary trend, but a reaction to substantial societal and environmental (side) effects of the global economy, particularly with regard to an overuse of various resources, energy, and environmental sinks (MEA 2005; IPCC 2007; UNEP 2007; 2012). In order for a business to sustain itself in the long run, it is crucial to strategically consider sustainability as societal norm and be attentive to the underlying systemic aspects in as far as they matter for the specific business activities. In other words: The global economic system has become so large and powerful that it substantially alters the global environment and substantially affects people globally and in the future, and this implies new business

challenges and new ethical responsibilities of business (Jonas 1974; Becker 2011, 2012).

To properly define the role of virtue ethics for developing a sustainable economy, it is important to consider the ethical underpinning of the capitalist market economy as today's dominant economic conception. The opportunity for business to strive for individual profits is granted by societies under the assumption that societies overall benefit. Businesses provide goods and services to others, provide jobs, and pay taxes. By this, each business does some good for society by its very business activity, as long as negative side effects of its operations do not outbalance its positive contributions. Economic theory emphasizes the systemic effects of a market economy: Assuming that all individuals act as self-interested rational utility maximizers and all firms maximize their gain, the social result of the market is optimal. More precisely, under certain conditions, market equilibria are Pareto efficient (Arrow 1951; Debreu 1959). Overall, a competitive market economy is considered to be a good economic conception because it results in certain positive societal outcomes: individual opportunities and freedom of choice, efficient allocation of resources, innovation, economic growth, and increase in overall welfare (see, e.g., Friedman 1970).

The above views of the market economy are based on crucial assumptions. The economic actor is considered to be a self-interested rational utility maximizer, and this completely motivates his actions and decisions (Mas-Colell et al. 1995, pp. 3–16), which has received numerous philosophical, ethical, and methodological critique (see, e.g., Hargreaves-Heap 1989; Staveren 2001: Chap. 1). Markets are typically assumed to be perfectly competitive (Roberts 1987). Assumptions include that everyone has equal power and abilities to participate, free access, and full information and that rules, which guarantee a perfectly competitive market, are established and strictly enforced. However, in a global, complex economy, we see large asymmetries in power, abilities, and market access, lack of regulation and regulation enforcement, and external effects. Also, future generations and natural entities cannot directly participate in current market activities, but are substantially affected by them. In the sustainability context, thus, the traditional ethical underpinning of the market economy is oversimplified and falls short (Becker 2011, 12f). A sustainable economy needs a new ethical underpinning and a new concept of the economic actor within.

A *sustainable economy* requires broader concepts of individual and overall welfare: In a sustainable economy the striving for individual well-being, gains, or utility would support (or at least not compromise) overall welfare of contemporaries around the world, welfare of future generations, and the well-being of nature and non-human beings. At the same time, a sustainability economy requires individual actors who act not merely as self-interested rational utility maximizers, but as sustainable persons who reflect their economic interests against the backdrop of the sustainability context (Becker 2012, 98ff). Sustainability requires economic actors who care about, and assume responsibilities for, the global, environmental, and future effects of their activities. Sustainable business requires leaders and managers who understand themselves as sustainable persons and develop

sustainability virtues that motivate and enable them to ethically consider other contemporaries, future generations, and nature.

Sustainability Virtues as Crucial Completion of Traditional Business Virtues to Enable Sustainable Business

Virtues are excellent, durable character traits that a person develops over time through (inter)action, reflection, and experience in a well-defined societal context and that enable a person to interact with others in an exemplary way (MacIntyre 1981: Chap. 14; Solomon 1992, p. 192). The field of virtue ethics studies virtues and provides theoretical frameworks for the definition of human excellence (MacIntyre 1981; Crisp and Slote 1997; Hursthouse 1999; Darwall 2002). Virtues particularly matter for business contexts. Personal identity, character, and virtues are important factors for business interactions and individual professional success; on the other hand, business activities and business contexts contribute to the development of personal self-identity and excellence. Already Aristotle ([Pol]1905, [EN]2000) prominently discusses virtues related to the management of the household (*oikonomia*). He considers various virtues such as justice and prudence to be crucial for the household manager to lead the household (EN 1140b 10), and a main task of household management is to ensure that the members develop virtues and act according to them (Pol 1259b 19ff). However, for Aristotle, the ultimate reference point for a virtuous and happy life is not the economy in isolation, but the society of which it is part (Pol 1260b 15–30). Aristotle's thought has been influential to recent contributions. Solomon (1992), for instance, discusses modern business virtues by an Aristotelian approach and identifies specific business virtues, such as "honesty, fairness, trust, and toughness" (ibid. 207ff), as crucial for individuals to perform in exemplary ways in modern business contexts. What virtues are relevant in modern business depends to some extent on the specific role of the actor. For instance, toughness is a crucial virtue of a negotiator (Solomon 1992), attentiveness is important for a service person, trustworthiness and integrity are core professional virtues of an accountant (Duska et al. 2011, p. 66, 84ff), loyalty is a virtue of an employee, and courage, care, fairness, and responsibility may be considered important leadership virtues. McCloskey (2006) discusses the fundamental long-term interrelation between some general "bourgeois virtues" and capitalism. She argues that certain virtues, such as "prudence, temperance, justice, courage, trust, love, faith, and hope" (ibid. 66, 507f), have been crucial in the development of the capitalist market economy.

However, with regard to sustainability, business virtues require some further consideration. Current and future businesses face new ethical challenges that result from the increasing complexity and the increasing global and long-term impacts of economic activities (section "The Economic Challenge of Sustainability and Its Ethical Aspects"). Traditional business virtues may still be important but need to be complemented by sustainability virtues that enable actors to address the new ethical

challenges of business. As a normative concept, sustainability implies a concept of human excellence as sustainable persons with sustainability virtues, who develop their relationship to other contemporaries, future generations, and nature in an excellent way (section "Sustainability Ethics and Virtues"). Business virtues need to be expanded by sustainability virtues to contribute to this concept of human excellence under the conditions of the specific activities and goals of business in the context of today's global economy. Business actors need sustainability virtues, such as attentiveness, receptiveness, care, responsibility, and respect, to relate in an excellent way to local, global, and future stakeholders, manage in an excellent way the global and long-term effects of their business activities, and deal with the global complexities and various societal implications of their supply chains and product life cycles. Sustainable persons as business leaders have the attentiveness and receptiveness to understand all societal implications of the business activities and treat all persons directly or indirectly involved in the business activities with respect and care.

The complex global character of modern business activities is a particular challenge for realizing a sustainable business. Global business relations and business effects can be very indirect or hidden in the complexity of the supply chains or product life cycles. Often managers have been unaware of, or have neglected, ethical problems of its business further down the supply chain or product life cycle. Examples include, for instance, the use of conflict minerals (GAO 2013), environmentally destructive cotton production (WWF 1999) and ethically unacceptable sweatshop conditions in the supply chain of the clothing industry (Rosen 2002), child slave labor in the cocoa production for the chocolate industry (Off 2008), or e-waste issues resulting at the end of the life cycle of electronic products (Grossman 2007). Business leaders with sustainability virtues are attentive to the possibility of such issues, actively and systematically analyze their own business activities with regard to sustainability ethics, and take care of all stakeholders involved in the sustainability context of its business operations.

There are many positive examples of sustainable businesses, driven by sustainable actors with sustainability virtues, which have been economically very successful. Fair trade businesses, for instance, emphasize the development of ethically excellent relationships with their global stakeholders in the supply chain. They are attentive and receptive of the values and needs of their partners, and the business relation is built on principles of respect, participation, and empowerment. A particular focus is on the partner's ability to develop social and environmental welfare, as well as own sustainability potential (Raynolds et al. 2007). Best practice cases of sustainable business are often the result of sustainability leadership of the founders, owners, or individual managers and are driven by individual ethics. They care about the relationships with all people involved in and are affected by their business not just with regard to minimum standards but with regard to the creation of opportunities for all stakeholders to develop human excellence and life well. They are receptive to the needs, wants, and values of global stakeholders and support empowerment, rather than exploit the lack of regulation or power asymmetries for their (short-run) advantage.

The Relevance of Sustainability Ethics for Developing a Sustainable Economy and Sustainable Business

Sustainability ethics provides a theoretically and practically important contribution to the development of a sustainable economy and sustainable business. Sustainability ethics fills a theoretical gap regarding (i) the conceptualization of the human actor in a sustainable economy and (ii) the normative framework against which we evaluate the overall societal effects of the economy.

(i) Sustainability ethics provides a concept of individual ethical motivation for sustainable economic actions. Sustainability ethics considers an "enlightened self-interest and economic rationality": The sustainable person acts sustainably because this is part of his or her self-identity and contributes to his or her excellence (Becker 2012). At the same time, acting according to sustainability virtues is economically rational, as the sustainable person considers the fundamental, long-term mutual benefits of sustainable economic activities for all sustainability partners and himself or herself. The concept of the economic actor as sustainable person is in contrast to the traditional model of the self-interested rational utility maximizer, by which it is difficult to explain why economic actors would systematically act sustainably and relate to other contemporaries, future generations, and nature (Becker 2011, 2012).

Sustainability ethics conceptualizes a motivation for sustainable actions that is not merely theoretically driven, but integral part of personal identity, and combines emotional and rational elements (Aristotle [Pol]1905; Hursthouse 1999, p. 16). Sustainability virtues, such as attentiveness or care, are partly based on emotional abilities, such as empathy, which are transformed by practical wisdom into virtue (Becker 2012). This makes sustainability ethics a particularly context-related type of relational ethics, which is crucial for sustainable business practices. Responsibilities and care are specific and different with regard to the various stakeholders of a business in the sustainability context and attentiveness to the specifics of the context matter. Abstract ethical principles or ethical calculus, which, e.g., Kantian ethics (Kant [1785]1998, [1788]1997) or utilitarianism (Mill [1871]1998) emphasizes, cannot properly be contextualized and actualized in the diverse sustainability context of global business activities without personal abilities to do so, such as practical wisdom and sustainability virtues.

Sustainability ethics provides a concept of positive, proactive ethical motivation for sustainable action. This supports a bottom-up approach to a sustainable economy, in which businesses and economic actors are inherently motivated to act sustainably. This is in contrast to other approaches, e.g., rule-based or compliance-based approaches, which are often reactive to specific problems and tend to frame a seemingly conflict between business and sustainability. Moreover, rules and regulations are not sufficiently context sensitive to the diverse global sustainability context (compared to individual actors driven by sustainability ethics) and are implemented as top-down approaches, which do

not support inherent personal ethical motivation and are difficult to enforce in a global context.

(ii) Important contributions in the history of economic thought and political philosophy have always aimed at normative frameworks for the economy, at reflections on the question of how the economy needs to be designed to contribute to some greater good and play a positive role for society (Aristotle [Pol]1905; Smith [1776]2000). The normative framework that supports the modern market economy combines a specific concept of individual freedom with a specific idea of social welfare, i.e., Pareto efficiency, innovation, and growth (section "The Economic Challenge of Sustainability and Its Ethical Aspects"). Other ethical and societal aspects, such as distributive justice, have not been part of the normative framework of the market economy, but have traditionally been addressed by political action and regulation in well-defined governance structures. However, in the sustainability context, issues of distributive justice are much more pressing and difficult, and traditional norms such as growth have become problematic. Also, many people around the world, future generations, and natural entities cannot adequately participate in the market economy, but have ethical claims. The traditional normative framework, thus, has become questionable. Sustainability ethics provides a new ethical framework for a sustainable economy based on broader concepts of individual well-being and overall welfare, including the welfare of contemporaries, future generations, and nature (Becker 2012).

The Role of Personal Experience and Societal Interaction for Developing Sustainability Virtues

Sustainability virtues for business actors require new modes of learning, education, and training. Virtues cannot be acquired theoretically (Aristotle [EN]2000; MacIntyre 1981; Becker 2012; York and Becker 2012), but need to be developed over time by personal experience and interaction in a societal context. Thus, for developing sustainability virtues, personal experience and interaction in the sustainability context is crucial. Sustainability virtues can be developed, for instance, through interaction with global stakeholders and personal experience of the global effects of a business and its products. Personal experience of local and global parts of the supply chain and personal investigation of the life cycle of the own products are excellent means for leaders and team members to develop sustainability virtues in relation to their own business activities. For instance, in order to develop virtues of attentiveness, receptiveness, care, respect, and responsibility regarding the sustainability context of respective businesses, it may be crucial to meet the farmers of cocoa or cotton production and experience the conditions of these production processes or to experience the conditions of e-waste recycling in less developed countries and to listen to the concerns of people in the communities involved. Such

personal experience can result in personal transformation and development of sustainability virtues and in a broader understanding of the societal framework of the entire business operations and its societal impacts (York and Becker 2012). Ideally, as a result, sustainable business leaders will transform business operations, supply chain relations, and life cycle effects in a way that results in a win-win situation for the business and the entire societal framework involved.

The long-term effects of business activities for future generations cannot be experienced personally in the same way, and we cannot communicate with future generations as we can with contemporary stakeholders. However, it is certainly possible to develop sustainability virtues of attentiveness and care with regard to future people to some extent by enlightened considerations based on discourses with younger persons and historical informed knowledge.

Although personal experience is crucial, theoretical education regarding complex economic sustainability contexts can also support the development of sustainability virtues. New fields that study the complex interrelation between business and sustainability contexts, and provide new conceptions for sustainable business practices, can foster a broader understanding of the role of business in the sustainability relations and train strategic thinking skills for sustainable business management. Relevant fields include, for instance, ecological economics (Costanza 1991; Common and Stagl 2005), industrial ecology, and sustainability design (McDonough and Braungart 2002; Graedel and Allenby 2010).

Conclusion

The need for sustainability ethics and sustainability virtues in business is a result of the development and current state of the economy, not an arbitrary and coincidental trend or societal demand. Societal frameworks and effects of business activities have become complex, global, and extended in time. Businesses face complex global supply chains, global and future stakeholders, and product life cycles that effect people and the environment around the world. Extended relations and impacts imply extended ethical relationships and responsibilities of business. The basic normative and ethical foundation of the modern economy does not fully reflect this. Traditional business virtues are also not sufficient for sustainable business practices.

Rules or abstract principles cannot fully address the ethical challenge of sustainability, neither can the market. There is the need for a contextual, relational ethics that inherently motivates individuals to act sustainably and relates to the diverse sustainability context of a business. Virtue ethics-based sustainability ethics provides theoretical and practical support for the development of sustainable business. Sustainability virtues motivate and enable actors to refer to the complex sustainability context and stakeholder relationships of their business activities in an exemplary way. Sustainability virtues enable the sustainable person to strive for individual excellence in connection with an enhancement of the welfare of all partners in the sustainability relationships.

References

Aristotle (1905) Politics (trans: Jowett B). Oxford University Press, Oxford

Aristotle (2000) Nicomachean ethics (trans & ed: Crisp R). Cambridge University Press, Cambridge

Arrow KJ (1951) An extension of the basic theorems of classical welfare economics. In: Neyman J (ed) Proceedings of the second Berkeley symposium on mathematical statistics and probability. University of California Press, Berkeley, pp 507–532

Becker C (2006) The human actor in ecological economics: philosophical approach and research perspectives. Ecol Econ 60:17–23

Becker C (2011) Foundations of business ethics. Considerations on the methodology of business ethics and the roles of philosophy and economics within. SSRN discussion paper. http://ssrn.com/abstract=1773174

Becker C (2012) Sustainability ethics and sustainability research. Springer, Dordrecht

Carroll AB (1991) The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. Bus Horiz 34(4):39–48

Common M, Stagl S (2005) Ecological economics. An introduction. Cambridge University Press, New York

Costanza R (ed) (1991) Ecological economics: the science and management of sustainability. Columbia University Press, New York

Crisp R, Slote M (eds) (1997) Virtue ethics. Oxford University Press, Oxford

Darwall SL (ed) (2002) Virtue ethics. Blackwell, Oxford

Debreu G (1959) Theory of value. An axiomatic analysis of economic equilibrium. Wiley, New York

Duska R, Duska BS, Ragatz J (2011) Accounting ethics, 2nd edn. Wiley-Blackwell, Malden

EC [European Council] (2006) EU sustainable development strategy. Council of the European Union, Brussels

Freeman E (2010) Strategic management: a stakeholder approach. Cambridge University Press, Cambridge

Friedman M (1970) The social responsibility of business is to increase its profits. New York Times Magazine, 13 Sept 1970, New York

GAO [U.S. Government Accountability Office] (2013) SEC conflict minerals rule. Information on responsible sourcing and companies affected. U.S. Government Accountability Office, Washington, DC

Graedel TE, Allenby BR (2010) Industrial ecology and sustainable engineering. Prentice Hall, Boston

Grossman E (2007) High tech trash: digital devices, hidden toxics, and human health, 2nd edn. Shearwater, Washington, DC

Hargreaves-Heap S (1989) Rationality in economics. Oxford University Press, Oxford

Hursthouse R (1999) On virtue ethics. Oxford University Press, New York

IPCC [Intergovernmental Panel on Climate Change] (2007) Climate change 2007: synthesis report. IPCC, Geneva

Jager W, Janssen MA (eds) (2000) The human actor in ecological-economic models. Special Issue. Ecol Econ 35:307–418

Jonas H (1974) Philosophical essays: from ancient creed to technological man. Prentice Hall, Englewood Cliffs

Kant I [1785] (1998) Groundwork of the metaphysics of morals (trans & ed: Gregor M). Cambridge University Press, New York

Kant I [1788] (1997) Critique of practical reason (trans & ed: Gregor M). Cambridge University Press, New York

MacIntyre A (1981) After virtue. A study in moral theory. University of Notre Dame Press, Notre Dame

Mas-Colell A, Whinston MD, Green JR (1995) Microeconomic theory. Oxford University Press, New York

McCloskey D (2006) The Bourgeois virtues. Ethics for an age of commerce. University of Chicago Press, Chicago

McDonough W, Braungart M (2002) Cradle to cradle: remaking the way we make things. North Point Press, New York

MEA [Millennium Ecosystem Assessment] (2005) Ecosystems and human well-being: synthesis. Island Press, Washington, DC

Mill JS [1871] (1998) Utilitarianism. Oxford University Press, Oxford

Newton LH (2003) Ethics and sustainability. Sustainable development and the moral life. Prentice Hall, Upper Saddle River

Norton BG (2005) Sustainability. A philosophy of adaptive ecosystem management. Chicago University Press, Chicago

Off C (2008) Bitter chocolate: the dark side of the world's most seductive sweet. The New Press, New York

Ott K, Doering R (2011) Theorie und Praxis starker Nachhaltigkeit, 3rd edn. Metropolis, Marburg

PRC [People's Republic of China] (2012) The people's republic of China national report on sustainable development. Permanent Mission of the People's Republic of China to the UN, New York

Raffaelle R, Robinson W, Selinger E (2010) Sustainability ethics. 5 questions. Automatic Press, Copenhagen

Raynolds L, Murray D, Wilkinson J (2007) Fair trade: the challenges of transforming globalization. Routledge, New York

Roberts J (1987) Perfectly and imperfectly competitive markets. In: Eatwell J, Milgate M, Newman P (eds) The new Palgrave. A dictionary of economics, vol 3. Palgrave, New York, pp 837–841

Rosen EI (2002) Making sweatshops: the globalization of the U.S. apparel industry. University of California Press, Berkeley

Siebenhuener B (2000) Homo sustinens – towards a new conception of humans for the science of sustainability. Ecol Econ 32:15–25

Simpson J, Weiner E (eds) (1989) The Oxford english dictionary, 2nd edn. Oxford University Press, Oxford

Smith A [1776] (2000) The wealth of nations. Random House, New York

Solomon R (1992) Ethics and excellence. Cooperation and integrity in business. Oxford University Press, New York

UN [United Nations] (1992) Agenda 21. United Nations, New York

UN [United Nations] (2000) United Nations Millennium Declaration, General Assembly resolution 55/2 of 8 Sept 2000. United Nations, New York

UN [United Nations] (2002) Johannesburg declaration on sustainable development. In: Report of the world summit on sustainable development. United Nations, New York, pp 1–5

UNEP [United Nations Environment Programme] (2007) Global environment outlook (GEO-4). Environment for development. United Nations Environment Programme, Nairobi

UNEP [United Nations Environment Programme] (2012) Global environment outlook (GEO-5). Environment for the future we want. United Nations Environment Programme, Nairobi

van Staveren I (2001) The values of economics. An Aristotelian perspective. Routledge, New York

WCED [World Commission on Environment and Development] (1987) Our common future. Oxford University Press, Oxford

WWF [World Wildlife Fund] (1999) The impact of cotton on fresh water resources and ecosystems. A preliminary synthesis. Background paper

York T, Becker C (2012) Cultivating an ethic of environmental sustainability. Integrating insights from Aristotelian virtue ethics and pragmatist cognitive development theory. J Coll Character 13(4):1–12

Management Approach: The Virtuous Corporation as a Moral Agent for Sustainable Development

Pasi Heikkurinen

Contents

Abstract

This chapter examines the corporation as a moral agent for sustainable development. While sustainable development in business organizations can be argued from utility- and duty-based ethical theories, it is suggested that virtue-based ethics is needed to develop a moral agency for sustainable development, as it focuses on the organizational character. In addition, it is proposed that the biosphere (the global sum of all ecosystems) is accepted as the ultimate principal for all planetary agents to avoid an anthropocentric and only inward-looking position typical for ethical theories. Thus, a business organization can work as a nexus for virtue and develop a moral agency that contributes to the well-being of the biosphere and all of its members.

Keywords

Virtue • Corporation • Organization • Business ethics • Agent • Agency • Principal • Structure • Biosphere • Ecosophy

P. Heikkurinen (✉)
Sustainability Research Institute, University of Leeds, Leeds, UK
e-mail: p.heikkurinen@leeds.ac.uk

Introduction

Humanity is on the edge (Brown 2011), as current development has pushed, and continues pushing us over the safe operating space on the planet. According to Rockström et al. (2009), the transgression of planetary boundaries may trigger nonlinear, abrupt environmental change with catastrophic consequences. The worst-case scenario is a sixth mass extinction and the subsequent collapse of human civilization (Barnosky et al. 2011). To avoid such a tragedy, we need development that does not endanger existence but sustains and embraces it.

In this quest for more desirable development, the UN's Brundtland Commission made famous the concept of *sustainable development*. The report has been rightly criticized (see e.g., Hueting 1990; Lele 1991). Besides ignoring the needs of the nonhuman world, it reinforces the false assumption that economic development is a necessity for solving environmental problems. In so doing, the report falls short of identifying the root causes of unsustainable development, namely, the expansion of human needs and economic activity (Heikkurinen and Bonnedahl 2013). Nevertheless, while there are clear inadequacies in the report, it importantly legitimized the so-called spatial and temporal dimensions in the sustainability debate. *Spatial sustainability* refers to meeting the needs of the present generations in different places (or spaces) so that overriding priority is given to the essential needs of the world's poorest people. This spatial sustainability can be extended to cover all beings, not merely humans, to avoid the critique toward anthropocentrism. (According to the Merriam-Webster online dictionary, anthropocentric refers to (1) "considering human beings as the most significant entity of the universe" and/or (2) "interpreting or regarding the world in terms of human values and experiences.") *Temporal sustainability* refers to sustainable development in time. What this means is that if we are to ensure that future generations can meet their own needs, we have to start conserving natural resources and fostering the vitality of our planet's ecological processes. Since human labor, technology, and economics are no substitute for these resources and processes (Daly 1996), temporal sustainability goes well together with non-anthropocentric spatial sustainability.

In practice, if we are to achieve development that can be sustained, we humans must adapt the nature of our activities to the carrying capacity of the planet and start caring for beings in need (in both time and space). Moreover, given our dependency on highly complex ecological processes that lie beyond current scientific understanding, the caring cannot be limited to the humans but must also include the animal, vegetable, and mineral kingdoms. Thus, any development ought to proceed with precaution so that we do not destabilize the delicate balance of the biosphere, the global sum of all ecosystems.

This rationale has profound implications for every human actor, as it leads us to conclude that the current state of affairs is unacceptably unsustainable, and we must therefore radically change. The present chapter argues that sustaining and embracing the diversity of all life forms should not be seen only through its utility for mankind (utility-based ethics) but also as a moral duty (duty-based ethics) and,

most importantly, an activity that a virtuous character does (virtue-based ethics). Becoming a virtuous moral agent for sustainable development is not merely a possibility for business practitioners but also an ethical necessity in the midst of ecological and humanitarian turmoil.

Organization as a Moral Character

In recent decades, we have witnessed an increase in the presence and power of corporate actors (Coghlan and MacKenzie 2011). This restructuring of societal life has come to mean that business managers have put themselves into a position where they are acting as significant agents for development, whether this will be sustainable or unsustainable. Attempting to sustain and embrace all forms of life in time and space is not a modest responsibility and should not therefore be left to the vagaries of the market and corporate actors (Heikkurinen 2013). However, given the current powerful position of business organizations in relation to our futures, it is very meaningful to examine the moral character of the corporation in detail.

While some authors deny the moral character of the corporation, others perceive the business organization as a moral character (French 1979; Collier 1995) and that "it is both meaningful and efficacious to ascribe the competency for conscious and intentional behavior to organizations" (Pruzan 2001, p. 271). After all, business organizations do consist of humans who have morality as an inherent characteristic. So, as well as having values, actions, and strategies, corporations can also have moral responsibilities (Goodpaster and Matthews 2003). This implies that an organization, as a collectivity, can possess competencies normally attributed to individuals, i.e., to reflect, evaluate, learn, and make considered choices (Pruzan 2001). Pruzan (2001, p. 277) explains further:

> It is a common experience than when individuals, each with their own values, preferences and expectations, meet to decide on matters of importance to an organization they belong to and for which they feel a sense of responsibility, a new, implicit – and shared – value can develop amongst the participants. This shared value which emerges in the group is to serve the organization – to reinforce both its identity and the sense of responsibility they have with respect to the organization as a whole – and to arrive at decisions which are acceptable for all the participants.

Thus, according to Moore (1999, p. 341), "the issue becomes whether we can speak only of the moral character of individuals within the context of organizations or whether, *in addition,* we can speak of the moral character of the organisation as a whole." In other words, the idea of moral character denotes an organization's ability to make moral choices. Which choices are then made and how the decisions are reached arguably depend on the organizational character at issue. And what is important here is that by accepting the idea of organizational moral character, we are able to discuss the moral agency of the corporation.

Moral Agency of the Corporation

Research on corporate moral agency connects to two important streams of research, namely, *structure–agency* and *principal–agent* debates. The first is concerned on a broad debate on structure versus agency that attempts to explain why organizations act in a specific manner. At one extreme, a group of scholars claim that structure (for instance, societal institutions) determines organizational behavior, while the other extreme posits that organizations are independent and free to act in any manner they wish. The middle ground here would be to say that while agents have a degree of autonomy, they are also constrained by the structures in which they are embedded.

At a first glance, this notion might appear slightly trivial and then seem somewhat paradoxical, but lastly it somehow ends up feeling intuitively pleasing. The reason for this can be found, for instance, in the following thought: if agents are not treated as one homogeneous group, the paradox starts to evaporate. So, it is suggested that an all-encompassing view on how agents act in relation to structures is and will not be available to us. There is no single type of agency that shapes organizational behavior or is being shaped by structures. Thus, we need to carefully study agents in relation to different sorts of structures, as agents differ in how they act in relation to them. This means that the *structure–agency problem* is not an either/or question but more nuanced. Agency and structure are hence considered as complementary rather than opposing forces (Bourdieu 1977). Structure influences human behavior, while humans are also capable of changing the social structures in which they are embedded (Giddens 1984).

Another stream of research has approached the question of moral agency from another point of view. In explaining organizational behavior, agents have been examined in relation to their principals. This *principal–agent problem* explores, e.g., whose interests the agents are serving. Typically, in organization and management studies, the so-called agency theory has been applied between corporate managers (agents) and corporate shareholders (principals) (for a review see Eisenhardt 1989). The realization that managers (agents) do not always act in line with the desires of shareholders (principals) was significant for the field of management science. It meant that academic scholars needed to find better ways to enable the owning class (principals) to keep track of and control the agents (managers and employees) for their purposes. Nevertheless, what is important here is the discovery that agency is not limited to considering shareholders as the only principals. Modern actors are, on the contrary, authorized agents for various interests (Meyer and Jepperson 2000). And if we consider organization as the agent, then we can regard its principals to basically be anything whose interests the agent serves. This leads us to assume that agents can in fact have many principals. These can be individuals and/or groups of beings, even imaginary friends. Which objects are then chosen as the principals is a question of organizational politics, but importantly also influenced by the worldview of managers.

Biosphere as the Principal and Structure for the Agent

In sustainable development, overriding priority is given to the vital needs of the world's most disadvantaged beings, as well as the needs of future beings. Thus, for an organizational agent aiming at sustainable development, the principals are the current and future beings combined. It is not of great significance what the entity of metaphysical life should be referred to as (be it the universe, prana, god, web of life, or another similar term), but what is important is to acknowledge, respect, and protect the entity that enables physical, material life on this planet. While the significance of the sun and other objects in outer space should be acknowledged, the emphasis in the search for sustainable development is still meaningful to keep on the current and future inhabitants of the Earth. The principal of highest rank is then the ecological entity on the planet, the biosphere.

The international scientific community has never been as unanimous that climate change is largely anthropogenic. This means that organized human actions have had an effect on the balance of the biosphere. In the light of scientific knowledge, we also know that our actions have led to the collapse of ecosystems, which may lead to the next mass extinction, in which over 75 % of the species may be lost (Barnosky et al. 2011). In such a worst-case scenario, it is no longer meaningful to discuss the needs of the current and future beings. Assuming that we are to survive the extinction wave, the primitive search for food and shelter will become an intrinsic part of everyday life.

In any case, it is fair to suggest that the biosphere is the ultimate structure and principal for all agents on the planet Earth. Ecosystems (that together comprise the biosphere) form *the* structure in which all humans and organizations are embedded. This ecosystemic structure holds material life and existence together on our planet. Thus, if we are to sustain existence and foster life within the biosphere, it is reasonable to conclude that the biosphere is also *the* principal. For organization and management studies, the biosphere as the ultimate principal means that radically new ways of organizing economic activities must be found. This needed change, however, necessitates the development of a type of moral character. Normative ethical theories may help us in this task.

Normative Ethical Theories and Sustainable Development

Normative ethical theories analyze and suggest to us what is a morally sound way of acting in a specific situation. These theories study the norms in ethics and attempt to answer the question of what is right or wrong. There are three main normative ethical theories that express on a rather generic level why certain actions are more desirable than others. These theories are utility-based, duty-based, and virtue-based ethics. For sustainable development in business organizations, each of them offers a different kind of rationale for engaging in sustainability.

Utility-based ethics: sustainability as a utility. Utility-based ethics considers that the consequences of an act are morally significant. The most famous utilitarian ethicists are Jeremy Bentham, John Stuart Mill, and Henry Sidgwick. According to these scholars, an act is morally sound if it produces the maximum amount of overall utility for the general good. Utility-based analysis weighs between the utility and harm produced by an act and then advises choosing the least harm and maximum utility. In Mill's book *Utilitarianism* (1861), utility becomes translated into happiness, pleasure, and an absence of pain. In economics and management science, the tool for conducting such evaluations is cost–benefit analysis. This analysis typically assigns a monetary value to all things, be they humans or nonhuman objects. The strength of utility-based ethics is that if offers a generic principle for all ethical problems, but it also has many major weaknesses. On the ontological level, the problem is that utility-based ethics reduces thinking and actions to consider all objects as means or instruments for something else. However, we humans often also give intrinsic value to others and ourselves. An epistemological problem again is that we never know the outcomes of our actions in advance. So, how are we supposed to conduct an analysis without such knowledge? This leads us to a methodological problem of utility-based ethics. It assumes that we are able (and willing) to assign a value to all beings and objects and be able to estimate the utility for the general good. However, because we are often unable to do this in practice, the ethics can easily lead to egoistic ethics, in which a person or an organization considers the overall utility as a synonym for personal utility (Ketola 2008a). Furthermore, thinking only about the utility of objects can lead to intuitively rather repulsive mental models, such as killing 50 now to save 100 later. But be that as it may, in the context of sustainable development, utility-based ethics could suggest that an organization should act sustainably, because sustainable action has higher utility for humanity than unsustainable action. This position could be described as "sustainability as a utility."

Duty-based ethics: sustainability as a duty. Since in utility-based ethics the motives of the actor do not matter, we should complement our inquiry for sustainable development with duty-based ethics. The founding father of this school of thought was Immanuel Kant. Contrary to utility-based ethics, in which moral goodness is dependent on the utility an act can deliver, duty-based ethics puts the intention and motives of an act on center stage. The motives are important, because if an organization merely attempts to match its good deeds with the available utility, it ends up delivering as little goodness as possible. In other words, the utilitarian rationale leads us to a situation where only the minimum amount of a moral act is practiced. And assuming that such a calculation was possible, when the utility is no longer available, good deeds would no longer be done. To put this problem in the context of sustainable development, preserving and fostering the existence of life would stop when utility for humans was no longer delivered. Hence, to avoid these problems of the utilitarian mind, duty-based ethics offers a tool for thought, namely, the categorical imperative. In *Groundwork of the Metaphysics of Morals*, Kant (1785) put forward the basic premise of the imperative, which is to "Act only on that maxim through which you can at the same time will that it should become a

universal law" (Kant 1785/2009, p. 30). The categorical imperative also proposes that a person should act in a manner in which one treats humanity not only as means but also as ends in itself. In other words, the main idea is to form principles for action that create a duty for the agent and hold in every situation. An individual can arrive at such a principle by thinking rationally whether the principle could be a universal law. Morality is thus not a mechanical calculus exercise on the pros and cons for different people in different situations, but the duty of an agent that is based on predetermined obligations and rules. While this view on ethics provides an important supplement to our moral inquiry for sustainability, it falls short on some aspects. For instance, as duty ethics emphasizes rationality, emotions are left outside the moral decision-making. Yet, they are a key part of being human. Also, one could ask: is not the development of a moral character more important than the rules and guidelines that obligate the agent? In any case, in the context of sustainable development, duty-based ethics importantly suggests that an organization should always act sustainably because it is its duty, as the principle of sustainable actions meets the requirement of the categorical imperative. This position could be described as "sustainability as a duty."

Virtue-based ethics: sustainability as a virtue. Duty-based ethics, which emphasizes motives (ethical input), is complementary to utility-based ethics, which emphasizes consequences (ethical output). In between lies virtue-based ethics, which places emphasis on the development of an agent's character (ethical process). According to Ketola (2008a, p. 422), the ethics of virtue originate from the works of "Socrates, Plato and particularly Aristotle" (384–322 BC). This approach to morality gives priority to neither good motives nor good consequences but considers both of them to be connected to a virtuous character. The analysis is focused on determining what kind of character an organization has if we consider its whole life cycle. Thus, central to the virtue theory are not the guidelines or utility of a single act but a good life overall. In *Nicomachean Ethics*, Aristotle (348 BC/1999) "describes a virtue as an attitude that makes people good and helps them do their work well" (Ketola 2008a, p. 422). The same idea could be applied to collectives such as organizations, such that virtue makes organizations morally good and helps them in their practices. Furthermore, for Aristotle, "virtue is a middle road between two evils" (Ketola 2008b, p. 76), in which rationality and emotion work together in harmony. The main challenge of virtue-based ethics is its abstractedness and difficulty. It is rather challenging for many organizations to develop a virtuous character if they have nurtured the psychopathic side of their persona (see Ketola 2008b). However, it is worth a try, as such a character is never unachievable. And in the context of sustainable development, the attempt can even be considered as a necessity. In our quest for a livable planet, virtue-based ethics suggests that an organization should act sustainably because sustainability is a virtue. The two evils between which sustainability could be positioned are *extreme extravagancy and affluence*, which is achieved through continuous socioeconomic activity that leads to the maximal use of resources and stress on ecosystems, and *extreme scarcity and poverty*, which is achieved through refraining from any socioeconomic activity and the liquidation of one's own life in order to achieve

Table 1 Normative ethical theories for sustainable development in corporations

Utility-based ethics	Duty-based ethics	Virtue-based ethics
It is beneficial that corporations act in line with sustainable development	It is a corporate duty to act in line with sustainable development	A virtuous corporation acts in line with sustainable development
"Sustainability as a utility"	"Sustainability as a duty"	"Sustainability as a virtue"

the minimal use of resources and stress on ecosystems. A close virtue to sustainability could also be sufficiency (Table 1).

There is an ontological, collective deficiency in all three normative ethical theories. They are all anthropocentric. The theories consider humans as the most significant object in the universe and interpret the world as if all humans would agree to perceived life only through human experience and value. In the quest for sustainable development, where we seek development that does not endanger existence but sustains and embraces it in all its forms, we need to extend utility-, duty-, and virtue-based ethics to also cover nonhuman existence. This is not, however, a problem, as many biocentric authors, such as the philosopher Arne Naess, have worked with this issue for decades (for organization and management studies, see Ketola 2010; Heikkurinen et al. 2016). To avoid the trap of anthropocentrism, Naess, in his book *Ecology, community and lifestyle* (1989), provides an outline of an ecosophy that gives inherent worth to all living beings, regardless of their instrumental utility for human needs. However, such broadened egalitarianism only works only in principle. This is because "any realistic praxis necessitates some killing, exploitation, and suppression" (Naess 1989/2001, p. 28). Moreover, Naess (ibid) explains biospherical egalitarianism as follows:

> The ecological field worker acquires a deep-seated respect, even veneration, for ways and forms of life. He reaches an understanding from within, a kind of understanding that others reserve for fellow men and for a narrow selection of ways and forms of life. To the ecological field worker, *the equal right to live and blossom* is an intuitively clear and obvious value axiom. Its restriction to human is an anthropocentrism with detrimental effects upon the life quality of humans themselves. This quality depends in part upon the deep pleasure and satisfaction we receive from close partnership with other forms of life. The attempt to ignore our dependence and to establish a master–slave role has contributed to the alienation of man from himself.

In other words, and perhaps somewhat paradoxically, we humans may become forced to leave still largely prevailing anthropocentric premises behind in order to save our species while not destroying others. In practice, this would firstly mean recognizing the agent's place within the complex biosphere. This has a fundamental message for structure–agency problematization, as it forces us to admit the hierarchical relationship between the biosphere (structure) and organization (agent). An agent (a human organization) cannot exist without the structure (the biosphere), but the structure surely can exist without the agent. If we assume the biosphere not only as a structure but also as the ultimate principal, then we could say that the principal

(the biosphere) might even be better off without the agent (a human organization), as it does not act in line with the interests of the principal. To respect the structures and the principal, we need an agent-focused approach to the virtuous corporation.

Conclusion

While utility and motive-based ethics are surely important in the pursuit of sustainable development, virtue-based ethics offers solid groundings for a moral agency to develop because of its focus on the character itself (Ketola 2008a). Slote (1997, p. 240) distinguishes virtue-based ethics, which focuses more on virtuous characters and their traits, from more agent-focused theories that "treat the moral or ethical status of actions as entirely derivate from independent and fundamental ethical/aretaic facts (or claims) about the motives, dispositions, or inner life of the individuals who perform them." Such an agent-focused approach to virtue is well suited to the challenge of sustainable development, as (a) sustainability is largely defined by the external environment of the agent and (b) the biosphere is the ultimate principal of all agents on the planet. An approach to virtue-based ethics that places special emphasis on the development of non-anthropocentric moral character (e.g., Ketola 2010) makes it an excellent platform to analyze organized economic activity in relation to the natural environment. Business organizations can now "create environments that can either favor or hinder the personal development of workers" (Fontrodona et al. 2013, p. 563), as well the moral development of the organization as a collective of humans (Ketola 2010) and nonhuman beings.

Even though sustainable development can be argued from utility- and duty-based ethical theories, it is suggested that virtue-based ethics with an agent-focused twist is well suited to the challenge of sustainable development. The idea of virtue offers an important lens to examine the moral development of organizational character, while the notion of agency directs the inquiry to include the biosphere as the ultimate principal.

References

Aristotle (348 BC) Ἠθικά Νικομάχεια (trans: Irwin T) (1999) Nicomachean ethics. Hackett Publishing, Indianapolis

Barnosky AD, Matzke N, Tomiya S, Wogan GOU, Swartz B, Quental TB, Marshall C, McGuire JL, Lindsey EL, Maguire KC, Mersey B, Ferrer EA (2011) Has the Earth's sixth mass extinction already arrived? Nature 471:51–57

Bourdieu P (1977) Outline of a theory of practice. Cambridge University Press, Cambridge

Brown LR (2011) World on the edge. How to prevent environmental and economic collapse. WW Norton, New York

Coghlan A, MacKenzie D (2011) The hard core of power. New Sci 212:8–9

Collier J (1995) The virtuous organization. Bus Ethics 4:143–149

Daly HE (1996) Beyond growth. Beacon, Boston

Eisenhardt KM (1989) Agency theory: an assessment and review. Acad Manage Rev 14:57–74

Fontrodona J, Sison AJG, de Bruin B (2013) Editorial introduction: putting virtues into practice. A challenge for business and organizations. J Bus Ethics 113:563–565

French PA (1979) The corporate as a moral person. Am Philos Q 16:207–215

Giddens A (1984) The constitution of society: outline of the theory of structuration. Polity Press, Cambridge

Goodpaster KE, Matthews JB (2003) Can a corporation have a conscience. In: Harvard business review on corporate social responsibility. Harvard Business School Publishing, Boston

Heikkurinen P (2013) Reframing strategic corporate responsibility: from economic instrumentalism and stakeholder thinking to awareness and sustainable development. Doctoral dissertation, Aalto University, Helsinki

Heikkurinen P, Bonnedahl KJ (2013) Corporate responsibility for sustainable development: a review and conceptual comparison of market- and stakeholder-oriented strategies. J Clean Prod 43:191–198

Heikkurinen P, Rinkinen J, Järvensivu T, Wilén K, Ruuska T (2015) Organising in the Anthropocene: an ontological outline for ecocentric theorising. J Clean Prod 113:705–714

Hueting R (1990) The Brundtland report: a matter of conflicting goals. Ecol Econ 2:109–117

Kant I (1785) Grundlegung zur Metaphysik der Sitten (trans: English by Paton HJ) (2009) Groundwork of the metaphysics of morals. HarperCollins Publishers, New York

Ketola T (2008a) A holistic corporate responsibility model: integrating values, discourses and actions. J Bus Ethics 80:419–435

Ketola T (2008b) From psychopaths to responsible corporation: waking up the inner sleeping beauty of companies. Nova Science Publications, New York

Ketola T (2010) Five leaps to corporate sustainability through a corporate responsibility portfolio matrix. Corp Soc Responsib Environ Manag 17:320–336

Lele SM (1991) Sustainable development: a critical review. World Dev 19:607–621

Meyer JW, Jepperson RL (2000) The "actors" of modern society: the cultural construction of social agency. Sociol Theory 18:100–120

Mill JS (1861) Utilitarianism (trans: Finnish by Saastamoinen K, Sajama S, Järvenpää M) (2000) Utilitarismi. Gaudeamus, Helsinki

Moore G (1999) Corporate moral agency: review and implications. J Bus Ethics 21:329–343

Naess A (1989) Økologi, samfunn og livsstil utkast til en økosofi (trans: English by Rothenburg D) (2001) Ecology, community and lifestyle: outline of an ecosophy. Cambridge University Press, Cambridge

Pruzan P (2001) The question of organizational consciousness: can organizations have values, virtues and visions? J Bus Ethics 29:271–284

Rockström J, Steffen W, Noone K, Persson Å, Chapin FS, Lambin EF, Lenton TM, Scheffer M, Folke C, Schellnhuber HJ, Nykvist B, de Wit CA, Hughes T, van der Leeuw S, Rodhe H, Sörlin S, Snyder PK, Costanza R, Svedin U, Falkenmark M, Karlberg L, Corell RW, Fabry VJ, Hansen J, Walker B, Liverman D, Richardson K, Crutzen P, Foley JA (2009) A safe operating space for humanity. Nature 461:472–475

Slote M (1997) Agent-based virtue ethics. In: Crisp R, Slote M (eds) Virtue ethics. Oxford University Press, Oxford

Leadership Approach: Removing Psychological Barriers to Virtuous Sustainable Development

Tarja Ketola

Contents

Abstract

Companies have a tendency to hide behind psychological defenses whenever the sustainability of their behavior is questioned. They may use four different kinds of defenses: refusals, excuses, justifications, and/or concessions. In refusals, companies do not admit net harm caused by unsustainable behavior and do not admit responsibility for it. In excuses, they admit net harm but do not admit responsibility. In justifications, they do not admit net harm but admit responsibility. In concessions, companies admit both net harm and responsibility for it. Often, a stakeholder's accusation of corporate unsustainable behavior leads to a long, vicious circle of defenses from refusals through excuses to justifications, before the company is prepared to concede by sublimation.

It is possible to cut short the vicious circle by removing the psychological barriers to sustainable development with the help of virtue ethics. Companies can adopt shared values based on the virtues of fortitude, justice, prudence, and temperance, which assist in engaging directly in sublimation and changing course to sustainable development. The character of the leaders of companies is crucial: if they are narcissistic or psychopathic, sublimation and sustainable development are not possible, but if they have a virtuous character, sublimation and sustainable development become possible.

T. Ketola (✉)
School of Economics, University of Turku, Turku, Finland
e-mail: tarja.ketola@utu.fi

Introduction

Sustainable development defined in the introduction of this section often lies behind psychological barriers that prevent companies from putting it into practice. Corporations may implement unsustainable development even when corporate rhetoric advocates sustainable development, not to mention when their rhetoric insists on continuing unsustainable behavior for the short-term financial benefit of the company and its shareholders. Although the most common but imprecise definition of sustainable development, "...development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987, p. 43), is widely accepted in the business world, companies tend to interpret it to their advantage, so that their current operations without any changes could be seen as sustainable development. This protects them from the reality of genuine sustainable development, which integrates environmental, sociocultural, and economic sustainable development to look after nature and human well-being. Individual and organizational psychological defenses form barriers against acknowledging genuine sustainable development. This chapter will discuss the defenses and the way in which they could be removed by applying virtue ethics.

The unsustainable development behavior of companies can be analyzed through a matrix that details whether a company admits causing harm with unsustainable behavior and whether a company admits responsibility for its unsustainable behavior as Fig. 1 illustrates. The four answers to these questions are *refusals* (no–no), *excuses* (yes–no), *justifications* (no–yes), and *concessions* (yes–yes). These four responses were originally Swajkowski's (1992) four responses to accusations of organizational misconduct tested by Bradford and Garrett (1995). Eighteen psychological defenses were placed into the matrix of the four responses by Ketola (2006a, 2008). In this chapter, they are developed further to demonstrate responses to unsustainable behavior, which is an established behavior pattern instead of an isolated incident:

1. *Refusals* (no–no) are the most primitive defenses in which a company does not admit net harm caused by unsustainable behavior and does not admit responsibility for it. Refusals consist of denial, repression, undoing, and omnipotent fantasies.

Denial of facts (Kets de Vries and Miller 1984) is one of the most common defenses. Companies may deny their own unsustainable behavior and practices or even phenomena that are generally regarded as unsustainable. Denial is the basic response of companies that are engaged in inherently unsustainable operations

Fig. 1 Organizational psychological defenses within four responses to unsustainable behavior (Developed from Ketola 2006a, p. 151, 2008, p. 424)

which bring huge revenues due to the fact that malignant environmental, sociocultural, and economic impacts are externalized. If a country tries to internalize the damage by making the polluters pay, rights violators redress, or corrupt dealers mend through regulative or market-based instruments, companies will transfer their production to lax law countries. Moreover, some corporations are still denying anthropogenic climate change since their operations and/or products emit more carbon dioxide than in other lines of business.

Another common corporate defense is *repression* of unpleasant events by forgetting, suppressing, or distorting information, hiding negative data, and concealing failure (Brown 1997; Kets de Vries and Miller 1984), although global information technology, nongovernmental organizations, and the media spreading the facts make it more difficult.

Undoing, trying to cancel with rituals the committed unsustainable behavior, is also vibrant: companies have found annual sustainability reporting a powerful tool to distort information and thereby undo their past behavior. Corporations are eager to rewrite the recent history of their unsustainable development to look like sustainable development – and frameworks from standards like the Global Reporting Initiative, Social Accountability Standard SA8000, Environmental Management Standard ISO 14001, and Social Responsibility Standard ISO 26000 make their reports seemingly reliable.

These "sustainability" reports give rise to the *omnipotent fantasies* of companies claiming omniscience, rightness, and sustainability. The fantasies may be fuelled

further by companies winning prizes for the best sustainability report of the year in their line of business or becoming enlisted in a sustainability index, which are oxymora because they embrace many companies that are inherently or persistently unsustainable.

2. *Excuses* (yes–no) are interactive, but still primitive, defenses in which a company admits net harm caused by unsustainable behavior but does not admit responsibility for it. Excuses contain the defenses of splitting, projection, projective identification, regression, idealization, and isolation.

Splitting allows companies to internalize the good and externalize the evil (Ketola 2006a), so that they become victims instead of culprits. *Projection* is a derivate of splitting: companies often externalize evil by projecting the responsibility for their unsustainable behavior on external stakeholders (Brown 1997), such as legislators, markets, media, activists, competitors, or customers. In *projective identification*, companies cannot accept some of their negative characteristics (Ketola 2006a) and first project on others the responsibility for their unsustainable behavior caused by their characteristics and then identify with these others, showing "empathy."

Regression involves childish behavior (Ketola 2006a), such as endless disputes with scientists, environmental and social activist groups, or the media in order that the companies could avoid taking responsibility for their unsustainable behavior. In *idealization*, business organizations try to forget the unsustainable sides of their behavior in order to be able to uncritically boast about their "great, sustainable" company. *Isolation* is a defense that goes to the other extreme of business organizations withdrawing from the public arena to escape the demands to take responsibility for their unsustainability.

Excuses are a form of apology for the harm done without taking responsibility for it. Excuses do not solve the problem, but instead increase company managers' inclinations to engage in further defenses (Salvador et al. 2012).

3. *Justifications* (no–yes) are more sophisticated defenses in which a company does not admit net harm caused by unsustainable behavior but admits responsibility for unsustainable behavior. Justifications include the defenses of rationalization, intellectualization, devaluing, reaction formation, object displacement, and compensation.

Companies use *rationalization* to disguise their underlying motives and intentions by creating elaborate schemes (Morgan 1986) to post hoc justify their actions or inactions that led to unsustainable development (Brown 1997) which they regard as temporary or aberrant (Miller 1993). Companies may resort to the *intellectualization* of the harm caused by their unsustainable behavior by presenting large amounts of chemical, biological, technological, or financial data in order to make the issues look too complicated for others to understand (Ketola 2006a).

Corporations often try to *devalue* the harm done by their unsustainable behavior, for instance, by publicly underestimating its importance or staying away from

meetings dealing with the harmful effects (Ketola 2006a). In *reaction formation*, companies display the opposite emotion to the one they actually have (Kets de Vries and Miller 1984; Morgan 1986): a company's superficially amiable reaction to accusations of unsustainable behavior may conceal latent hostile urges. This may be revealed in *object displacement* whereby a company shifts impulses aroused by one person, organization, or situation to a safer target (Morgan 1986), venting its anger on this weaker, less powerful person or organization. When the issue of a company's unsustainable behavior is raised by a weaker or equal opponent, such as an activist organization or a competitor, the company may resort to direct *compensation*, retaliation.

4. *Concessions* (yes–yes) are the most sophisticated defenses in which a company admits both net harm caused by unsustainable behavior and responsibility for it. Concessions comprise introjection and sublimation.

Introjection is the opposite of projection, meaning that a company internalizes its own – and sometimes others' – unsustainable behavior. Introjection may result from lack of self-esteem caused by failure to behave sustainably or from feeling of guilt caused by concealed unsustainable behavior. Introjection is a helpless way of pleading guilty because it leads to depressive inaction and a tendency to feel responsible for all unsustainable behavior in the world.

Sublimation is the most advanced and constructive defense mechanism. In sublimation, a company channels its negative feelings like frustration, anger, and guilt caused by its own unsustainable behavior and by the external world's reaction to it into socially acceptable forms: admitting harm done and responsibility for it, correcting the wrongs and doing right, paying for the damages, and changing course from unsustainable to sustainable development.

From the sustainable development point of view, it would be best if companies engaged in sublimation immediately when they were found behaving unsustainably – but that rarely happens. The other defenses have a powerful grip of individuals and organizations, which usually leads to a long, *vicious circle of defenses* starting from refusals, continuing with excuses, and leading to justifications, before individuals and organizations are prepared to sublimate. Nevertheless, it is possible for organizations to cut short this vicious circle by removing the psychological barriers to sustainable development and sublimating straight away, if they adopt the ethical virtues as their corporate values.

Removing Psychological Barriers to Virtuous Sustainable Development

Companies can adopt virtue ethics to remove psychological barriers to sustainable development and to embark on sublimation as soon as unsustainable behavior is detected. Sublimation can be assisted by the Platonic and Aristotelian virtues of fortitude, justice, prudence, and temperance (Aristotle 1985; Plato 2004).

Fortitude is the courage to do the right thing in the face of strong opposition, general opinion, or ridicule. Companies need courage to act differently from what the stock markets, financial analysts, many shareholders, and other stakeholders demanding the maximization of short-term financial gains expect in order to sublimate and commit themselves to long-term sustainable development. One important aspect of fortitude is the courage to behave justly.

Justice is the ability and willingness to act fairly in different situations and not to resort to selfishness or submit to martyrdom. The different dimensions of sustainable development – environmental, sociocultural, and economic – give abundant opportunities to behave justly or unjustly. Corporate decisions and practices on emissions, climate change, energy, waste, biodiversity, health and safety, labor rights, equality, corruption, distribution of revenue, etc. reveal how fairly or unfairly the company behaves. Persistent use of the defenses of refusals, excuses, and justifications tends to point to selfish unfairness. As few companies fall into the martyrdom of introjection, the challenge is to avoid refusals, excuses, and justifications and replace them with sublimation to be able to act fairly. Justice requires prudence.

Prudence is the ability and willingness to use reason, to find solutions rationally and farsightedly, not arbitrarily or shortsightedly. Sustainable development is an eternal journey, which needs plenty of knowledge and insight from not only companies but from all organizations and individuals. Their combined efforts can turn unsustainable development into sustainable development and keep it on the sustainable path for the unforeseeable future. Companies alone do not have such wisdom, which is why they need to cooperate with all their stakeholders, also and particularly with those who are critical of their sustainability behavior. Hence, companies need to plan well-organized patterns of collaboration to be able to sublimate in the most sustainable fashion. This will succeed only if companies learn to be temperate in their responses and dealings with all stakeholders.

Temperance is the ability and willingness to practice self-discipline to keep emotions in check and to act in moderation instead of excess. Currently, much of genuine sustainable development is reached through confrontations whereby environmental and human rights activists uncover unsustainable practices and behavior patterns of corporations which respond with storms of refusals, excuses, and justifications before eventually, after months, years, or decades, admitting harm done and their responsibility for it and start sublimating. Most contemporary cooperation between corporations and its stakeholders is designed to maintain status quo and polish corporate image, not to turn the company into a more sustainable path. Yet, if companies could keep their emotions in check, they would learn fortitude, justice, and prudence needed for genuine sustainable development from these annoying activists who nowadays base their claims mostly on science and reliable empirical evidence. Honestly, temperate responses from companies with sincere attempts to sublimate might also moderate the activists' campaigns and allow fruitful collaboration toward a common goal of genuinely sustainable development.

The *problem* with removing psychological barriers to sustainable development through ethical virtues is that the leaders of companies must to be willing to do so in order to attain sublimation. A great number of corporate leaders acknowledge the need for sustainable development and a need for shared values to achieve it. In the middle of hustle and bustle, they often do not realize that they are behaving unethically. They become ethically blind (Palazzo et al. 2012). For them, conscious adoption of virtue ethics as a shared value basis for sustainable development may be an eye-opener.

However, there are many leaders who narrow-mindedly and selfishly aim solely at maximizing profits, share value, and thereby their own salary, options, and career advancement at any cost to the environment, humans, and cultures. Two kinds of leaders in particular belong to this category – narcissists and psychopaths – characterizations that should not be applied lightly (Caponecchia et al. 2012). The business world attracts narcissistic and psychopathic leaders because they are usually very efficient and effective in meeting the ambitious short-term profit and growth targets of companies through plain brutal force of their unscrupulous behavior. Successful narcissists and psychopaths utilize unethical decision-making to achieve their goals (Stevens et al. 2012; Ketola 2006b). Long-term sustainable development is the antithesis of their strivings; hence, they resist it by hook or by crook – unless they can exploit it to their advantage. Leaders recruit like-minded followers for boards of directors and for senior and junior management. As narcissists or psychopaths occupy the positions of power, unethical behavior spreads (Godkin and Allcorn 2011; Ketola 2006b). Narcissistic and psychopathic organizations are not able to act ethically because they lack moral identity (Duchon and Drake 2009; Ketola 2006b). All depend on the characters of the leaders, especially the board of directors (Grant and McGhee 2013). If they can be replaced by leaders who have virtuous characters, including fortitude, justice, prudence, and temperance, sublimation and sustainable development will become possible.

Conclusion

Leaders of companies usually prompt psychological barriers against sustainable development, and they can also remove them. Instead of embarking on the defenses of refusals, excuses, and justifications whenever their company is found behaving unsustainably, the leaders could adopt virtue ethical values and introduce them to their organization as shared values. Actually, unlike top-down approaches, bottom-up approaches to organizational value creation often result in a list of values that are in fact virtues.

Applying virtues like fortitude, justice, prudence, and temperance rigorously to corporate decision-making and practices enhances environmentally, socioculturally, and economically sustainable development and inhibits unsustainable development. Since humans are fallible, companies even with the best, most virtuous intentions may fall into unsustainable behavior – and then the virtues as shared values become the guides to instantaneous sublimation and return to the sustainable

path. Consequently, virtues have a dual role in the sustainable development of companies: they form the value basis for all decision-making and future planning (ex ante role) and provide a guide of corrective action for any deviation from sustainable behavior (ex post role).

The prerequisite for using virtues for genuine sustainable development and for instant sublimation is the ability and willingness of leaders to adopt virtue ethical values. Most leaders can and some will, if they realize their current ethical blindness, but some – narcissists and psychopaths – cannot and will not. This is a very good reason for not recruiting narcissistic and psychopathic leaders, especially since they would in turn recruit like-minded followers into the board of directors and into senior and junior leadership positions. Virtuous sustainable development requires leaders with virtuous characters.

References

Aristotle (1985) Nicomachean ethics (trans: Irwin T). Hackett, Indianapolis

Bradford JL, Garrett DE (1995) The effectiveness of corporate communicative responses to accusations of unethical behavior. J Bus Ethics 14:875–892

Brown AD (1997) Narcissism, identity and legitimacy. Acad Manage Rev 22:643–686

Caponecchia C, Sun AYZ, Wyatt A (2012) 'Psychopaths' at work? Implications of lay persons' use of labels and behavioural criteria for psychopathy. J Bus Ethics 107:399–408

Duchon D, Drake B (2009) Organizational narcissism and virtuous behaviour. J Bus Ethics 85:301–308

Godkin L, Allcorn S (2011) Organizational resistance to destructive narcissistic behavior. J Bus Ethics 104:559–570

Grant P, McGhee P (2013) Organisational narcissism: a case of failed corporate governance? Issues Bus Ethics 38:97–109

Ketola T (2006a) Corporate psychological defences: an oil spill case. J Bus Ethics 65:149–161

Ketola T (2006b) From CR-psychopaths to responsible corporations: waking up the inner Sleeping Beauty of companies. Corp Soc Responsib Environ Manag 13:98–107

Ketola T (2008) A holistic corporate responsibility model. J Bus Ethics 80:419–435

Kets de Vries MFR, Miller D (1984) The neurotic organization. Jossey-Bass, San Francisco/London

Miller D (1993) The architecture of simplicity. Acad Manage Rev 18:116–138

Morgan G (1986) Images of organization. Sage, Newbury Park/London/New Delhi

Palazzo G, Krings F, Hoffrage U (2012) Ethical blindness. J Bus Ethics 109:323–338

Plato (2004) The republic (trans: Reeve CDC). Hackett, Indianapolis

Salvador RO, Folger R, Priesemuth M (2012) Organizational apology and defense: effects of guilt and managerial status. J Managerial Issues 24:124–139

Stevens GW, Deuling JK, Armenakis AA (2012) Successful psychopaths: are they unethical decision-makers and why? J Bus Ethics 105:139–149

Swajkowski E (1992) Accounting for organizational misconduct. J Bus Ethics 11:401–411

WCED (1987) Our common future. Report on the world conference on the environment and development. Oxford University Press, Oxford

Index