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Virtues and business ethics

JOSEPH R. DESJARDINS

Much of the work done by philosophers in business ethics has been structured by an overly narrow understanding of ethical theory. This understanding is characterized by an almost total reliance upon moral rules and principles and an almost total disregard of virtues and the ethics of character. As understood by many philosophers working in business ethics, the goal of ethical theory is to identify and defend some fundamental principle that can serve as the foundation for all morality. Such a principle will provide this foundation if it can, first, be defended as categorically binding on all rational agents and, second, be capable of moving such agents to specific acts that are required by the principle. Generally, this second goal is achieved if the principle can function as a major premise from which specific practical conclusions can be deduced.

Much of the first-order writing done by philosophers in business ethics has involved the second goal: applying general ethical principles to specific situations in business and from these principles deriving what one ought to do in that situation. Moral philosophers less interested in ‘applied ethics’ have been content in pursuing the first goal. Thus, moral philosophy today is often divided into two areas: Those working in ethical theory are charged with justifying certain principles (for example, utility, the categorical imperative) as binding on all persons, while those working in applied ethics attempt to show how these principles commit one to accepting certain specific conclusions about whistleblowing, employee rights, and so on. Thus applied ethics stands in the same relationship to ethical theory as engineering stands to physics. The


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Much of the first-order writing done by philosophers in business ethics has involved the second goal: applying general ethical principles to specific situations in business and from these principles deriving what one ought to do in that situation. Moral philosophers less interested in ‘applied ethics’ have been content in pursuing the first goal. Thus, moral philosophy today is often divided into two areas: Those working in ethical theory are charged with justifying certain principles (for example, utility, the categorical imperative) as binding on all persons, while those working in applied ethics attempt to show how these principles commit one to accepting certain specific conclusions about whistleblowing, employee rights, and so on. Thus applied ethics stands in the same relationship to ethical theory as engineering stands to physics. The

theorist defends the general principle while the practitioner applies that principle to solve particular practical problems.

Given this principle-based understanding of ethical theory, the means for institutionalizing ethical responsibility within corporations is clear. The task is to get the corporation to accept some ethical principle as the guide for the activities of its members. A number of different strategies have been proposed to mee this goal. Milton Friedman, for example, suggests that corporations ought to adopt the principle of profit maximization as their guide. This principle, through the functioning of a free and competitive market, will lead the corporation to fulfill its social responsibility. Others have argued for a utilitarian principle broader than profit maximization, claiming that: corporations ought to be guided by a more general understanding of social goods and by the recognition of a responsibility to bring about such goods.

Still others argue for non-utilitarian principles. Tom Donaldson, for example, defends a version of social contract theory of corporate social responsibility. In this view, a corporation institutionalizes its ethical responsibility by obeying the implicit contract that exists between it and society.

These and many other similar strategies share a belief that the road to ethical responsibility lies with the internalization of some independently justified principle. In what follows, I suggest that there are good reasons for thinking that any such approach will fail. I then go on to consider an alternative strategy for institutionalizing ethical behavior.

THE FLAW IN PRINCIPLE-BASED ETHICS

What, then, is wrong with principle-based ethics? Why do I suppose that attempts to institutionalize ethical responsibility within corporations that rely upon principles will fail? There are both practical and theoretical reasons for this skepticism.

First, we should take seriously the fact that in practice, ethical principles seldom give any unambiguous practical advice. Adopting a principle-based approach in business ethics leads to numerous practical difficulties. A seemingly endless series of problems arises when one attempts to derive from such principles as the categorical imperative or the principle of utility, solutions to ethical problems faced by businesspeople. Hopeless ambiguity in application, apparent counterexamples, ad hoc rebuttals, counterintuitive conclusions and apparently contradictory prescriptions create an overwhelming morass in the discussion of particular moral situations. The confusion is compounded even further when recommendations from competing principles are added to the discussion. Those of us who have tried to teach business ethics in this way can attest that ethics is not engineering: unambiguously correct or even generally accepted answers occur very seldom. This radical inconclusiveness of ethical debates should at least suggest that something is wrong with our approaches to moral problems.

Beyond these practical problems, and partly explaining them, lie additional con-
ceptual difficulties. By far the most significant is the fact that no ethical principle has yet been established in any plausible fashion as categorically binding upon all people. Philosophers have simply failed to justify the principles they apply in business ethics. Principle-based ethical theories are committed to the view that without the prior independent justification of the principle, attempts to institutionalize ethical responsibility by appeal to a principle will fail. Since we must admit the outright failure of the project of justifying moral principles, we should be skeptical of attempts to ground business responsibility upon moral principles.

Two further problems with the emphasis upon principles can lead us into a discussion of the alternative approach. First, principle-based ethics tends to identify particular actions as the core of morality and tends to ignore the character of the person who performs those acts. Ethical principles, whether they be called rules, maxims, laws, or action guides, inevitably involve moral judgments in terms of the question What should I do? and disregard the equally practical question of What kind of person should I be? Consequently, business ethics often labors under the inadequate assumption that every particular act can, once and for all, be determined as obligatory, prohibited, or permissible. Borrowing a phrase from Robert Nozick, principle-based ethical theories are ‘end-state’ theories. They share a conviction that there is one unequivocal arrangement of this world (that is, arrangement that is in accord with the favored principle) which would be morally preferable.

Of course, this conviction can be seriously questioned. Why should we assume that the moral world is unambiguous? In light of the vast number of experiences that have given rise to the rapid recent growth of applied ethics, should we not assume just the opposite? I suggest that we recognize the moral life to be often fundamentally ambiguous. Ethics is not like problem solving in science or technology: There just may not be clear moral answers ‘out there’ waiting to be discovered if only we use the right method. Principle-based ethics encourages us to think that there are such answers. If only we apply the right principle carefully enough, we can determine the moral status of each individual action.

A second, not unrelated, problem concerns the impersonal nature of principles. Principles are distinct from the people who are to use them: They are external rules to be internalized, adopted, accepted as one’s own, and applied. This creates a gap between person and principle, a gap that underlies some of the most serious problems in ethics. Even if moral principles were plausibly justified as binding on all rational agents (a goal that, I suggested above, has yet to be approached), the motivation question remains. Why should I do what is required by this principle? As a motivational question, this remains open. Even if the principle could give us unambiguous advice, we can (and do) sensibly ask Why should I do this? Principle-based ethics leaves us with an unbridgable motivational gap between the applied principle and the action. (On the face of it, it seems that the closer a principle comes to the goal of being rationally justified – for example, the categorical imperative – the more formal it is and the more empty it is of motivational content. On the other hand, the closer a principle is to providing a motive to act – for example, the utilitarian happiness principles – the farther it is from being rationally binding on all rational agents.)

**AN ALTERNATIVE APPROACH**

Let us suppose that, unlike technical or scientific problems, moral problems have no answers or solutions just waiting to be discovered. What if there were no single right answer to many of the moral problems confronting us? Besides despair, is any alternative open to us? I would like to suggest that there is, and that we can be guided to this alternative by Aristotle.

**The Aristotelian Good**

Aristotle characterizes good acts as those acts performed by the good man. Although this often is thought to be circular, it seems to me to contain a wealth of truth. Imagine that you are lost deep in a jungle. There is no one way out of this predicament and indeed you may never get out. What would you hope for? I would want neither a map nor a survival handbook. Since I don’t know where I am to begin with, a map will be of little help. Since the handbook cannot hope to cover every situation that might be encountered, it can be only marginally helpful. Rather, I would like a person who is experienced in the ways of the jungle to act as my guide. I think that Aristotle saw moral problems in much the same way. Deciding how we should live our lives is like deciding what to do in the jungle. Principles and rules will be of little help since, like maps, they can be helpful only when you already know where you are (have already established that the rule is morally justified) and, like handbooks, they cannot hope to cover all situations. What we need is a person experienced in the ways of life.

Accordingly, the Aristotelian good world is not one that conforms to some pre-established principle. Rather, it is a world populated by good people. I suggest that the good business also is not one that conforms to some pre-established principle, but one that is populated by good people. A morally responsible business is not one that measures its actions against some external principle, but is one in which good people are making the decisions.

Such a good person would be a person of character, disciplined to avoid the temptations of immediate, short-term pleasures. She would recognize that much of what is worthwhile in life is not easily and immediately achievable. This person would not be overcommitted to rules and regulations; she would have the courage to be creative, to encourage and entertain new ideas, to sometimes go on intuition. (The good person certainly would not be a bureaucrat!) The good person would also enjoy others, recognizing that solitude in a social world will result in the loss of great good. This might imply that the good person have a sense of humor. The good person would also foster her intellectual abilities. Reason and intelligence can contribute much (but not all) to the good life. Above all else, the good person
possesses *phronesis*, or practical wisdom. Following Aristotle, since ethics is not a
demonstrative science and since there are no unambiguous answers in ethics, a type
of reasoning different from scientific reasoning will be required of the good person.
The ability to make reasonable decisions in situations in which there is no right
answer is the mark of *phronesis*: It is to possess practical wisdom.

It is the nature of *phronesis* that one cannot specify, a priori, what it will amount
to in practice. In general, it is the ability to apply lessons learned in the past to new
situations in the present. It is to be able to make appropriate adjustments so that
general lessons fit the specific situation. *Phronesis* requires us to fit our reasoning to
the situation and to avoid forcing present situations into preconceived categories.
In this sense, *phronesis* is the antithesis of bureaucratic reasoning. It is the ability to
adapt to changing situations without losing sight of one’s ultimate goal. A business
seeking to foster the development of good persons will be well advised to encourage
the development of *phronesis*.2

The Nature of Virtues

I would now like to pursue some suggestions about the nature of the virtues that are
found in Alasdair MacIntyre’s book *After Virtue*.

Traditionally, the virtues have been conceptually tied to some *telos*, or some ‘good
life’ for man. The virtues were those character traits that promoted the attainment of
the good life. The good man, in turn, was that person who possessed these virtues.
The history of moral philosophy from at least the seventeenth century essentially
ignores the role of the virtues in ethical theory. At best, the virtues were given a
position alongside sentiments and feelings as being part of the noncognitive, and
therefore arbitrary and subjective, side of morality. The most compelling explanation
for this view centers on the fact that modern philosophy has, by and large, rejected
the notion that: there is any single, nonarbitrary *telos* for man. Some writers would
trace this to the individualism of post-Hobbesian liberalism. The focus of that
liberalism is upon man as atomistic individual and away from man as social. Since
individual men have different ends, i.e., becomes folly to try to identify some one end
for all men. Other writers of a Marxist bent trace this loss of a human *telos* to the
alienation that results from the modern industrial-capitalist society. Still other
commentators trace the rejection of a human *telos* to the rejection of teleology in
general during the scientific revolution that took place during the sixteenth and
seventeenth centuries. Whatever the cause, the lack of some one *telos* for all people
prevented the development of anything but a subjective, variable account of the
virtues.

I am not prepared to defend some conception of the good life for man. Nevertheless,
some suggestions we find in MacIntyre might start us in the right direction. In
regard to the good life, MacIntyre says:

To ask “What is the good for me?” is to ask what all answers to the former question have in common.
(p. 203.)

What all answers to the first question have in common involves what is necessary
to live a unified, whole life. The unity of a life can emerge only when that life is
situated in a social and historical context, a ‘narrative’ in MacIntyre’s phrase,
that gives meaning to that life. Individuals do not exist as solipsists, our every
action – indeed, our every thought – can be meaningful only within a complex social,
historical, and linguistic context. Thus, to try and live our life in isolation from others
will undermine the very context that gives meaning to and ultimately unites our
lives. It will effectively prevent us from attaining our own good, the fulfillment of our
life story or narrative.

What does this have to do with business ethics? It seems to me that there are two
ways in which the roles people play in business can be understood. Only one of these
will contribute to that unity of the human life by situating the person within a social
and historical context.

In what I call *instrumental view*, individuals fill roles that are simply means to some
other end (profit for the employer, wages for the employee). In this view, an
individual fills a position in much the same way that components are plugged into a
stereo system. Individuals are interchangeable parts and as such are conditioned only
by what brings them intrinsic value or meaning of their own. This essentially is the bureaucratic view
of business in which an organizational chart gives meaning to each position. The
position itself and the individual who fills it have value only so long as they are
necessary means to some external end. In this view, individuals are encouraged to
think of themselves as role-players. Like the manager in Albert Carr’s ‘Business
Bluffing’ article (see p. 124), individuals play a variety of roles: managers, spouses,
parents, religious believers, political constituents. When stripped of these roles,
however, the individual means little or nothing. As a result, individuals are denied
the unity of life that is essential to the pursuit of their good life.

On the other hand, there is what I call the *professional view* in which the positions
individuals occupy are valuable in themselves and not just as means to some other
end. Like the medical or teaching profession, these positions derive their value from
these goods (what MacIntyre calls ‘internal goods’) that can be achieved only
through the practice of that activity. Individuals occupying these positions derive
meaning and value from the pursuit and attainment of goods that are internal to
those positions. These goods are essentially social, having developed during a long
social history and, in turn, contributing to the future good of that society. As such,
these positions are more likely to foster the unity (or integrity) that is necessary to
live out one’s life and bring into completion. Unlike jobs, professions do not ask
the individual participant to suspend the pursuit of the good life while at work.

In the instrumental view, work is what one does to earn the money needed to
pursue what is valuable. Since value is therefore determined by money, the individual
is left to assign her own value to anything at all. In the professional view, one
pursues what has been established as valuable in itself by the social history of that
profession. This pursuit of the objective social good is an intrinsic part of the
profession. I would suggest that we develop the professional conception of business management by recognizing the intrinsic value of business as the supplier of goods and services. In this view the function of business (indeed, its social responsibility) is to produce goods and services that contribute to the good of society. Moral philosophers are encouraged to examine the character traits necessary to attain these goods in the attempt to describe the virtues of business management.

Tying some of these suggestions together, let us say that the 'good life' for men is in the pursuit of excellence. Let us say that excellence for business is the pursuit of goods and services that contribute to and advance the social good. This social good, ultimately, is a decision that should be made in the political arena. (This calls for an approach to business ethics in terms of social and political philosophy rather than in terms of ethical theory.) Nevertheless, we can say that a business can institutionalize ethics by fostering the development of good people within its ranks. Ways of doing this include closely identifying employee positions with the pursuit of business excellence. In part, this requires avoiding the instrumental view of employee roles. It would also include the encouragement of phronesis as its decision procedure and the avoidance of bureaucratic formalism.

NOTES
2. For an interesting parallel to this account of phronesis in business, see In Search of Excellence by Thomas Peters and Robert Waterman (New York: Harper & Row, 1982).

CASE STUDY
Assessing the ethics of businesses: the New Consumer survey

Assessing the economic performance of businesses is far from easy but it at least has the advantage of well established procedures for measuring profits growth, market share, turnover, and the like. Assessing 'social' performance is certainly no less difficult and has the added disadvantage of requiring the development of a wholly new set of indicators. In the UK, this has been done by New Consumer (NC), a not-for-profit public interest research organization based in Newcastle upon Tyne. Over a two-year period from late 1988 to 1990, it investigated 128 major companies based or operating in the UK, concentrating mostly on those involved in mass consumer markets for food and household goods. There were 79 British companies and 49 were foreign owned. Small though the sample was, a significant feature was the greater openness of the foreign owned firms, and in particular the American, compared to the British. In all, 32 of the 128 (25%) co-operated fully with the survey, 64 (50%) to some extent, and 32 (25%) to little or no extent; with nearly a third of the American companies in the fully co-operating category compared to barely a fifth of the British. The most frequently given reason for not co-operating was an inability to collect the data because of a lack of resources or of any central collation. However, the authors of the survey also noted a distinction between firms which see this kind of research as an opportunity to clarify their approach to social issues and those which see it as a threat—an attempt, presumably, to pillory them for their shortcomings. This is despite the fact that NC is concerned only to provide consumers with the information that will enable them to make informed choices and explicitly rejects a campaigning or pressure group role.

NC began by identifying more than 70 areas of business activity which raised ethical concerns. To make the survey manageable, this was reduced to 13 general areas. These covered: