SURVEY OF THEORIES EMPLOYED IN BUSINESS ETHICS

Max Torres*

RESEARCH PAPER No 349
October, 1997

* Professor of Organizational Behavior and Business Ethics, IESE
SURVEY OF THEORIES EMPLOYED IN BUSINESS ETHICS

Abstract

In this report, I will survey the dominant theories employed in the academic sub-discipline of business ethics, describing and critiquing each one. By “theories” I mean not only the various philosophical approaches which inform discourse and research in this field, but also the alternative paradigms to which those approaches pertain according to the following schema.

I will adopt for this survey the nomenclature proposed by William Shaw (1996) in his survey of business ethics, which is one of the most recent in the literature and, additionally, illustrative of certain misconceptions regarding alternative ethical paradigms. Shaw distinguishes among three rival orientations, or three different ways of conceptualizing research and pedagogy, in business ethics: 1) the standard, or individual moral decision, model; 2) the politics model; and 3) the virtue model. I will comment on Shaw’s categories as well as on some of the specific theoretical currents he identifies.
The Standard Model

The standard model, according to Shaw (1996), “focuses on the individual and the moral choices, dilemmas, and decisions that can confront individuals in a business or organizational context” (p. 493). Examples of such choices would include whistle blowing, insider trading, bribery of officials in foreign countries, and the like. The standard model’s core unit of analysis is, therefore, individual decision making.

Shaw considers the standard model a default option in moral philosophy and, consequently, in business ethics. He contends that philosophers gravitate to it “without explicitly identifying and defending it” (p. 499). Consequently, business ethics textbooks also tend to focus on individual decision making (Boatright, 1993; Bowie, 1982; Velasquez, 1992; Shaw, 1991) and/or managerial dilemmas and decisions (Clark & Lattal, 1993; Goodpaster, 1984; Matthews, Goodpaster & Nash, 1991).

This model is presumed to provide a framework for evaluating decision making in light of relevant moral principles, which are invoked, nuanced, refined and discarded as needed in order to guide conduct properly. These principles are assumed to be universalizable and thus generally applicable to different situations. An example of such a principle in the whistle-blowing context might be: “if the situation is not potentially life-threatening, then while engineers are required to notify their superiors of safety problems, they have no moral obligation to pursue the matter further” (Shaw, p. 494).

A few basic normative theories, or different ethical perspectives, serve as the backdrops against which moral actors orient their thinking, principle formulating and, ultimately, acting. Shaw specifically mentions the moral theories of Immanuel Kant and John Stuart Mill. The ethics with which Kant and Mill are associated, deontology and utilitarianism (teleology) respectively, might fairly be called obligatory references in business-ethics discourse (Hosmer, 1991; Solomon, 1992, 1994; De George, 1990; Donaldson, 1989; Freeman, 1991; Bowie & Duska, 1990; Velasquez, 1992; Beauchamp & Bowie, 1979).

The pedagogical goal of the standard method, according to Shaw, is to instruct students in clearer and more sophisticated methods of engaging moral questions rather than to impart definitive moral solutions to business problems. Students’ progress is evaluated by the facility with which they handle basic ethical concepts, principles and theories. Related goals for Shaw are to sensitize students to the moral component of business situations and workplace decisions, and to capacitate students to apply moral principles to those situations and decisions.
Shaw considers the standard model’s clear strengths to be that “it makes business ethics congruent with ethics generally,” and that “it highlights the fact that individuals are moral agents, that they inevitably face business situations with moral dimensions, and that they bear responsibility for both their decisions and their failures to decide, for both their actions and their omissions” (p. 494). Among the model’s shortcomings he notes the belief of many that unresolved problems of metaethics and normative ethics render it unlikely that business students and practitioners will find moral solutions to the practical problems they face; and that “by focusing on individual decision making, [the standard model] ignores the socioeconomic context in which those decisions occur as well as the institutional forces that shape those decisions.”

Thus we have seen that the standard model: focuses on individual decision making regarding moral choices and dilemmas; utilizes purportedly universal principles thought to be directly applicable to problems (i.e., without the aid of prudence); derives those principles from various alternative, and competing, theories; aims to cultivate moral reasoning and sensitize attitudes, and; highlights the role of moral agency.

Critique of the Standard Model

From the preceding we see that individual decision making is norm-based in this model. That is, decision making is ultimately judged on the basis of its correspondence with abstract rules, norms or principles derived from competing and largely incommensurable theories. The model’s flaw lies not in the fact of evaluating decisions on the basis of relevant principles, such as the whistle blowing one mentioned earlier, but rather in the fact that these standards are abstract and unrelated to the decision maker who applies them. Moreover, as we shall see, the theories from which they are drawn serve as faulty bases for such a project.

As formulated, this model lacks any reference to the dynamic nature –that is, the constantly improving or degenerating capacity to make future decisions– of the agent who decides. Notably absent are notions of personal change, the personal effects of compliance or non-compliance with rules, or, generally, any relation between abstract, rational norms and the decision-making agent who must apply them. In other words, the model is static: the notion of the decision maker as both the object and the subject of his acts is foreign to it.

Shaw contends that the standard model posits moral agency and responsibility for acts and omissions. Yet because the model’s criterion of morality is always an abstract norm or principle unrelated to the decision maker himself, the conception of moral agency is flat, or static. The decision maker is right or wrong, culpable or not, on the basis of purely external criteria. He is not affected by his rightness or wrongness “personally.” He does not change because of it. He has nothing at stake other than the rewards or punishments that follow compliance or disobedience. Morality so construed has nothing to do with the acting agent himself, and raises the question of why he should be ethical if he has the chance to behave unethically without being caught. This was Glaucon’s question to Socrates in the Republic, and it was answered, 2400 years ago, by reference to the deterioration of the wrongdoer’s psyche, or soul, which would occur as a result of the unpunished wrong. But the standard model, as formulated, cannot answer the question.

One consequence of this static view is that virtue ethics becomes divorced from individual decision making –the very process that develops or depletes virtue– and is considered by Shaw to be a distinct and rival approach to the standard model. There is no
opposition between virtue ethics and norm-based ethics when they are both considered in the light of the goods, or values, suitable to beings of a specific nature. When so considered, virtues and norms constitute two sides of a figurative morality triangle, with the remaining side consisting of goods. Were the standard model to rest on the foundation of this “natural” anthropology, the project of basing decisions on principles derived from a natural, or nature-based, “law” –which was protective of, and, attentive to, basic human goods, and which tended towards the development of stable habits towards those goods (in a word, virtue)—would harmonize, rather than polarize, moral theories.

Moreover, the virtue of prudence is completely overlooked in this model. Principles are thought to be directly applicable to problems rather than mediated by the personal capacities of the decision maker who formulates and applies those principles. Learning in the standard model is merely cognitive. The decision maker is presumed only to develop a mental capacity for formulating principles (and perhaps a sentimental one for “feeling” moral issues). But principles are derived from appropriate “law” and applied to concrete circumstances by decision makers possessing a greater or lesser capacity to do so. That capacity is developed through successive derivations and applications, which is itself a vital aspect of moral theory: one without which the standard model cannot achieve what it aims or purports to do.

Norms, rules and principles can be indispensable for resolving dilemmas. But those various standards must correspond to the agent who applies them. As already stated, they are valid as guides to human conduct precisely because they protect the goods, or values, universally suitable to decision makers of a specific nature. It is from this foundational anthropology that standards would draw their presumed universal character. Principles can be universal because the nature of the being to whom those principles apply (and from which those principles are legitimately drawn) is universal. Since no model—or, more accurately, any model—of “human nature” informs the standard model, it is difficult to fathom why any principle derived from it would be universal, or even valid at all. Precisely because decision makers, despite personal differences, share a nature, general principles of morality can validly be applied across environmental spectrums and situational factors. Without a fixed concept of the decision maker, there is nothing to justify either validity or such universalization across decision makers and circumstances.

Because it forfeits the basis of universalizability it aims to provide (as a consequence of evading the issue of a foundational anthropology and the dynamic character of decision making), the standard model too readily identifies the moral with the legal. If morality is judged by simple compliance with abstract rules unrelated to the decision maker, then the purpose of morality exists solely for the advantage of the external rule-formulating entity. Whether it be Okham’s arbitrary God, Hobbes’ Leviathan state, Kant’s law-giver —whose autonomous rationality and personal detachedness make him a being external even to himself (recall that for Kant, the categorical imperative obliges all rational beings, not just human ones)—or any other entity with final authority, morality in the standard model is of direct value only to that entity and merely of indirect value to the decision maker himself, via the approval he receives for obedience or the punishment he earns for disobedience. But what makes this moral, and not simply legal? Shaw does not say.

Since principles are presumed to be derived from “a few basic normative theories” (p. 494), at least as many conflicting principles to guide moral decision making are derivable as there are theories to derive them from. For example, in a given hiring circumstance, a conflict between a deontological principle requiring justice and a teleological principle requiring majoritarian determination might arise: the demands of justice might easily conflict
with the imperatives of the majority. In view of this uncertainty regarding rightness and wrongness, one might fairly ask (as Shaw does) to what practical, or theoretical, good this method of instruction is suited besides providing students with more sophisticated rationales for justifying their prior determinations, or, perhaps, preparing them for lively cocktail-party chatter.

If morality is judged by simple compliance with principles derived from abstract rules unrelated to the decision maker, some other questions also arise: “Why these rules and not others?”, “Says who?”, and “Why should I obey them?”. Thrasymachus’ answer to Socrates (and Nietzsche’s to modernity) is that it is simply due to “the interest of the stronger” (Plato, 1976: p. 298). Shaw notes that the standard model addresses the perceived need to highlight the “ethical component” (p. 495) of business decisions, which otherwise tends to get overlooked. But what qualifies a decision’s component as ethical other than somebody’s definition of it as such? Why, according to this scheme, would it be more ethical to refrain from trading on inside information or sexually harassing a co-worker than it would be to pursue the power to redefine moral rules so as to permit these acts? The standard model can only answer with a tautology: Because the latter is unethical. It might again be noted that the same critique wouldn’t apply to rules and principles related to the decision maker and the authentic good for him, via the law of his nature.

While most business ethics instructors, according to Shaw, reject the “relativistic view” that right and wrong are merely determined by society, and view the debunking of such attitudes as a primary objective of their pedagogy (p. 494), one criticism of the standard method, ironically, is that business students initiated into this way of moral reasoning come to regard the choice among competing moral theories as an ultimately arbitrary, or relative, one (p. 495). What is the point, they might ask, of “resolving” moral problems in business with principles derived from various underlying theories about which there is no agreement and whose choice rests on personal existential commitment? This question, and the phenomena it reveals, raises the undeniable specter of the standard method’s fostering the very relativism it eschews.

Presenting several theories, as if each were right or wrong, and expecting them to serve as the basis for universal principles and individual decision making, breeds individual relativism. This is evident from Shaw’s depiction of “attempts to clarify and assess...principles, retaining, refining or discarding them as necessary” (p. 493). The “necessity” referred to is personal, not causal; subjective, not objective; perceived, not actual. Decision making so construed reduces to an unguided choice between principles and theories according to what best suits the moral agent’s whimsy. But one hardly needs instruction to do what one feels like doing, and, presumably, the purpose of business ethics is to provide the decision maker with more guidance than he had before making an ethical inquiry and judgment. Such whimsical individual relativism, when considered collectively, forms the basis of, and provides the impetus for, the socially relativistic thinking that business ethics professors are alleged to reject.

In sum, the standard model is deficient on many grounds including that it: relies to its detriment on abstract rules and principles unrelated to the decision maker who must use them; is static; flattens moral agency; polarizes, rather than harmonizes, ethical theories; erroneously assumes that principles are directly derivable and applicable to problems; predicates universality of principles without proper justification; confuses morality with legality; suffers from a multiplicity of discordant theories and principles; cannot justify one set of rules over another and, therefore, cannot deliver the moral guidance it seeks to provide; fosters the very relativism –both individual and social– it purports to eschew and, ultimately; encourages the justification of private whimsy.
A. Deontology

The term “deontology” is derived from the Greek words deon, meaning duty, and logos, meaning science. Deontology is therefore the science of duty (Encyclopedia of Philosophy, 1967). In current usage, a “deontological norm is one that evaluates an act by a characteristic that cannot be gathered from its consequences” (Macdonald & Beck-Dudley, 1994: 615). Indeed, the touchstone of deontological ethics is its “attempt to ascertain the content of duty without considering the consequences of particular ways of acting” (p. 615). According to business ethics literature, the deontological approach to ethics is thought to stress the methods or intentions involved in behavior (p. 615). According to some authors, deontologists look for the best set of rules to live by (Hunt & Vitell, 1986) in order to better fulfill one’s duty.

“Fundamental to the dogma of deontological theories is the inherent rightness of the behavior where the focal point is the individual, not society” (Ferrell et al., 1989). An example of a deontological approach to ethics would be Immanuel Kant’s categorical imperative, which ascertains moral principles through a logical test of consistency (1960, 1969). For Kant, the fountainhead of modern deontological thought, “[n]othing can possibly be conceived in the world, or even out of it, which can be called good without qualification, except a GOOD WILL” (1960: p. 470). This “good will” is present when one acts out of respect for the moral law, which is the wellspring of duty. Thus, will “is good only because of its willing” (Kant, 1969: p. 12). For Kant, good will signifies “acting for the sake of duty...not merely in accord with it” (Macdonald & Beck-Dudley, 1994). Note that this makes duty an end in itself.

The good will acts on a universal, categorical imperative of duty (and not to achieve some “good”): “[a]ct only according to that maxim by which you can at the same time will that it should become a universal law” (1969: p. 44), or “[a]ct as though the maxim of your action were by your will to become a universal law of nature” (p.45). With Kant, the “right” takes precedence over the “good.” In contradistinction to teleological approaches –which identify the goods that ought to be protected and realized, and judges the rightness or wrongness of action according to whether it effectuates those goods– deontology binds “good” to the will, and defines good will as the one that acts rightly for duty’s own sake. The important thing is to do what is right –i.e., to act for the sake of duty– not what is good --i.e., to act for the sake of the good.

Though Kant’s deontology is seminal, other deontological approaches include Sidgwick’s (1907) principle of justice, which rests on a notion of reciprocity; Ross’ (1930) theory of prima facie duties, which include fidelity, gratitude, justice, beneficence, self-improvement and noninjury, and, according to Ferrell et al. (p. 57); the Golden Rule –along with certain rules inherent in all the world’s major religions. Two principles generally presumed to be deontological in nature– “rights” and “justice”– bear special mention.

The rights principle specifies that behavior must embody minimum standards and levels of satisfaction regardless of its outcome. Rights signify an entitlement for the bearer and an obligation for others. Moral rights are often referred to as human rights, underscoring their alleged universality due to universal human nature. (As an aside, the failure to specify that nature is precisely what underlies the proliferation of alleged human rights, included among them some of dubious, if not doubtful, vintage.) According to Velasquez (1992), the term “moral rights” signifies “rights which impose prohibitions or requirements on others and which thereby enable individuals to choose freely whether to pursue certain interests or activities” (p. 74). (Note Velasquez’s liberal construction of rights, which emphasizes personal
determination of the good, and unimpeded choices in its pursuit.) Velasquez also maintains that moral rights are defined by the following three features (pp. 74-75): (1) they are tightly correlated with duties of either noninterference or positive performance; (2) they “provide individuals with autonomy, and equality in the free pursuit of their interests,” and; (3) they “provide a basis for justifying one’s actions and for invoking the protection or aid of others.”

The justice principle, roughly speaking, seeks to protect everyone’s interests. “Distributive justice” specifies that equals should be treated equally, and unequals treated unequally. It is formally concerned with the “fair” distribution of society’s benefits and burdens, materially specified according to some conception of justice: e.g., equality (egalitarianism), contribution (capitalism), needs and abilities (socialism), freedom (libertarianism) or fairness (Rawlsianism) (Velasquez, pp. 91-101). Justice as fairness is John Rawls’ appellation for his celebrated *Theory of Justice* (1971), which incorporates Kantian requisites of reversibility, universalizability and dignity (treating people always as ends in themselves). “Retributive justice” deals with the imposition of punishment upon those who have done wrong. For an act to be blameworthy, it must be based on the decision maker’s free choice with knowledge of its consequences. Moreover, punishment must be proportional to the wrong done. Finally, “compensatory justice” concerns the compensation due a wronged party, which should restore him to his original position.

Thus we have seen that deontology: prioritizes duty while it subordinates telos; predicates morality on intention, to the exclusion of consequences (and actions themselves); gives preference to “the right” over “the good,” and; is amenable to the language of rights and justice.

**Critique of Deontology**

While it is laudable that deontological approaches insist upon moral standards beyond desirable empirical consequences, they are deficient on several grounds, most of which can be traced back to Immanuel Kant’s original thought experiment: the categorical imperative. The most serious of these deficiencies, I believe, is that Kant eliminates the moral significance of what is done, or of the act itself, and entirely rests the determination of morality on the intention of the actor, or on what is intended. This maneuver fatally obscures a valid and crucial distinction captured by classical ethics: the act possesses an end, or intention, of its own (the *finis operis*), which is distinct from the end, or intention, of the actor (the *finis operantis*) and which must be evaluated on its own merits. Unfortunately, the categorical imperative eliminates the *finis operis*, collapsing it into the *finis operantis*.

The categorical imperative relies too heavily upon the subjective, *a priori* value (i.e., the evaluation) that an acting agent assigns to an intended outcome in his determination of duty. Kant’s insistence on acting *for the sake of duty* (as opposed to *in accord with it*) prohibits what would outwardly appear to be “good” acts (means) performed for bad reasons (ends) —e.g., promulgating sobriety in liquor advertising to encourage purchase of a company’s alcoholic beverages; paying taxes promptly to cover up shady accounting practices. One cannot wish those ends for the sake of duty to universal law. But the test is impotent with respect to “bad” acts (means) done for good reasons (ends)—e.g., stealing from the rich to give to the poor; killing labor activists to proceed with job-providing construction. One could wish those means for the sake of duty to universal “law” if the ends were thought to merit it.
For an act to be morally good, the good moral character of what is done must be matched (not superseded) by the good moral character of the intention with which it is done. This is one meaning of the familiar dictum that the end (i.e., intention) does not justify the means (i.e., act): a dictum that Kant’s categorical imperative—for all its good intentions—fails to observe. The result is that means as morally repugnant as genocide can form the basis of a Kantian, universal maxim of action for a Nazi, racist or eugenicist who reasons that were he an undesirable, he too would wish to die; that it would be his just dessert and morally worthy of his intention. The abortionist might act—as he frequently claims to—on the basis that he too would rather be exterminated than suffer the fate of an unwanted child. Anyone might euthanize on the basis that he would want his own death wish to be honored. But these acts are morally justifiable only to those for whom the morality of means is either irrelevant or arbitrary.

A further problem with deontological evaluations is that many actions not done for the sake of duty are arguably moral, even morally superior. For instance, a businessman could volunteer his free time to a soup kitchen for the poor, or a company could patronize a social program, offer scholarships or sponsor events for the common good, not because it is their duty to do so, but because it would be a service they wish to render for the sake of love. Deontology does not recognize the moral worthiness of action motivated by generosity, or charity, to its own detriment.

When deontology is reduced to an adherence to rules considered intrinsically meritorious, an irresolvable problem is presented by the fact that for most rules, a conflicting rule is easy to find. For example, in Ross’ framework the demands of fidelity can easily conflict with those of justice (as when I entertain rival bids from a friend and a stranger). Separately, deontology is frequently criticized for not taking promotion of the good—understood as a desirable empirical outcome—seriously enough. More important, it does not take promotion of the good-for-man seriously enough. While the categorical imperative “commands us to do as we would be done by, [it] leaves the question of how we should be done by unanswered, even unaddressed” (Macdonald & Beck-Dudley, 1994).

I am to do as I would be done by: But how do I know how I would be done by? What sorts of harms ought I to protect myself against? I must first know how I should allow myself to be treated before I can know how I may allow myself to treat others. A missing identification of the true and comprehensive human good and the included basic goods of life...is needed to get started (p. 618).

This is a crucial issue to which I shall return in the discussion of virtue ethics, or traditional teleology.

In sum, deontology is deficient on many grounds including that it: eliminates the morally decisive role of the finis operis; relies too heavily on subjective evaluation; permits the end to justify the means; ignores the moral worthiness of love, charity or any motive other than duty; easily falls prey to conflicting rules; ignores the moral importance of consequences—a secondary source of the morality of human acts, and; deprives law of its constitutive reference—i.e., the good, which law is meant to protect.

B. Teleology/Utilitarianism

The term “teleology” is derived from the Greek words telos, meaning end, and logos, meaning science. Teleology is therefore the science of ends. In business ethics discourse, as
elsewhere, the teleological approach to ethics “deals with the moral worth of behavior determined totally by the consequences of the behavior” (Ferrell & Gresham, 1985). An example of teleological reasoning employed in business would be cost-benefit analyses. It should be understood that the consequences, or ends, addressed by modern teleology are the empirical ones: only those which can be measured count. Since foreseeable, empirical consequences are the terminus by which the morality of action is measured, “consequentialism” is the name given to one variant of teleological ethics.

Teleologists are presumed to seek the “best set” of consequences from an act, law, rule or policy, where its rightness or wrongness is judged with respect to the net goodness or badness of the consequences it effectuates. The crude idea is to produce the greatest proportion of good over evil (Macdonald & Beck-Dudley, 1994), with a view to the greater good or the lesser evil. Hence the name “proportionalism” given to another variant of teleology. Whether the relevant consequences pertain to the individual’s net benefit or to society’s is the question underlying the distinction between ethical egoism, or Machiavellianism (the promotion of one’s own greatest good), and ethical universalism, of which utilitarianism (the promotion of the greatest good for the greatest number) is an example (Hunt & Vitell, 1986).

The most common variant of teleology in business ethics is utilitarianism, which maintains (in opposition to deontology) that a decision’s morality is established by its consequences, not its motive. According to utilitarianism, “[a]n action is right from an ethical point of view if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act the agent could have performed in its place” (Velasquez, 1992). A distinction is made depending on whether that principle is applied to an act which should be chosen (act utilitarianism) or the rule or principle according to which a choice should be made (rule utilitarianism) (Finnis, 1980). Utilitarians seek by this latter distinction to deflect the criticism that utilitarianism permits and justifies atrocious individual acts.

An act is evaluated by the net utility produced for all of the people affected by that act, and not just that of the actor. Utilitarianism also maintains that in the final analysis only one action is the right one: that action among all alternatives which produces the greatest net utility. Additionally, both immediate and foreseeable future consequences must be considered when evaluating an act (Velasquez, p. 61). These provisos create measurement problems which will be discussed shortly. Of immediate interest is that utilitarian thought has developed largely in response to these measurement problems.

Bentham’s original formulation proposed the greatest happiness of the greatest number to be the utilitarian goal of action—happiness being identified with the pleasure (or absence of pain) of all the people affected by that action. This “social welfare” focus has remained the one constant throughout utilitarianism’s subsequent gyrations. Utility, for Bentham, was to be quantified using a “felicific,” or “hedonistic,” calculus that took into account such factors as a pleasure’s (or pain’s) intensity, duration, certainty and uncertainty, propinquity or remoteness, fecundity and purity (Bentham, 1967). John Stuart Mill (1967), Bentham’s greatest disciple, concurred with the identification of happiness and pleasure but distinguished (as Bentham did not) between higher- and lower-order pleasures, i.e., intellectual and physical ones.

From its inception, utilitarianism has been vexed by the unworkability of quantifying and calibrating the ostensible “measure” of human action, utility, given the incommensurability of various individuals’ pleasures. Consequently, according to Macdonald
and Beck-Dudley (p. 619), personal “preference satisfactions” eventually supplanted “pleasure” as the purported substance of “happiness” and goal of action and policy in utilitarian discourse (i.e., the greatest personal preference satisfaction of the greatest number). Additionally, the related impossibility of assigning cardinal measures to utility produced a shift in emphasis to ordinal ranking instead. While avoiding the problems associated with the discrete measurement of total utility, these subjectivizing alterations created measurement problems of their own.

How can we know that an action, policy, law, etc., has increased or decreased overall, total preference satisfaction without comparing the effect of every person’s resultant satisfaction to everyone else’s? How might we know that a presumed total increase does not reflect the increased happiness of a few achieved at the expense of many? Pareto’s optimality test partially resolved these problems (p. 619), at least for actions, policies, etc., that involve the allocation of resources. Pareto recognized that a given allocation of resources can be preferred overall to others if it might make someone better off without making anyone worse off. The optimal condition would be reached when nobody could be made better off without somebody else being made worse off. Hence, in seeking to know the overall level of preference satisfaction regarding a proposed resource reallocation, unwieldy interpersonal preference comparisons of individuals’ intrapersonal preferences could be avoided, as could concerns of favoritism. But the optimality test does not solve the practical problem of how to identify the status (the better- or worse- “offness”) of everyone who will be affected by an action or legislative enactment. That can only be gauged, according to Posner (1983), by tabulating the consent of those affected by a proposed resource allocation, which presents intractable measurement problems of its own (Macdonald & Beck-Dudley, p. 619).

Posner recommends that personal preference satisfaction be replaced as the adequate social metric of utility by the value of that same satisfaction, which appears readily determinable by the amount that people are willing to pay for it. Hence, utilitarianism promises to surmount its measurement problems by a reductionism—utility reduces to a deniable commodity: money. While this elegant substitution of wealth for preference satisfaction (i.e., the greatest wealth of the greatest number—subject to Pareto optimality, presumably) as the measure of utility and the maximizing criterion of morality simplifies the measurement aspect of utilitarianism, the vulgarity of reducing the goal of human action, policy, rules and laws to wealth, or money, places the structural shortfalls of utilitarianism in bright relief.

Thus we have seen that teleology hinges morality upon empirical consequences, and can refer to the promotion of one’s own good as well as society’s. Utilitarianism, a variant of teleology: seeks through acts, or rules specifying acts— to achieve the “greatest good for the greatest number” ; considers that only one act will produce the greatest net utility for all of the people affected by immediate and foreseeable consequences; identifies (since Bentham) happiness with pleasure and/or the absence of pain; distinguishes (since Mill) between higher- and lower-order pleasures; seeks to overcome its vexing measurement problems by recourse to the aim of personal preference satisfaction; proceeds along lines of Pareto optimality, and; promises to definitively surmount its measurement obstacles by a reduction of utility to wealth, or money.

**Critique of Teleology/Utilitarianism**

Empirical consequences form part of an act’s circumstances, and are one of the sources, or constitutive elements, of the morality of human acts. Nevertheless, they are
a secondary element of the moral act (Catechism, 1994). Circumstances, or consequences, alone cannot specify the morality of an act. They can augment or diminish its morality, and even the agent’s responsibility for that act. But they cannot change the moral quality, or species, of the act for the better: i.e., make an evil act good. “Bad” foreseeable consequences can vitiate the moral goodness of an act otherwise praiseworthy according to its object and intention, or “good” foreseeable consequences can lessen the gravity of an evil act. But good consequences can never justify an otherwise evil act. It follows that the criteria for evaluating the moral rightness of action cannot be drawn from the weighing of putatively non-moral, or pre-moral, empirical goods to be gained by that action.

Empirical consequences are neither the only effects of human action nor the most important ones, morally speaking. More important are the interior consequences of the agent who seeks to effectuate external consequences with his action. In accordance with Pérez-López (1991, 1993), we call these interior consequences learning, which is a non-empirical consequence of action, and itself a meta-criterion by which action plans employed by, and for, human decision makers must be judged. Authoritatively formulated: “[h]uman acts are moral acts because they express and determine the goodness or evil of the individual who performs them. They do not produce a change merely in the state of affairs outside of man but, to the extent that they are deliberate choices, they give moral definition to the very person who performs them…” (John Paul II, 1993: p. 109).

If deontology is guilty of eliminating the finis operis, teleology is guilty of eliminating both that and the finis operantis. As such, it marks a further step away from a richer understanding of the morality of human acts. First, teleology mistakenly ignores the moral importance of the act itself, the moral object: the object rationally and freely chosen by the deliberate will. An act’s object is more than “a process or an event of the merely physical order, to be assessed on the basis of its ability to bring about a given state of affairs in the outside world” (John Paul II, 1993: p. 119). Rather, it is the “proximate end of a deliberate decision which determines the act of willing on the part of the acting person” (p. 119). The morality of human acts depends on this object because not every object is capable of being ordered to the good for man, and thus of bringing about man’s perfection. For instance, slavetrading might produce a net advantage to the merchant or nation that engages in it, but that cannot alter its intrinsically evil status. Secondly, teleology ignores the relevance of intention to the morality of an act. It cannot distinguish between a stockbroker’s selling an investment (that eventually proves to be profitable) to a client for the sake of (1) the investment’s suitability to that client’s needs, means and risk/return profile or (2) generating a commission, winning a sales contest, or even intending that the client lose money. The action is morally worthy on teleological grounds, regardless of the intention with which it was performed, merely because the investment made money.

While the moral life is essentially teleological in character because it aims at the authentic good for a being of a specific nature –human nature in this case– modern teleology fails for want of an authentic good. Utilitarianism, for instance, reduces the good to a sociological and psychological concept, not a moral one. Rather than to the nature of man, it makes the needs and wants of individual men the relevant comparison. In other words, it hopelessly seeks to construct an objective theory upon a subjective base. “The morality of acts is defined by the relationship of man’s freedom with the authentic good” (John Paul II, 1993: p. 109), and not with the subjective one. A good is authentic precisely and primarily by virtue of its correspondence to a being of specific, objective nature, and only secondarily to any individual being of that nature, or any society composed of such beings. Modern teleology’s project of bringing about a “better” state of affairs, of maximizing goods and minimizing evils, is bankrupt because it contains insufficient substance to give moral meaning to words such as “better,” “good” and “evil.”
Teleology, in all of its variants, presumes that measurable consequences are the only relevant gauge with which to measure human action. In traditional management terminology, this is to claim that the only relevant measure of an action plan’s contribution to happiness is its “effectiveness” (Barnard, 1968; Simon, 1976; Pérez-López, 1993). This assumption, in turn, reflects and highlights the anthropology underlying utilitarianism (to name a variant of teleology): economic man. The shortfall of this conception of man as a utility (effectiveness) maximizer is that it ignores additional criteria by which action plans should be measured (i.e., efficiency, consistency) as well as the human realities that underlie those criteria: motives for action (i.e., intrinsic, transcendent), corresponding to additional constituents of integral human fulfillment (i.e., operative, evaluative), as well as the learning—or personal changes in the decision maker and in the reactive agent— that occurs as a result of a decision maker’s attempt to maximize anything (Pérez-López, 1993). (Also, since human rationality is “bounded,” man is a “satisficer” (Simon, 1976) rather than a maximizer.)

Once it is recognized that more than one scale of measurement applies to action plans (e.g., actions, policies, regulations), the concept of maximization becomes meaningless at best and harmful at worst. What is sought from action is the achievement of a set of acceptable measurements falling within a viable range across scales, rather than the maximization of results on any one of those scales. Indeed, the maximization of any one scale to the neglect, or detriment, of the others is usually a prescription for a system’s calamity rather than for happiness.

Moreover, pleasure is not the sole ultimate good. One might rhetorically ask: “Is doing the right thing nothing more than calculative efficiency in pleasing people?” (Macdonald and Beck-Dudley, 1994). If pleasure is made the metric of utility, then utilitarianism fails due to its use of an essentially incidental, contingent and elusive end (Wojtyla, 1981). Pleasure is a momentary good for a particular subject, not a common good suitable for the social welfare. Additionally, the erection of pleasure as the ultimate goal of action traps the subject inside of himself and his own desires and thereby, paradoxically, precludes his experiencing love.

Equally damning is that if experiential pleasure is the main good at which action aims, then every person, including my own, is a means to that end. Hence, utilitarianism, which seeks to produce utility for the service of man, ends by subordinating him to his putative servant: utility. This incoherence aside, teleology is fundamentally a radical affront to our sense of human dignity. It violates the venerable dictum that men are to be treated as ends in themselves, never as means. This dictum underscores yet another: that the end (empirical consequences) does not justify the means (acts), signifying simply “any means.” Some means, such as reducing other persons to mere instruments for my objectives, can never be justified by empirical consequences. A manager cannot enslave even willing employees in order to reduce costs and increase output, though that act would increase total utility in accordance with Pareto optimality.

As has already been stated, utilitarianism (and teleology, generally) is fraught with measurement problems and is thus subject to a number of standard criticisms. First, goods/values are incommensurable and therefore impossible to weigh against one another—unless one mistakenly considers the vulgar assumption that “everything has its price” to be a truism. Therefore, utilitarianism is irrational, or senseless, as a general strategy of moral reasoning “in the way that it is senseless to try to sum together the size of this page, the number six, and the mass of this book” (Finnis, 1980: p. 113). Secondly, the long-term consequences of our actions are complex and unpredictable, making their valuation a practical impossibility. Thus, any consent granted is purely an act of faith—and hardly “scientific”—which nullifies utilitarianism’s supposed advantage over traditional teleology.
Spaemann (1989) makes the observation—citing the Milgram experiments, in which ordinary people proved willing to administer lethal shocks of electricity for the supposed higher good of science—that utilitarianism both “sacrifices the moral judgment of ordinary individuals to the technical intelligence of experts” (p. 52) and “leads us to the conclusion that trying to determine our actions by consideration of the sum total of the consequences disorients people and makes them open to all sorts of temptations and possibilities of manipulation” (p. 53).

Even were an accurate picture of total happiness calculable, its distribution might easily be considered unjust, even under conditions of Pareto optimality. For instance, a proposed asset reallocation may not make anyone else worse off in an absolute sense, yet the absolute advancement of others might prejudice someone in a relative sense. Additionally, goods may accrue to those who deserve and/or need them least, raising the specter of injustice. Finally, individual rights might easily be trampled in a rush to ensure the greatest good for the greatest number.

As stated earlier, the moral life is essentially teleological in character. The sense in which this is true will only become apparent in our consideration of virtue ethics, or traditional teleology. But first, examination of an alternative business-ethics paradigm is necessary.

In sum, teleology/utilitarianism is deficient on many grounds, including that it: gives primacy in moral evaluation to consequences, which are only a secondary element of the moral act; ignores the interior consequences of action, which include the primary sources of a human act’s morality; eliminates both the finis operis and the finis operantis; pursues an empirical—rather than moral—good and, consequently, seeks to construct an objective theory upon a subjective base; is anthropologically predicated upon homo economicus, whose cramped range of motives is morally fatal; prescribes a disastrous recipe for rational decision making—utility maximization; prioritizes pleasure, which cannot be the ultimate end by virtue of its contingency; traps the subject within his pleasure-seeking self; permits the end to justify the means; poses intractable measurement problems due to the incommensurability of goods and the unpredictability of long-term consequences, and; threatens justice and endangers rights.

II. The Politics Model

According to Shaw, the politics model is, largely, applied political philosophy; its focus, the “business system as a whole—its overall morality, its institutional norms, and its organizational structures and imperatives” (1996: p. 496). In the politics model individual moral decisions and conduct become considerations secondary to those of the socioeconomic context and organizational structures framing those decisions. Rather than inquiring into an individual’s immediate moral choices, the politics model asks how it happens that the choice arises in the first instance and whether organizational, economic, legal and social environments can be restructured or redesigned to alleviate problematic choices.

The primary interest of the politics model appears to be distributive justice; its principal themes those of “economic justice and the moral debate over capitalism.” Among competing political outlooks, Shaw specifically mentions those of utilitarians, libertarians, Rawlsians and Marxists. Commenting on this latter perspective, Shaw notes that Marxist-informed business ethics reduces to demonstrations of capitalism’s inherent immorality by continuous reference to inequalities (p. 496). These inequalities, taken collectively, are purported to reveal and demonstrate systemic socioeconomic injustice.
A popular alternative to the Marxist approach is that of corporate social responsibility, which explores the obligations of corporations to shareholders and other stakeholders. Here Shaw contrasts a straw-man depiction of Milton Friedman’s thesis—that the social responsibility of business is to make money—with the nuanced opinions of his critics, including those who maintain that business operates by virtue of an implicit contract with society: i.e., a social contract.

The politics model is public-policy oriented, with its detailed discussion of the rights and responsibilities of firms in light of society’s goals and their promotion. The structure of corporations’ legal and economic environments is viewed as a variable to be operated on in order to more effectively govern everyday business decision making. Examples of relevant social moral issues that Shaw considers primarily matters of public policy rather than individual moral dilemmas are: affirmative action, comparable worth, environmental protection, and health and safety standards. Even personal moral choices, according to Shaw, can profitably be viewed from the perspective of political philosophy/public policy. For example, rather than dwelling on the crises of conscience a whistle-blowing situation might present to an individual, one can explore protective legislation for whistle blowers, thereby removing the threat of company retaliation.

Shaw considers the strengths of this model obvious: too obvious to mention, in fact. Rather, he confines himself to the observations that the politics model is parasitic on social theory and political philosophy, and that it runs the risk of paying insufficient attention to the individual person, who is generally not capable of effectuating sweeping social reform.

Thus we have seen that the politics model: focuses on the socioeconomic context and organizational structures framing individual decision making; largely concerns distributive justice and its relation to systemic and structural features of social life; seeks to identify the sociomoral responsibilities of corporations, and; presumes that nearly all moral issues are political (or, in contemporary parlance, that “the personal is the political”).

**Critique of the Politics Model**

Any model founded on the primacy of matters pertaining to distributive justice will fail because distributive justice is not an end in itself. Distributive justice, which indicates the moral necessity of treating equals alike and unequals differently, is relevant because it safeguards human dignity and serves the common good (or *kyosei* as the Caux principles put it; 1993) —ends that need no reference to anterior goods of social life. Thus, human dignity and the common good, and not distributive justice, are the ends-in-themselves that underlie the structures of the just social order, as well as provide the criteria for evaluating those structures. Human dignity and the common good do not depend on distributive justice for their value. Rather, distributive justice is needed for their practical achievement. Indeed, obsession regarding distributive justice (decontextualized from its subordinate role) tends to degenerate into a notion of material equality for all: a condition that is necessarily neither just nor of service to human dignity or the common good.

This model has less to do with individual decision making than it does with policy-level decision making about how individuals should decide. In subordinating questions of how man should freely act to questions of how the backdrop to his acting should be arranged in order to structure his decisions, the politics model shifts central moral importance from the person to society. It thus runs a corresponding risk of unduly subordinating human freedom
to social goals: goals whose selection might be founded on erroneous notions of that very human freedom, the good for man, human dignity and the common good. This risk is heightened by the primary motive underlying the model: to achieve certain empirical outcomes with respect to material goods. Structure is seen as the crucial variable, whose manipulation at the macro-level can effectuate desired conduct and behavior at the micro-level, analogous to the way pulling the strings of a puppet will move its limbs. No consideration is given to realities transpiring “inside the puppet” at the non-empirical level. More needs to be said about this.

At bottom, the primordial elements of decision making reside inside the individual, not outside of him. And this fact the politics model—which assumes too much about the dependence of man, in the first instance, upon systems and structures—thrust aside much too carelessly. It represents the eclipse (rather than custody) of the micro-level, or anthropology, by the macro-level, or politics. I would agree that man is largely dependent upon the social structures of family and civil society, as well as other, “intermediate associations” such as church and business firms, for both the transmission of his human inheritance and his sustenance. But the crucial fact remains that he is not determined by those structures. If he were, the desire to reform them would be unthinkable, and the ability to behave ethically within evil structures, or unethically within good ones, would be impossible. The web of existing regulatory, economic and variegated environmental factors influence, but do not explain, individual decision making. Recognition of this elementary fact in law, for instance, underlies the uniform tendency of criminal law, torts, contracts and even securities regulation to regard the individual as personally responsible for wrongdoing, regardless of his social role in the sanctioned matter. Correspondingly, the individual is morally responsible for his freely chosen (i.e., decisional) acts regardless of environmental factors.

The politics model constitutes social theory performed outside-inward rather than inside-outward. The distinction is more than semantic. Macro-approaches to politics often ignore the human realities, especially human freedom, that social prescriptions must respect. A man is free to bestow his heart on, or withhold it from, the good. How he resolves the choice between these conflicting responses is the gravamen of ethics and, consequently, of business ethics. From freedom stems human dignity and the recognition of the need to safeguard the common good through macro arrangements, which is the gravamen of politics. Virtue enables man to elect the action corresponding to the good selected: that is to say, virtue permits man to operationalize his freedom. Hence, virtue must be considered in politics. These are the primary realities of the moral and political orders: realities ignored in the politics model as currently construed.

The politics model overlooks the crucial role of virtue in decision making, first as to its very existence and, consequently, as to the effect of macro-tinkering on its development or retardation. Because the politics model is blind to virtue, it is incapable of explaining why, given the existence of putatively immoral systems and structures, the vast majority of individuals are nevertheless capable of behaving ethically. Two, or two thousand, similarly situated people might be confronted with the same opportunity for wrongdoing, but not all will do wrong. Some will possess sufficient control of themselves—in a word, virtue—to resist whatever temptation to abuse their fellows their environmental settings might present. Because the politics model is oblivious to the developmental or destructive—in a word, formative—effects on virtue of social, legal and economic arrangements, it is a static model. Despite its noble ideals, it is incapable of grasping the significance of the macro-reality it seeks to arrange. Hence, whatever reforms it effects in the name of distributive justice, they are unlikely to serve the dignity of man, and are quite likely to cater to its opposite.
Because of its static outlook, the politics model will never capture morally-significant informal, organizational realities, e.g., cooperation, trust, loyalty, devotion and the unification of personal goals with organizational ones: virtue-related realities so important to personal development and long-term business survival (Pérez-López, 1993). Those realities, at bottom, are micro-phenomena. They operate at the level of personal interactions, through the decisions that individuals make with respect to one another. Specifically, informal realities operate at the level of the human heart, or will. Yet the politics model explains human decisions by reference to the organizational contexts in which they take place. The impossibility of grasping micro-phenomena with a macro-approach is evident when one considers that an organization can neither mandate nor control that its participants cooperate fully with it, trust it, be loyal to it or unite their hearts to it. An organization can exact external compliance by a variety of means, but it cannot exact internal compliance, or good will, which is a free response of the heart to an entity it perceives as good. The politics model ignores this reality at the peril of its own relevance. It might provide means for coercing external obedience and conformity, but never love. Thus, contra Machiavelli, it is evidently better to be loved than feared.

Too often, macro-conceived politics degenerates into the pursuit of power (not even of distributive justice) in order to effectuate the distributional changes favored by social engineers. (The standard model’s inability to rebuff Thrasymachus’ assertion that might makes right, commented upon earlier, undoubtedly contributed to the ascendance of the politics, or power, model.) But power is an insufficient political goal whose pursuit betrays naive assumptions about the men it is intended to govern. The premise underlying the belief that men can indefinitely be directed to act as desired via manipulation of macro-environments is that they will cooperate meaningfully with the manipulator who presumes to control them: that they will do as they are told. The falsity of that assumption is eloquently attested to by the history of political and, more to the point, business failures. Those who lust for power over macro-arrangements erroneously believe that individual decision making invariably follows social control. They ignore men’s freedom to cooperate or become uncooperative, perhaps even hostile. Power devotees cannot fathom the very real possibility of finding themselves in total control over the distributive arrangements of a non-productive system or structure for want of cooperation.

A practical problem with the politics model is underscored by the question of just who will redistribute in justice’s name. Another is the question of who will govern the redistributors. Shaw mentions highly contentious public-policy issues, which he blithely categorizes as business ethics topics better considered from a social or legal perspective: “affirmative action, comparable worth, environmental protection, health and safety standards...” (p. 496). Without disparaging the merits or relevance of his list, it seems beyond dispute that these concerns are vigorously prosecuted by self-appointed, partisan special-interest groups. The transformation of those partisan concerns into the substance of business ethics, and business ethics into the domain of those partisan concerns already suggests that, in practice, these same cognoscenti will tend to the redistribution, and do the governing themselves. By virtue of what are they qualified, or trustworthy? Superior enlightenment and compassion?

More important, if ethics (rather than social control or political power) is the reason for considering controversial public-policy proposals in classes of business ethics, they can more profitably be viewed through the lens of virtue-affecting personal decisions. Though considered an “extreme view” by some (Velasquez, p. 27), that contention seems less extreme than the notion that people can be “made” to be good. The manager in a position to pollute, or to invidiously discriminate on the basis of race, sex or any other characteristic, will avoid exercising his freedom in that way if he possesses sufficient virtue to control spontaneous
inclinations and environmental pressures to do so. There is not enough law, power or coercion to control every manifestation of human freedom, or even the most egregious ones. That is why self-control is preferable, and more powerful.

Shaw ends his discussion of the politics model with the criticism that it runs the risk of paying “insufficient attention to the individual person who is doing a job, building a business, or pursuing a career while ... trying to fashion for himself or herself a decent, fulfilling, and meaningful life” (1996: p. 497). This criticism serves as Shaw’s transition to the virtue model, which “address[es] what many philosophers have seen as the central question of human existence: what sort of life should I strive to live?” To that I will turn after a cursory examination of corporate social responsibility.

In sum, the politics model is deficient on many grounds, including that it: ignores and threatens human freedom and, consequently, human dignity and the common good; dangerously shifts the locus of moral significance from the person to society; instrumentalizes human acting; aims erroneously at empirical consequences and material results; assumes too much about man’s dependence upon social systems and structures; constitutes social theory done from the outside in (i.e., a macro-perspective), with all of the attendant risks to individuals; does not grasp the personally formative effects of systems and structures and, consequently, the full significance of the macro-arrangements it seeks to effectuate; overlooks informal and non-tangible realities that are crucial to political, or social, life; makes mistaken and naive assumptions about the limits of power and the pliability of human decision makers; exposes business to the whims of partisan reformers, and; more poorly effectuates public-policy goals than would an inside-out, or micro-, approach to politics.

A. Corporate Responsibility

Who is morally responsible for jointly produced acts, such as those of a corporation? If the corporation is responsible, on what is that responsibility based? A variety of answers to those two questions are found in the business ethics/corporate social responsibility literature, which resorts to various conceptions of moral agency, the corporation and, ultimately, man himself. What follows is a brief review of major contributions to the literature along with a critique.

Milton Friedman (1970) famously addressed the issue of corporate social responsibility a number of years back. “Few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible” (Melé & Sison: p. 13) (1). For Friedman, “only people can have responsibilities.” Hence, the corporate manager must not act in accordance with perceived social responsibilities that in fact do not exist.

In a free-enterprise, private property system a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers....to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom [my italics] (Donaldson & Werhane, 1988: p. 218).
Thus, for Friedman, corporate morality reduces to a question of means rather than ends. Business ethics is simply a matter of conforming to socially constructed moral rules in the pursuit of preordained ends: ends which are presumably amoral with respect to the manager.

Friedman is only the most famous, not the only, negator of any corporate responsibility beyond economic prowess. Theodore Levitt (1958) early on warned of the “dangers” posed by corporate social responsibility. “The function of business is to produce sustained high-level profits....Welfare and society are not the corporation’s business. Its business is making money, not sweet music.”

While acknowledging that individual actors are morally responsible by virtue of their intentionality, Michael Keeley (1982) nevertheless denies the possibility of corporate responsibility for want of ends. Organizations, for Keeley, are merely “nexes of power and resources that exist to promote the welfare of participating individuals.” Organizational goals, in actuality, are nothing more than the particular, possibly overlapping goals of the organization’s members and other individuals. “If in fact, truly organizational goals or intentions defy identification, there is not much point pretending that they exist or that organizations resemble persons in any significant way....From the fact that an organization can so act in the sense of producing an effect, it is a large leap to the claim that it can act in the sense of intending an effect.”

Similarly, Manuel Velasquez (1983) locates moral identity exclusively in human actors, who alone originate action and are aware of its moral quality. While willing to impose compensatory obligations on organizations in cases where no morally responsible human being can be identified, it is nevertheless human actors—not organizations—who bear moral responsibility, proportionate to the degree of their participation in the offending act.

For John Ladd (1970), corporate responsibility, and even responsibility within corporations, does not exist. He considers organizational decision making to be thoroughly impersonal and therefore void of moral responsibility. Bureaucrats, analogically speaking, are merely cogs in a machine as incapable of compliance with moral principles as the machine itself. Hence, moral responsibility pertains neither to the person (whose responsibility is dissolved in the organization) nor to the organization (which, as a machine, has no responsibility). Without an acting agent, it follows that there can be no moral agency. “Insofar as morality in the strict sense enters into practical reasoning it must do so as an ‘ethical’ premise, not as an empirical one. Hence morality as such must be excluded as irrelevant in organizational decision making...”

Among those who posit corporate responsibility, Patricia Werhane (1985) locates it in the corporation’s derivative, not primary, moral agency. Corporations, as “collectives made up of persons can act as moral agents, and therefore are morally responsible” (Werhane, p. 59). But they are only “secondary” moral agents because their action is secondary: that is, corporations act through individual, or primary, agents and never directly (as primary agents) themselves. Indeed, a corporation’s secondary actions are not even like those of an individual, because a corporation is not an autonomous individual on whose behalf a primary agent can act. Since corporations cannot authorize primary actions as human beings can, they can only be secondarily responsible.

Richard De George “attempt[s] not only to discuss what is morally required of a person in a business ..., but also what structures are conducive to a person’s accepting moral responsibility and fulfilling his or her moral obligations....Business is a social activity and,
like all social activity, cannot function unless certain moral prerequisites are fulfilled" (1990). For De George, moral responsibility (as opposed to economic liability and legal accountability) derives from self agency, advertance (knowledge of acts and omissions) and consent. However, corporations are not morally responsible by virtue of psychological attributes or characteristics (e.g., conscience, will), as individuals are, but rather they assume responsibility for collective acts, the ultimate responsibility for which is borne by individuals. “Corporations lack the interiority characteristic of human individuals; therefore their actions, not their motives, are the proper object of moral evaluation.” Moreover, the moral obligation to rectify harms belongs to the corporation itself.

For John Kenneth Galbraith (1977), “[f]rom the interpersonal exercise of power, the interaction...of participants, comes the personality of the corporation” (p. 261). From corporate “personality” one might derive personal agency and responsibility for corporations.

Kenneth Goodpaster (1977; Goodpaster & Matthews, 1982) maintains that corporate moral responsibility derives from causal agency (via incentive systems), rule-following (via organizational structures and competencies) and decision making (via the human impact of operations and policies; and the capacity to stand by decisions, or trustworthiness/reliability).

That corporate conduct has in fact come to dominate the lives of individuals is only slowly beginning to occur to the moral philosophical community, together with an attendant imperative to accommodate this fact to ethical theory. One important state in this accommodation process includes a shift in levels of agency (and consequently, moral responsibility or virtue) from the individual to the corporate or organizational decision maker.

Peter French (1979) holds that “[c]orporations can be full-fledged moral persons and have whatever privileges, rights, and duties as are, in the normal course of affairs, accorded to moral persons.” By virtue of its corporate internal decision (CID), a corporation is a metaphysical agent (possessing “intelligent agency”) and a moral agent (it is accountable for its actions). Surprisingly, it is purportedly not a legal agent (which can “appropriate” its actions and corresponding merits or demerits) in any relevant sense. Consequently, the corporation for French is a “Davidsonian agent” (Davidson, 1971), meaning one which possesses a hierarchy (organizational chart) and corporate decision-recognition rules (corporate policies). Policies aim towards purposes and subordinate, or incorporate, individuals’ decisions and acts into the organization’s. This “incorporation” provides the “material” condition for ascribing moral status to the corporation. The authority of corporate social norms –through which individuals are regarded as accountable to others for actions– implies the “formal” principle of corporate moral status: namely, corporate intentionality (Anscombe, 1958). (Metzger and Dalton (1996) criticize French for erroneously presuming the organizational chart to represent a corporation’s actual decision hierarchy. Moreover, they believe that the “rational actor” model which appears to inform French’s understanding is too narrow to capture the essence of corporate decision making.)

Perhaps the most rigorous modern grounding for corporate moral responsibility is Thomas Donaldson’s social contract theory of the firm (1982, 1989; Donaldson & Werhane, 1983). Moral responsibility hinges on moral agency, which in turn implies intentionality and freedom. Donaldson assumes that corporations, like people, can choose ends (objectives) and deliberate about appropriate means to achieve them. This occurs at the corporate level through the existence of an organization chart and operating policies. He justifies the existence of a corporation and establishes its moral status by reference to a social contract with direct participants (e.g., stockholders, employees, suppliers, customers) and indirect participants,
or society in general (e.g., competitors, communities). Productivity requires the creation of such entities in order to escape the scarcity prevailing in a “state of nature.” Members of society contract to extend recognition of the corporation’s legal agency, authorize its property ownership and use, and grant it permission to hire employees. The corporation, in turn, minimally contracts to provide net benefits to society via its direct and indirect obligations. Any particular corporation requires the consent of its founding members and government in the form of legal approval. Donaldson has, over the years, augmented this basic account with an elaborate apparatus consisting of macro- and micro-social contracts, hypernorms and priority rules (Donaldson & Dunfee, 1994; Dunfee & Donaldson, 1995).

Thus we have seen that corporate responsibility is predicated, or denied, by recourse to some basic conceptions of moral agency, the corporation and, ultimately, man himself. Corporate responsibility is denied by some on the grounds that the corporation: has a sole end, which is economic (Friedman, Lévitt); has no ends of its own, and therefore lacks the intentionality necessary for moral responsibility (Keeley), or; can neither initiate acts nor recognize their moral quality (Velasquez). One author denies both corporate and personal responsibility (within corporations) by virtue of dissolution of the “cog’s” (person’s) responsibility in a putatively amoral machine (organization) (Ladd). Corporate responsibility is posited (to varying degrees) by others on the grounds that the corporation: is a (secondary) moral agent by virtue of being a collectivity of moral agents (Werhane); assumes responsibility for corporate acts, which, in the case of corporations, are the proper object of moral evaluation (De George); has a personality (Galbraith); is a causal agent by virtue of its incentive systems, organizational structures and the human impact of its policies (Goodpaster); is a full moral person by virtue of its organizational chart, policies, incorporation of individual decisions and corporate social norms (French), and; is a moral agent—one that selects ends and deliberates about the appropriate means to achieve them via its organizational chart and operating policies—whose moral status is derived from a social contract (Donaldson).

Critique of Corporate Responsibility

Real moral responsibility lies only with individual persons by virtue of their intellect and free will. It flows from personal freedom and the capacity of personal intelligence to know the moral good: properties which, taken together, make man the owner of his acts and, consequently, the subject of responsibility for them (Melé & Fontrodona, 1997). Moreover, actions are carried out by concrete individual persons, who are “subsistant subjects or individual substances” (Melé & Sison, 1993). Corporations are neither one nor the other, analogies to human person notwithstanding.

Nevertheless, a legitimate basis upon which to construct a theory of corporate responsibility exists by virtue of man’s social nature. “[T]he human person is essentially, and on equal counts, both an individual and a relational being; he cannot be fully constituted—nor constituted at all, for that matter—as a human person unless it is in a more or less ‘institutionalized’ (in the sense of an ‘established’ or ‘recognized’ social form) relationship with others like him[self]” (Melé & Sison, 1993: p. 7). Man can only achieve the essential ends of his life in communion with others, first in the family (man’s initial community) and preeminently in civil society (man’s ultimate community).

The economic demands of human nature indicate the general necessity for corporations/business firms and justifies their existence. The corporation is one of a number of “lesser,” or “intermediate,” societies (existing between family and civil society) whose
specific contribution to the common good is the provision of goods and services. It is a human artefact created through freedom by human reason, whose origin lies in the human being’s intrinsic freedom of association for legitimate purposes. It has neither an intrinsic moral status nor an inherent right to exist. Like all human societies, it serves the common good through its mission, which transcends, and should inform, particular company directives. Its general function is to more adequately and efficiently provide for men’s economic needs (than would be possible without it). Hence, it is a “necessary” society insofar as its general end is essential to human life. But no particular corporation is necessary—each is contingent— as none would formulate so general an aim as the provision of either “goods and services” or “men’s economic needs.” Specific socio-cultural, legal and historical embodiments of business firms, such as the corporation, are all grounded in the human person’s aforementioned inalienable right to free association.

Like all human societies, the corporation serves as a locus for personalization and socialization. “Men ... are capacitated by their spiritual nature for something greater than the mere satisfaction of material needs; they possess a desire for a more total fulfillment that would include not only the absence of economic scarcity and the development of one’s individual capacities, but likewise, the harmonious flourishing of interdependent human lives in society” (Melé & Sison, 1993: p. 9). Since the person is inconceivable independent of his socio-political roles (i.e., he is not merely an individual: a mathematical-logical abstraction), it is “natural” to ascribe corporate action to him. Thus, while agency belongs to concrete persons (i.e., subsistent subjects), responsibility must be shared with the firm, though not simply by virtue of the corporation’s decision-making structure (which is geared towards objective common ends according to rules). Rather, the fact of belonging to a human community (e.g., the firm) itself entails personal responsibilities due to the sociability inherent in human nature.

Collective responsibility—rather than being a depersonalized responsibility belonging to nobody because it belongs to everybody—is a personal responsibility to accomplish the mission of the community to which one belongs. The corporation is a community of persons bound by a singleness of purpose in cooperative work, and not a mere aggregate of individuals devoid of personal attributes. All members of a community share responsibility for actions attributable to concrete persons. Thus, contra Goodpaster et al., a corporation is neither a moral agent nor, contra French et al., is it morally responsible via the projection or absorption of individual responsibilities. It is a human community consisting of individual/social beings who are responsible—personally for their own acts, and collectively by virtue of their cooperation with others. Collectivities of persons have their own moral status grounded in the moral and social nature of man.

Corporate responsibilities can be expressed in classical terms of justice (Melé & Sison, 1993: pp. 11-12): (1) organic, consisting of (a) legal/general and (b) distributive (governing relations between the whole and its parts); and (2) inorganic, or commutative (governing relations between individual subjects not considering their common membership in a society). Legal justice concerns the “governor’s” (and any member’s) obligation to the society’s common good, while distributive justice concerns the society’s obligation to any member. With respect to the corporation, organic justice would regulate relations within the firm, while inorganic justice would regulate relations between the firm and those “outside” of it. General/legal justice would concern the duties of those working in or for the firm. Distributive justice would concern the duties of the firm to those working in or for it. Commutative justice would concern the firm’s duties to external participants, e.g., suppliers and customers.
It is important to emphasize that responsibility is not the only relevant feature of corporate morality. Commitment to a few basic principles, and the capacity for human flourishing, are also morally relevant aspects. The fulfillment of justice’s demands is a *sine qua non* for the achievement of a corporation’s commitments, which transcend productivity, profit, efficiency or any other economic objective. Human values such as service—when incorporated or translated into economic benefit, as befits this type of intermediate society—also form part of a corporation’s commitments: that part, in fact, whose materialization and embodiment in the actions and character of each and every member of the firm is what determines, in the long run, that particular enterprise’s moral worth and status. And this moral worth and status is the expected contribution of the business firm to the common good of civil society, to the flourishing of lives of human persons as members of that society (Melé & Sison, 1993: pp. 12-13).

Note that the foregoing account constructs a basis for corporate responsibility without analogizing the corporation to a physical person and thereby transmogrifying personal attributes. However, analogizing to a physical person in order to establish the existence of corporate responsibility is precisely what the authors cited do. Having made one error, they compound it by positing a being whose welfare is thought to be strictly private and insulated from the common good. This erroneous anthropology denies the inherent sociability of man. Melé and Sison (1993) highlight these errors in the case of one particular attempt to establish corporate responsibility: Thomas Donaldson’s social contract theory of the firm.

Social contract theory is a creature of distinctively modern political philosophy, which cannot be incorporated into business ethics discourse free of its presumptions about man and his entry into civil society. Donaldson draws his inspiration predominantly from John Locke, whose *Second Treatise* (1967) stressed the inalienable, individual rights to life, liberty and property: “natural rights,” which precede and survive the individual’s entry into civil society. Donaldson’s understanding of the social order is similarly informed by an individualist anthropology insofar as his social contract is drawn up between individual beings who choose to relate. In the classical tradition, society is not rationally entered into by virtue of a choice, or decision. Rather, society is natural to man – where you find him, you will find them (as has been the case throughout history). Because of its individualist anthropology, social contract theory presupposes self-interest to be the spontaneous, initial attitude of man towards association. But when persons are envisioned as naturally sociable beings endowed with reason and speech (not atomized, autonomous individuals), the mutual benefits of cooperation spring readily to mind. Man’s spontaneous reaction to other men is one of sympathy, or “incipient friendship,” and not self-interest.

Because social contract theory bases society upon the foundation of tolerance-towards-differences rather than respect-for-persons, it cannot provide a meaningful account of corporate responsibility. “Entrepreneurial responsibility does not derive from a social contract; rather, it is founded on the respect towards the human person and on the solidarity of the firm in promoting harmoniously and actively the common good, inasmuch as the fundamental norm of all economic activity is service towards man, of all men towards the whole of man, in his full integrity” (Melé, 1991: p. 1102). The question for social contract theory is: “How is the sovereign’s power legitimized?” For classical philosophy, it is: “What regime best suits the flourishing life for man and society?” If business ethics is a broader enterprise than merely the assignation of contractual responsibilities, and additionally concerns adherence to principles and a thrust towards perfection, then classical theory evidently provides a superior basis for corporate morality.
In sum, both opponents and proponents of corporate responsibility err for want of a proper anthropology and, consequently, theory of the firm. Specifically, their accounts lack necessary reference to the basic facts that: real responsibility and agency lie only with individual persons; a corporation is merely an artefact of human reason lacking intrinsic moral status; man is social by nature, which—by virtue of a personal responsibility to accomplish the mission of the community to which he belongs—provides a basis for collective responsibility; rather than being a nullity, or an entity with a solely economic purpose, the corporation is a necessary, intermediate association that serves as a locus for personalization and socialization while it provides for man’s economic and material needs; corporate responsibilities can be outlined in classical terms of justice; corporate morality transcends the issue of responsibility, to encompass a commitment to principles, core values and human flourishing, and; analogizing to the physical person is unnecessary in order to construct a theory of corporate responsibility.

III. The Virtue Model

According the Shaw, the virtue model owes its status as a paradigm to the resurgence of moral philosophers’ interest in Aristotle. The tradition of virtue ethics is thought by many to serve as a corrective to the “rationalistic theories and abstract moral principles” (p. 497) characteristic of modern ethics. Another troublesome feature of the contemporary moral scene in need of redress is its view of “moral agents as abstract, rational deliberators—as noumenal, Kantian selves—shorn of commitments to particular communities, projects or peoples” (p. 497). In response to these defects, virtue-based business ethics accentuates and prioritizes matters of character and context. Rather than adherence to abstract rules and moral principles, virtue ethics emphasizes the importance of attachment, commitment and human excellence to the people making decisions.

To Shaw, feminist moralists qualify as neo-Aristotelians due to their stress on “moral particularity, the thickness of moral agency, and the centrality of caring—themes which resonate with those of virtue ethics” (p. 498). The virtue tradition itself is said by Shaw to highlight moral sensitivity, practical wisdom, core values and an appreciation for moral ambiguity and complexity. Shaw proceeds with a passage that is worth quoting at length:

For our students just as for Aristotle’s students, morality is a matter of character, a product of habit and social training. At the heart of morality are not rules and theories but the kind of person we are trying to be and the kind of life we are trying to achieve. People come to be virtuous by doing the virtuous thing, and our students ...will benefit more from an exposure to moral exemplars than from moral theory, more from great novels than from being taught the argumentative ins-and-outs of various philosophical theories.... [W]hat life is all about is the endeavor to shape for oneself a good and fulfilling human existence....What matters, at the end of the day, is ... who one is (p. 498).

Shaw credits the virtue model with rectifying the errors of its competitors. Against the politics model it puts the “ethics” back into “business ethics.” Against the standard model, it puts back the “business.” A particularly realistic aspect of the virtue model, notes Shaw, is its emphasis on moral judgment, moral ambiguity and practical reason as opposed to moral principle. This approach makes of business a school for the virtues: a place where one can build both character and a life.
Against the virtue model, Shaw notes that many moral philosophers consider the dichotomy between principles and abstract reasoning on the one hand, and virtues and practical wisdom on the other to be a false one. “[C]ontemporary moral philosophy seems capable of accommodating both principles and a concern for virtue and character, both rational deliberation and a sensitivity to community and context, both universal commitments and an appreciation of particularity and identity” (p.498). How, Shaw does not say. Additionally, many moral philosophers question whether an emphasis on character will help managers solve specific problems and real workplace dilemmas.

Shaw concludes his criticisms by noting the allegedly non-excludable importance to business ethics of concepts such as moral rights and due process. Finally, he contends that “clearly, the corporate or bureaucratic context of many business ethics issues gives them a public and interpersonal dimension that cannot be entirely reduced to individual virtue and character” (p. 498).

Thus we have seen that the virtue model: prioritizes matters of character and context over those of (rationalistic) theory and (abstract) moral principle; highlights the centrality to moral life of practical wisdom and goods/core values; emphasizes the relevance of life projects to everyday choices, and; links the theoretical requirements of ethics to the practical demands of business through the medium of personal judgment.

Critique of the Virtue Model

This model is to be credited for situating both ethics and business ethics within the larger, and more personal, context of questions relating to what type of life each of us should strive to live. However, Shaw seems not to be aware that this model, and context, has no less to do with individual decision making than does the standard model. The difference is that while decision making in the standard model is judged according to its correspondence with abstract rules, it is judged according to its correspondence with the decision maker’s flourishing, or plenitude, in the virtue model.

The differences envisioned in individual decision making between the standard model and the virtue model reduce to one factor: dynamism. The standard model is static while the virtue model is dynamic. What does it mean that the virtue model is dynamic? That it posits and explains the variables and mechanisms by which the decision maker capititates, or incapacitates, himself for future decision making with each decision he makes. As Shaw says, the virtue model considers morality to be “a matter of character, a product of habit and social training...People come to be virtuous by doing the virtuous thing...” (1996: p. 498). Virtue, like any habit, is developed, or diminished, by the repetition of acts, which are preceded by decisional acts, or choices –acts of the will itself. Human decision makers shape themselves– their characters and their virtue – through their decisions. Thus, a decision maker is both the subject and the object of his decisions. Dynamic models reflect the reality that decisions are personally relevant to the decision maker, since he changes with each one he makes. Any model, like the standard or politics one, which ignores that reality is static. Only the virtue model is capable of capturing decision makers’ dynamic nature, and reality, for explanatory and predictive purposes.

Both the virtue model and the standard model envision the decision maker as a moral agent who is responsible for his acts and omissions. But only in the virtue model is the agent responsible to himself as well as to others. This makes ethics immediately relevant for every
acting agent, business or otherwise. Why should I be ethical if I can be unethical and escape
punishment, or even prosper materially? Because I will be better, happier, more virtuous if I
am, and destroy myself from within if I’m not. This self-referential focus also answers the
question of what makes an act moral: that we –our characters, our virtue, our ability to
operationalize our freedom, or decide effectively– develop or diminish by it. With each
decision man changes, and that change is the subject of ethics. Hence, the question of why a
man should be moral becomes nonsensical. He is moral (or immoral) by virtue of the fact that
he acts.

Moreover, this reference to human flourishing “relevantizes” every decision-making
opportunity that involves the will as being a moral one. Ethical decision making concerns
more than a select group of “relatively concrete issues like whistle blowing, company loyalty,
insider trading, and bribery in foreign countries” (Shaw, p. 494): issues flagged in the
standard model as having moral importance. Any and every decision that proposes a free
choice among competing goods is ethically relevant. Any such choice will augment or
diminish one’s virtue, one’s capacity for effectively deciding well. Thus, the virtue model, as
well as the standard model, envisions the decision maker confronting moral choices. The
virtue model merely enlarges the set of moral choices confronted.

The virtue model reintroduces the aspect of nature to the consideration of moral
agency. Minimally, a decision maker’s nature consists of the freedom to decide well or poorly
—with respect to his own development— and the ability to improve or degenerate in his
exercise of freedom —that is, the ability to develop, or diminish, in virtue. The fact that others
matter, motivationally speaking, to the development of any individual decision maker
underscores another anthropological feature: sociability. This nature sets parameters on
decision making, and provides the foundation for the universalization of rules that guide
moral decision making always and everywhere. Thus, only in the virtue model is the goal of
the standard model —to lay down universalizable principles— achievable.

Additionally, this nature provides the basis for the right ordering of social life, or
socioeconomic/political structures. Perhaps ironically, it is through the decision maker’s
posture towards others —how he factors them into his decisions— that he will most succeed or
fail in his responsibility to himself (Pérez-López, 1991). Thus, not only is moral agency
unflattened in the virtue model by the introduction of dynamism, but the anthropological
groundwork for social cooperation is laid. Shaw appears sympathetic to the allegedly
irreducible relevance of socioeconomic context to business ethics. But business’ macro-
context is the tail, rather than the dog, of a just social order. Laws are made, business is done,
and society is shaped by men who are more or less virtuous. They do not cease to be dynamic
agents when they act as legislators, salesmen or reporters. The primary context of business
ethics is the decision maker’s nature, which is dynamic and social, or organizational. Political
context, from strategy to structures, is arranged morally for business purposes when it serves
and fosters the human development —the character formation and virtue acquisition— of
participants in the business system. Through the virtue model, individual decision making
serves as the basis of, and is made congruent with (rather than subordinate to),
socioeconomic/political context. Hence, the virtue model does not ignore environmental
context, though the politics model seems to ignore human context. Rather it predicates
environmental context upon the nature of man (the inner environment) as opposed to
manipulating him for social purposes.

In sum, the virtue model corrects the deficiencies of the other models without
sacrificing their strong points, and is ideal for business ethics for several reasons, including
that it: encompasses individual decision making and refers it to human flourishing; provides
a dynamic view of decision making and decision makers; answers many questions about the nature of ethics such as why one should be ethical; fills out the concept of moral agency; broadens the scope of morally relevant choices, and; grounds social/political arrangements on the foundation of “human” nature.

A. Traditional Teleology/Virtue Ethics

Traditional teleology is an alternative name given to Aristotelian, or virtue, ethics (Macdonald & Beck-Dudley, 1994), which links the good sought to the nature of the man seeking it. Virtues, or moral habits, are the marks left on man’s character by his free actions in pursuit of the good: marks which, in a sense, shape his nature, and progressively make the acting person good or bad, virtuous or vicious (Luño, 1989). How virtue makes a man good is the key to understanding what I have called dynamism: a contemporary term for a classical concept. For that reason, I believe that a thumbnail sketch of the virtues with all of their classical regalia would be revealing, though it appears only partially in business ethics literature (Solomon, 1993, 1994). The following account of the virtues is drawn largely from Angel Rodriguez Luño (1989), Vernon Bourke (1951) and Henri Renard (1948), who note the heavy dependence of classical moral theory upon metaphysics and, consequently, of “ought” upon “is.” As will be seen, virtue ethics fell into disuse, and rationalist theories of ethics arose, largely in consequence of modernity’s rejection of the metaphysical underpinnings to Aristotelian physics, especially the concepts of telos, or end, and final cause. (2)

Virtues are good operative (3) habits that dispose potencies (4) to certain types of acts. (5) (Vices are the opposite.) In fact, “[t]he Latin word virtus (virtue) means a potency which is perfected, that is, in a condition of peak capacity” (Bourke, p. 258). These “powers” inhere in, and perfect, operative potencies –four of which enter into the moral act: will, intellect, concupiscible appetite (6) and irascible appetite (7)– and are not merely dispositions or transitory qualities. Virtues enable operative potencies to realize good actions quickly and easily. Hence, according to Aristotle, they make the possessor, and his action, good. Augustine considered virtue to be “a good quality of mind by which one lives rightly, which no one uses badly....” (Bourke, p. 259; Luño p. 132).

Rational potencies, (8) and sensible potencies (9) when dominated by rational ones, are widely indeterminate with respect to their action. They can tend towards good or bad objects, and therefore need an “accidental” disposition to decide them upon good acts. Moral virtue is that disposition. By having instinctive movements of their own, sensible appetites can rebel against superior potencies, and therefore need perfection by moral virtues. The rational appetite, will (as well as the intellect), is indecisive with respect to the good in consequence of its “imperfection.” Virtues are thus necessary to perfect freedom (10), since they break the will’s indifference towards good due to the allure of apparent goods presented by disordered passions.

Virtues can be either intellectual or moral (Kennedy, 1995/1996). Intellectual virtues inhere in and perfect the speculative or practical intellect (11), whereas moral virtues perfect the will and sensible tendencies. While there are many intellectual virtues (12), the one most relevant to moral acting is prudence, or practical wisdom, which dictates what is to be done in concrete cases in order to act well. While intellectual as to its subject (intelligence), prudence is moral as to its object (acting well) and by virtue of having the will’s rectitude as its essential requirement. The mission of prudence is right acting, not right knowing.
Its principal act is command – as is proper to that which guides the potencies according to the moral law – not judgment of what is to be done.

Moral virtue, or excellence (Kennedy, p. 12; Dobson, 1997), according to Aristotle (1962), “is a characteristic involving choice, [that] consists in observing the mean relative to us, a mean which is defined by a rational principle, such as a man of practical wisdom would use to determine it” (p. 43). This definition, though elliptical, does clarify certain points. The principal act of moral virtue is right choosing, or choice: the decision to do, here and now, what is necessary in order to act well, as discerned by prudence, or practical wisdom. Moreover, the term “choice” signifies that: 1) good action should be desired and selected as such, and not merely to conform externally with the moral law, and; 2) the act of moral virtue is appetitive by character, making it proper to the appetitive potencies (13). Moral virtues also rectify intention, setting the appetitive potencies towards the ends of the virtues, e.g., just relations in the case of justice. Thus, moral virtue is a determination, or decision, of the ends and a choice of the means.

Human virtues (and vices) are acquired and augmented by the repetition of acts (Kennedy, p. 12). They diminish and are lost by means of carrying out acts contrary to those proper to virtue. Even the prolonged cessation of virtuous acts can occasion the weakening, or loss, of virtue, which requires continual effort to reorder potencies to the moral order. While some habits are “natural” in that they proceed in part from nature and in part from human acts (14), most are acquired in the manner described.

Moral virtues consist in a midpoint, or mean (Kennedy, p. 12; Dobson, p. 16), and they are interconnected (Dobson, p. 17). First, virtue implies an adaptation to reason’s norm, which can be exceeded or fallen short of by a potency lacking virtue. For example, the mean of temperance with respect to food consists in eating sufficiently to conserve health, which requires avoiding both the excess of gluttony and the defect of lack of appetite; Justice is giving each one his due, neither more nor less. Secondly, no virtue will be found in a perfect state unless they all are. This interconnectedness is maximally realized in prudence, without which one cannot possess moral virtue, and which cannot be found unaccompanied by the other moral virtues. The virtues’ interconnectedness also corresponds to the interconnection existing among the diverse spheres of the moral life and among the objects of the diverse operative potencies. For example, surrendering to either concupiscence or avarice can result in dishonest acts.

Finally, the virtues can be reduced to four “cardinal” virtues (15) – prudence, justice, fortitude and temperance – which are general and particular: general in the sense that they supply the conditions for any act of virtue; and particular insofar as they each perfect the specific potency they supply with those same general conditions (16). Prudence is the right measure of what is to be done. It is right reasoning, and practical wisdom. Justice is the virtue inclining one to give to each his due. Fortitude is the virtue regulating the acts of the irascible appetite, which has the difficult-to-achieve good as its object. Temperance is the virtue perfecting the concupiscible appetite in pursuit of the delightful good. It moderates corporal pleasures according to right reason.

Robert Solomon, the foremost proponent of virtue-based business ethics, has written that an Aristotelian approach to the subject is circumscribed and defined by six essential parameters: community, excellence, membership, integrity, judgment and holism (Solomon, 1992). His view of a corporation as a community underscores the anthropological reality I noted earlier: that “what we call ‘the individual’ is socially constituted and socially situated....[he] is not an ontological atom but part of a complex interwoven metaphysical
The personal, and social, relevance of this fact is that “[w]e find our identities and our meanings only within communities, and for most of us that means at work in a company or an institution” (p. 148). Excellence, for Solomon, indicates the necessarily teleological nature of business activity. That is to say, excellence is a telos of business activity no less than for any other kind of activity. It means “doing one’s best and motivating others to do their best too” (p. 160). In business this entails, but is not exhausted by, meritocracy and productivity. On the Aristotelian view, membership signifies that “an employee or executive develops his or her personal identity largely through the organizations in which he or she spends most of adult waking life” (p. 161). This parameter is intended to capture the realities that: personal values are also social; corporate role identity, which is “genuine identity,” establishes the contextual basis for virtues in business, and; people gain their identities in groups. Our roles define our duties, and through them ourselves and our personalities. Integrity, for Solomon, “is not so much a virtue itself as it is a complex of virtues, the virtues working together to form a coherent character, an identifiable and trustworthy personality” (p. 168). By judgment, or decision making, Solomon wishes to highlight the elements of perception, particularity, circumstance and deliberation germane to both ethics and management. “Judgment is essential to both business and business ethics because business is so bound to context and so subject to so many confluent and competing interests and demands” (p. 178). Since there is no simple calculus, principle or rule of thumb to definitively guide choices, the ability to make decisions is crucial. Finally, by holism Solomon wishes to emphasize that “the ultimate aim of the Aristotelian approach to business is to cultivate whole human beings....” (p. 180). “Holism ... is simply the insistence that wherever we find antagonism and competing concepts we should expand our vision until we see the whole context. In the case of business and economics, this means that our vision should take in the whole of human nature and society, not just profits, costs, and benefits and the law of supply and demand” (p. 185).

Traditional teleology consequently suggests a number of practical recommendations for managers. Kennedy maintains that they must attend to the “culture” in their organizations so that virtue, and not vice, is recognized and rewarded. This can be done in a number of ways, but primarily through exemplarity. “One of the most important factors involved is the behavior of managers themselves. Managers must be both models of virtuous behavior and coaches” (p. 14). This is the primary means of moral tutoring: leading by example. (It is also the link between the politics model and the virtue model, insofar as the manager’s personal virtue is a sine qua non for organizational well-being in its full meaning (Pérez-López, 1993).) Additionally, managers must publicly recognize virtuous behavior when it occurs in the firm, exhort employees to virtuous acts by storytelling, and incentivize and reward virtue through the use of managerial control systems. While an ethics code –based on virtue ethics and emphasizing the objective of moral excellence– coupled with supportive structures can help, Kennedy notes that ultimately “we can teach people about virtue, but we cannot develop virtue for them....[T]hey must develop it themselves” (p. 15).

Thus we have seen that traditional teleology orders business ethics by: relating the concepts of good, nature and character to one another; considering how an actor can become good in order that he may do good; reuniting “ought” and “is”; providing the basis for an understanding of freedom and its operationalization; accounting for intellectual and moral virtues; explaining the relationship between choice and the appetites that precede it; providing a means for self improvement; counseling moderation, and; explaining the mechanisms through which self-control functions. Moreover, virtue ethics: correctly identifies man as a socially constituted and situated being; gives personal purpose to business activity; links the firm to personal identity; provides a basis for the integrity of character; highlights the importance of judgment, or decision-making ability; makes the cultivation of whole, complete human beings a goal; gives purpose to culture and its ordering, and; links personal well-being to organizational well-being through the medium of exemplarity.
Critique of Traditional Teleology/Virtue Ethics

The preceding account is generally pruned of metaphysical reference in business ethics discourse, and presented without dwelling on the particulars of philosophical anthropology. Nevertheless, the newfound interest in traditional teleology sheds new light on both the practice of management and the field of business ethics. First, the virtue focus transforms management into an educational, or transformational, task. “[M]oral character can be managed to some degree. It may not be done perfectly, but it can be done” (Kennedy, p. 12). Hence, each manager becomes a moral tutor, more about which will be said shortly. Secondly, traditional teleology makes business ethics a positive rather than a negative subject. The virtue approach “goes beyond viewing ethics as merely the avoidance of wrongdoing....[E]thics becomes an objective rather than a constraint...” (Dobson, p.16). Thus, for instance, rather than pitting the company goal of maximizing shareholder wealth against the constraints of an ethics code, an accountant would view both parameters through the lens of pursuing moral excellence within a professional community. Thirdly, virtue ethics demonstrates the inherent unity of personal and professional life. “‘Corporate people ... function according to a double standard –amorally as an official of an organization and morally as a private person.’ Through discussion of virtue ethics, the managers realize that such schizophrenia is inappropriate because the pursuit of excellence through virtue permeates both personal and professional life” (Dobson, p. 23). The link between personal life and professional life is the character of the person living them: a reality that only traditional teleology illumines. Fourthly, the firm is revisualized as a polis, a place where people pursue their moral excellence in community. “The Aristotelian concept of eudaimonia is revealed as the ultimate end of all human endeavor, and the firm is thus revealed as a human organization that facilitates this pursuit of moral excellence through material gain” (Dobson, p. 23). Finally, managers’ horizons are broadened: “they realize that practically every decision they make has an ethical dimension” (Dobson, p. 23). I would only add that such is the case, whether managers “realize” it or not. That is the key to dynamism: every choice shapes the person making it.

Macdonald and Beck-Dudley (1994) consider traditional teleology a synthesis of deontology (thesis) and utilitarianism (antithesis), with an ironic twist: traditional teleology preceded both deontology and modern teleology; the synthesis therefore preceded the thesis and the antithesis. The explanation for why “[b]oth modern approaches are subject to maladies from which their much heartier and more robust ancestor was spared” (Macdonald & Beck-Dudley, p. 616) is offered by Alasdair MacIntyre in After Virtue (1981, pp. 51-61). (My own rendering of MacIntyre’s argument follows.) Briefly, deontology and teleology arose in consequence of modernity’s rejection of the concept of telos in Aristotelian physics and metaphysics. Both deontology and teleology are fruits of modernity’s understanding of facts isolated from values; “is” from “ought.” As mentioned previously, traditional teleology views the “ought” as cohering with the “is” in the same “being.”

To better understand the shift, consider that an adherent of the fact-value distinction would view the statement “this wristwatch weighs 10 kilos” to be a factual premise, and the statement “this wristwatch is bad” to be a separate and distinct evaluative judgment. Note, however, that the factual premise yields the evaluative judgment – “this 10-kilo wristwatch is bad”– when, but only when, one considers that wristwatches are meant to be worn lightly: that is, when one considers “wristwatch” to be a functional concept. Its function, or purpose, which is to be worn on the wrist, cannot be fulfilled by a 10-kilo watch. Therefore it is bad: the factual premise is permeated by the value judgment in the very concept of “wristwatch.”

In traditional teleology, “man” is also a functional concept. He is considered a being whose nature is a dynamic work in process. He, no less than a wristwatch, has a telos, or end.
But his is achieved by free acts of the will, which draw him to the ultimate good. That end is *euraidmonia*, generally rendered as plenitude, perfection, flourishing or, simply, happiness. This classical view of man captures the commonplace observation that nobody is born as what he will be, or with the excellence he is meant to achieve. Moral rules in this scheme guide the will generally—according to the concrete dictates of prudence—in its choices, thereby facilitating man’s movement from the condition of being what he is to the state of being what he can be (17). Virtues are necessary because they enable men to make their choices effective: to carry them out when disordered appetites or an imperfect will incline against the requirements of rational nature. That is to say, men cannot be what they are meant to be without virtue.

Upon modernity’s rejection of Aristotelian physics and metaphysics, the concept of *telos* was lost to philosophical anthropology and to ethics as well. But without the notion of *telos*, or purpose (via the concept of final cause), the moral rules formulated to guide man to his end lost their grounding. MacIntyre recounts that deontology and teleology represent rationalistic attempts to justify inherited rules—rules that can only be understood in the context of a classical triumvirate including rules, man as he is, and man as he can be—by reference only to man as he is. An apt analogy might be that modernity deprived the moral “stool” of its third leg, and thus rendered it useless. MacIntyre argues that both theories were consequently doomed to failure from the outset: a failure which has, *inter alia*, generated calls among business ethicists for the reinvigoration of virtue ethics. As Macdonald and Beck-Dudley put it: “One can only conclude that in arriving at deontology and utilitarianism history took a wrong turn and marched away from truth” (p. 616).

Despite, or perhaps due to, this history, traditional teleology can readily be compared with its modern offspring. As might be expected from their names, modern and traditional teleology share a number of features. Traditional teleology, like teleology, views human decision making as an essentially purposive enterprise, i.e., one aiming at a *telos*. Yet, “[t]he one makes the notion of the good relative to the *nature* of man. The other makes it relative to the needs and wants of individual men. We could call the two variants the ‘objectivist’ and ‘subjectivist’ variant respectively” (Von Wright, 1963). Both manifestations view happiness as the final, ultimate end of human action, and both consider that human beings necessarily pursue their own happiness via their pursuit of the good as they see it (whether real or apparent—a distinction that only rational guidance can provide). Yet teleologists/utilitarians consider “the happiest life as the one with the highest possible overall level of satisfied desires,” a subjective measure, whereas for objectivist, traditional teleologists “[g]iven the sort of creature humans are, they realize happiness through participation in a fairly short list of basic goods: friendship, learning, play, work and leisure are familiar examples” (Macdonald & Beck-Dudley, 1994; Finnis, 1980). Thus, traditional teleology posits that human beings realize their happiness-plenitude-fulfillment by partaking in goods corresponding to their nature, which provide a real, rather than theoretical, basis for moral truth.

This real, objective foundation for traditional teleology distinguishes it in many ways from teleology, its subjective descendent. First, right and wrong, for traditional teleologists, becomes that which protects and fosters the goods basic to beings of a specific, human nature, and not simply that which is most pleasing, as utilitarians would have it (or that which duty demands, as deontologists would have it). Secondly, rationality in traditional teleology is prudence, or practical wisdom, which consists in choosing appropriate means to ends, and applying universal precepts derived from the law of man’s nature (which protects and serves human goods) to actions in concrete circumstances. By contrast, rationality for teleologists reduces to economic efficiency, or what I earlier called effectiveness. Viewed through the lens of traditional teleology, rationality viewed solely as effectiveness is irrational.
Finally, general welfare for traditional teleologists amounts to the common good, or that “end a community’s rulers must seek to realize for its members if they are to have their best chance at happiness, defined as a ‘lasting and justified satisfaction with one’s life as a whole’” (Macdonald and Beck-Dudley, 1994: pp. 621-622). Rather than the overall level of satisfaction-pleasure-wealth, as utilitarians would have it, the general welfare, or common good, is “the good available for the common use of a community’s members in their separate pursuits of happiness” (*ibid.*).

With respect to deontology, traditional teleology shares an awareness of the decisive contribution of good will to moral acting, and an abhorrence of moral reasoning judged solely by reference to empirical consequences. However, in traditional teleology the concept of good will signifies willing the good, as opposed to willing duty. Moreover, the notion of a good will transcends that of one which merely intends well. “Good” takes precedence over “right.” While intention (of an end) is one component of the morality of human acts, the morally decisive aspect of the good will is that it chooses an object that can, by its inner intentionality, be ordered to the authentic good for man. The choice of means to an end carries its own intention, which deontology cannot fathom because it contains no concept of the authentic good.

In sum, traditional teleology possesses a number of salutary effects for business ethics, including that it: converts management into a transformational task; converts business ethics into a positive (rather than negative) subject; restores the unity to human life; revisualizes the firm as a community in which human beings can flourish, and; broadens the range of morally relevant choices. Though previously mentioned, it bears repeating that traditional teleology restores the coherence of “ought” and “is” in the concept of being. This restores purpose to human living and makes sense of moral rules. In consequence, virtue ethics provides a foundation for business ethics superior to teleology because it: restores objectivity to moral, purposive decision making; grounds human acting and moral truth in basic goods for man rather than the good for one man; grounds terms such as good, bad, right and wrong in human nature rather than pleasure, which is merely a contingent and ephemeral good; escapes the irrationality of measuring happiness with economic rationality, and; makes the common good a generous, communal, rather than selfish, enterprise.

**Conclusion**

We have seen that three paradigms dominate business ethics discourse –the standard, politics and virtue models– each of which encompasses a variety of moral theories. The standard model focuses on individual choices and dilemmas, utilizing supposedly universal principles derived from alternative theories (invariably deontology and teleology). The politics model focuses on the systemic and structural features of social, especially corporate, life thought to frame individual decision making and determine the contours of distributive justice. The virtue model focuses on the primacy of building a life, and character, through the mediums of judgment, goods and the practical requirements of daily life in all of its contextualized particularity.

While these paradigms are thought to mutually exclude one another, the central contention of this paper is that they do not. They only appear to. At bottom, there is no conflict between individual decision making, social reality and character development. *Individual decision making is the medium through which both character and society are formed.*
What separates these models as currently construed is an anthropological difference. What is a decision maker? Does his capacity for decision making change, or remain the same, with successive decisions made? Is he a static, or dynamic, creature? The standard and politics models are static models. They presume, respectively, that men utilize abstract principles drawn from rationalistic theories without repercussion to their persons, and that the primordial elements of decision making and morality reside outside, rather than inside, of the individual. Both models are fundamentally in error.

The unification of business ethics will be achieved through the virtue model or not at all. It is the only model capable of capturing the full, dynamic relevance of individual decision making and social structures: that they are critical to the evolving individual’s achievement of happiness, or fruition. In the final analysis, only the virtue model is worthy of human decision makers because only it possesses sufficient richness to accommodate and posit the human heart.


(2) i.e., that on account of which something is done.

(3) i.e., moving toward its end.

(4) i.e., capacities for perfection, or fruition.

(5) i.e., perfection; actuated potency.

(6) Concupiscence reacts to sensible goods and evils. Its acts are love, or hatred; desire of the unpossessed good, or flight from the unpossessed evil, and joy at the possessed good, or sadness at the present evil.

(7) Irascibility acts in the presence of difficult-to-achieve goods, or difficult-to-avoid evils. Its acts are hope and daring when faced with the arduous good; and discouragement, fear and anger before the difficult-to-avoid evil.

The concupiscible appetite and irascible appetite are the origins of all the passions.

(8) i.e., intellect, will.

(9) i.e., concupiscible appetite, irascible appetite.

(10) i.e., the will’s capacity to voluntarily embrace the good presented to it by reason.

(11) “The purpose of the speculative intellect is simply to know things. Its work is purely apprehensive. On the other hand, the function of the practical intellect is not only apprehensive but also causative. That is, the practical intellect not only knows, it causes things to be done by some other potencies or agents” (Bourke, p. 402).

(12) i.e., intellectus, or the habit of theoretical first principles; sindéresis, or the habit of moral first principles; wisdom, or the habit of considering things in light of the ultimate cause of reality; science, or the habit of studying the ultimate causes of each type (genus) of thing, and deducing conclusions from them, and; art, or technology: by which we know what to do in order to produce certain objects (Luño, p. 132).

(13) i.e., justice is proper to the will, temperance to the concupiscible appetite and fortitude to the irascible appetite.

(14) i.e., intellectus, and sindéresis.

(15) Kennedy (pp. 13, 14) renames the cardinal virtues as wisdom, fairness, courage and discipline, and summarizes them thus: “the four cardinal virtues concern the moderation of fear and pleasure, effectiveness in action and the maintenance of harmony.”
(16) Prudence supplies and comes under the jurisdiction of the practical intellect; justice, the will; fortitude, the irascible appetite; and temperance, the concupiscible appetite (see n. 13).

(17) MacIntyre calls these two states “man-as-he-happens-to-be” and “man-as-he-could-be-if-he-realized-his-essential-nature.” This in turn leads to notions of “human-nature-as-it-happens-to-be (human nature in its untutored state)” and “human-nature-as-it-could-be-if-it-realized-its-telos.” He identifies the third element of the scheme as “precepts of rational ethics” (pp. 52, 53).

Bibliography


<table>
<thead>
<tr>
<th>No.</th>
<th>TITULO</th>
<th>AUTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>D/331</td>
<td>Aspectos distintivos del «brand equity» en marcas percibidas como</td>
<td>Garolera, J.</td>
</tr>
<tr>
<td></td>
<td>locales y como globales.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enero 1997</td>
<td></td>
</tr>
<tr>
<td>D/332</td>
<td>El Estado y la prestación de servicios públicos: El caso de las</td>
<td>Gual, J.</td>
</tr>
<tr>
<td></td>
<td>telecomunicaciones.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enero 1997</td>
<td></td>
</tr>
<tr>
<td>D/333</td>
<td>El estado del bienestar: ¿Crisis económica o crisis ética?</td>
<td>Argandoña, A.</td>
</tr>
<tr>
<td></td>
<td>Enero 1997</td>
<td></td>
</tr>
<tr>
<td>D/334</td>
<td>Buy out con participación de socio financiero. Un análisis de la</td>
<td>Tàpies, J.</td>
</tr>
<tr>
<td></td>
<td>Enero 1997</td>
<td></td>
</tr>
<tr>
<td>D/335</td>
<td>Estrategia medioambiental: Modelo para el posicionamiento estratégico</td>
<td>Rodríguez, M.A.</td>
</tr>
<tr>
<td></td>
<td>y mejora del rendimiento medioambiental.</td>
<td>Ricart, J.E.</td>
</tr>
<tr>
<td></td>
<td>Febrero 1997</td>
<td></td>
</tr>
<tr>
<td>D/335</td>
<td>Environmental Strategy: A Model for Strategic Positioning</td>
<td>Rodríguez, M.A.</td>
</tr>
<tr>
<td></td>
<td>and Performance Improvement</td>
<td>Ricart, J.E.</td>
</tr>
<tr>
<td></td>
<td>July 1997</td>
<td></td>
</tr>
<tr>
<td>D/336</td>
<td>Partner selection and trust building in Western European-Russian</td>
<td>Ariño A.</td>
</tr>
<tr>
<td></td>
<td>joint ventures: A western perspective.</td>
<td>Rykounina, I.</td>
</tr>
<tr>
<td></td>
<td>February 1996</td>
<td>Skorobogatykh, I.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vilá, J.</td>
</tr>
<tr>
<td>D/337</td>
<td>Una visión económica de la pobreza y marginación en Cataluña.</td>
<td>Argandoña, A.</td>
</tr>
<tr>
<td></td>
<td>Febrero 1997</td>
<td></td>
</tr>
<tr>
<td>D/338</td>
<td>What is an efficient capital market for a medium-sized company?</td>
<td>Santomá, J.</td>
</tr>
<tr>
<td></td>
<td>April 1997</td>
<td>Sebastián, A.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Suárez, J.L.</td>
</tr>
<tr>
<td>D/339</td>
<td>La motivación en los trabajadores cedidos a través de una empresa</td>
<td>Suárez, E.</td>
</tr>
<tr>
<td></td>
<td>de trabajo temporal: Fase PREETTOS y ETTOS</td>
<td>Pin, J.R.</td>
</tr>
<tr>
<td></td>
<td>Mayo 1997</td>
<td>Huertas, F.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sánchez, E.</td>
</tr>
</tbody>
</table>
### IESE

**DOCUMENTOS DE INVESTIGACION - RESEARCH PAPERS**

<table>
<thead>
<tr>
<th>No.</th>
<th>TITULO</th>
<th>AUTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D/340</strong></td>
<td>A new way to define the operations in the hotel industry. Mayo 1997</td>
<td>Muñoz-Seca, B. Riverola, J. Sprague, L.</td>
</tr>
<tr>
<td><strong>D/341</strong></td>
<td>Liberalización económica y empleo. Mayo 1997</td>
<td>Gual, J.</td>
</tr>
<tr>
<td><strong>D/342</strong></td>
<td>El liderazgo, clave del éxito de la mejora continua. Mayo 1997</td>
<td>Rodríguez, J.M.</td>
</tr>
<tr>
<td><strong>D/343</strong></td>
<td>Estudio de la evolución del PIB en España. May 1997</td>
<td>Ariño, M.A.</td>
</tr>
<tr>
<td><strong>D/344</strong></td>
<td>Gestión del riesgo de tipo de cambio en la empresa. Julio 1997</td>
<td>Faus, J. Rahnema, A.</td>
</tr>
<tr>
<td><strong>D/345</strong></td>
<td>La motivación en el trabajador a través de una empresa de trabajo temporal: Fase POSTETTOS. Julio 1997</td>
<td>Suárez E. Pin, J.R.</td>
</tr>
<tr>
<td><strong>D/346</strong></td>
<td>Consejos de administración en empresas familiares: Características de composición y funcionamiento. Niveles de utilidad. Julio 1997</td>
<td>Gallo, M.A. Cappuyns, K.</td>
</tr>
<tr>
<td><strong>D/346</strong></td>
<td>Boards of directors in family businesses: Characteristics regarding membership and functioning. Levels of usefulness July 1997</td>
<td>Gallo, M.A. Cappuyns, K.</td>
</tr>
<tr>
<td><strong>D/347</strong></td>
<td>The contribution of the neo institutional school to organizational theory: Paving the way to the political hypothesis. September 1997</td>
<td>Alvarez, J.L.</td>
</tr>
<tr>
<td><strong>D/348</strong></td>
<td>To do or not to do? Non-cooperative behavior by commission and omission in inter-firm ventures. October 1997</td>
<td>Ariño, A.</td>
</tr>
</tbody>
</table>