

Eminent Voices in Business Ethics 54

Series Editors: Mollie Painter-Morland · Frank den Hond

Kenneth E. Goodpaster

Times of Insight: Conscience, Corporations, and the Common Good

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Eminent Voices in Business Ethics

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Series Editors

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Kenneth E. Goodpaster

Times of Insight:
Conscience, Corporations,
and the Common Good

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*To Harriet, my bride of 53 years,
To Beth, John, and Kate,
To Alice, Sofia, Maeve, and Nathan,
And to my many colleagues in the field of
applied ethics over the past half-century—
pioneers all.*

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About the Author

Kenneth Goodpaster earned his AB in mathematics from the University of Notre Dame and his PhD in philosophy from the University of Michigan. He taught philosophy at the University of Notre Dame during the 1970s before joining the Harvard Business School faculty in 1980.

In 1990, Goodpaster accepted the David and Barbara Koch Endowed Chair in Business Ethics at the University of St. Thomas (MN). At St. Thomas, he introduced a Great Books Seminar for graduate students in business, law, education, and engineering.

His book *Conscience and Corporate Culture* (Wiley-Blackwell, 2007) received generous praise from reviewers, and he contributed to *Vocation of the Business Leader*, issued by the Vatican’s Pontifical Council for Justice and Peace (2012), and *Respect in Action: Applying Subsidiarity in Business* (UST Center for Catholic Studies, 2015).

Goodpaster served for many years as an associate editor of *Business Ethics Quarterly* and was executive editor of *Corporate Responsibility: The American Experience* (Cambridge University Press, 2012), which received the 2014 Academy of Management Best Book Award.

In 2014, he was included in *Ethisphere Magazine*’s list of the 100 Most Influential People in Business Ethics, and he was honored by the Society for Business Ethics for a “Career of Outstanding Scholarly Achievement in the Field of Business Ethics.” He is now Professor Emeritus in the St. Thomas Opus College of Business.

Goodpaster’s wife, Harriet, is a nationally recognized equestrian and a (retired) software engineer. They have three children, four grandchildren, and a Morgan horse.

Chapter 1

Introduction



Abstract In this chapter, I offer a reflection on my nearly 50-year career in the field of applied ethics, suggesting that certain issues (*conscience* and *corporations*) were themes in the first twenty years. In the second 20 years, the issues still included corporations, but added is the issue of what constitutes the *common good*. I introduce the four insights around which the narrative is built (the *moral insight*, the *institutional insight*, the *anthropological insight*, and the *Socratic insight*). I remind the reader that these explorations of the ethics of organizations take their philosophical departure from Plato’s analogical comparison of the soul of the human person with the culture of the city-state in his dialogue, the *Republic*. I then provide an overview of *Times of Insight: Conscience, Corporations, and the Common Good* as a whole and the organization of the chapters to come, including a graphic depiction of these chapters that will be used as a unifying thread throughout. This chapter is an organic part of a larger work about the overall contribution of Kenneth Goodpaster to the field of applied ethics and is best read in the context of that larger work.

1.1 Reflection

It is an honor to be asked to contribute to this book series. It affords me an opportunity to reflect on my body of work over the past half-century and to identify patterns among the books, articles, book reviews, and case studies that comprise my curriculum vitae (see Appendix 1). More importantly, it allows me to highlight contributions that have been appreciated and to share some that have been less noticed (see Appendix 2). My hope is that the reader will benefit as much from this extended reflection as I have benefitted from writing it, and that this book can serve as a useful departure point for future work in the field of business (or organizational) ethics.¹

¹Let me note at the outset that references to published works of mine are of course dated by their appearance in print, which may not be their place in the timeline of my professional development.

1.1.1 *The First Twenty Years [1975–1995]*

The title of this book, *Times of Insight: Conscience, Corporations, and the Common Good*, is intended to capture a progression of insights surrounding the three main subjects that have guided my career of teaching and research in the field of applied ethics. I began seeking an understanding of the role of conscience in the lives of individual persons with the conviction that such an understanding would be helpful if it were applied to institutions.

This was something of an “inversion” of the strategy of Socrates in Plato’s *Republic*, Book II. Socrates says of his friends Glaucon and Adeimantus:

They wanted to arrive at the truth, first, about the nature of justice and injustice, and secondly, about their relative advantages. I told them what I really thought: that the enquiry would be of a serious nature and *would require very good eyes*.² (Plato, p. 185).

Socrates went on to analogize the soul of the person to the structure of a republic, implying that finding justice in the larger entity would help to discern justice in the smaller (the person).³

Inverting this idea, my approach has been to look at the idea of virtue in the individual person and to try to discern its implications for institutions, including especially business corporations. To paraphrase Socrates, “I propose that we enquire into the nature of responsibility and irresponsibility, first as they appear in the individual, proceeding from the lesser to the greater and comparing them.” I have called this strategy the *Principle of Moral Projection*.

In the earlier manifestations of this projection strategy, there was a surge of scholarly opinion in the direction of expanding the moral agenda of corporations to include not only stockholders but also, in various ways, stakeholders. This “expansion” of corporate concern appeared to follow the analogy with individual conscience—based on what we will call in Chap. 2 the *moral insight*. It drew upon expectations that we have of one another for consideration, respect, honesty, and integrity (Goodpaster 1991).

Christopher D. Stone, then law professor at the University of Southern California, appeared to have come to a similar strategy, but from the point of view of jurisprudence:

If people are going to adopt the terminology of ‘responsibility’ (with its allied concepts of corporate conscience) to suggest new, improved ways of dealing with corporations, then they ought to go back and examine in detail what ‘being responsible’ entails—in the ordinary case of the responsible human being. Only after we have considered what being responsible calls for in general does it make sense to develop the notion of a corporation being responsible. (Stone 1975).

²Emphasis added.

³See Smith 1999: “Plato actually makes the analogy of state and soul—by appealing to the similarities between a tripartite state of rulers, warriors, and craftsmen, . . . to a tripartite soul of reason, high spirit (or thumos), and appetite.” Note that this analogy is controversial among Plato scholars.

Nevertheless, there were skeptics: those who doubted that organizations *could* ever be morally analogous to individual persons (Ladd 1970) and those who doubted that organizations *should* ever be morally analogous to individual persons (Friedman 1970). In the “early decades” of the field of business ethics, these skeptics required not only comprehensive counterarguments but also a reasonable portrait of what the idea of “corporate conscience” might look like if it were implemented in the competitive arena of business practice (Goodpaster 1991). Thus, my journey from conscience to *corporate* conscience called for an understanding of the meaning and value of orienting, institutionalizing, and sustaining ethical values as an organizational attribute (Goodpaster 2007). In Chap. 3, I call this shift the *institutional insight*.

1.1.2 *The Second Twenty Years [1995–2015]*

Eventually, the arc of my teaching and research (shifting the focus from *conscience* to *corporate responsibility*) had to confront a different kind of question: If the projection from individual conscience to corporate conscience was to be actionable in society, it called for a robust idea of human dignity and the common good. I was troubled by the view that business ethics for the corporation simply amounted to maximizing the “good” of the stakeholders, with little attention to the meaning of “good.” It is tempting to take refuge in a less controversial “interest satisfaction” view of the good for both stockholders and stakeholders. This is often referred to as a “thin” theory of the good. After all, defenders of this view argue, we live in a highly pluralistic society with little agreement about a “good life.” But it does not take much effort to imagine misguided interests (and/or rights claims) on the parts of any and all of the groups identified as stakeholders. And then what? Does not the imperative to maximize interest satisfaction lose some or all of its normative hold on us (Goodpaster 2010)?

If we are to invoke an idea like “the common good” and give it substantive meaning, rather than relegating it to a slogan that all can salute simply because it is vague or empty of meaning, we need to have an idea of a whole person and extend that idea to all persons.⁴ Thus, my journey from conscience to the corporation called for a second movement, a movement from the idea of corporate conscience toward a “thicker,” more substantive understanding of the common good. In Chap. 4, I refer to this new awareness as the *anthropological insight*.

In addition to these reflections on the ingredients in a normative ethics for business (conscience, corporations, and the common good), I needed to offer some reflections on a “delivery system” for those ingredients. In other words, I needed to reflect on my teaching, both in the business school classroom and in corporate

⁴The COVID-19 Pandemic during 2020–2021 illustrated the *tension* that can exist over the pursuit of the common good. Health officials focused on curbing the disease, while economists focused on opening schools and businesses—both in the name of the common good.

executive education. In Chap. 5, I share my thoughts about the case method and certain additional methods I have used with executives. What emerged from these reflections was what I called the *Socratic insight*.

1.1.3 *The Years Since [2015–2022]*

During the last 8 years, perhaps not coincidentally during the severe political polarization occasioned by the election of Donald Trump as president of the United States, in addition to reflections on a “thick” rather than “thin” account of the good (and therefore of the common good), I have witnessed with alarm a new tendency on the part of business organizations to invoke “corporate responsibility” and “business ethics” in defense of practices that objective observers would describe as “political orientation” or simply “partisanship.” Corporate examples abound, but based on a 2019 Axios-Harris Poll (Nather) the main takeaways were:

- The big tech companies do better with Democrats than Republicans, at a time when they’ve been accused of being biased against conservatives. Even the low-ranked Twitter was slightly more popular among Democrats.
- The most polarized companies were the Trump Organization—which scored highly with Republicans and dead last among Democrats—and Target, which did better among Democrats than Republicans.
- When you include independents, Wegmans was the only company that made all three top 10 lists.
- Independents’ favorite company was Amazon.
- The least favorite companies had privacy scandals (Facebook) or other scandals (Wells Fargo), are going bankrupt (Sears), or cut off their customers’ HBO (Dish).

What this illustrates, in my opinion, is a kind of outsourcing or “alienation” of corporate conscience to either an ideology or a political party whose purpose is to win elections and achieve political power. But corporate responsibility as *corporate conscience* calls for “in-sourcing” decision-making criteria and basing them on the mission and core values of the organization.⁵ This trend in many ways runs the risk of undermining rather than reinforcing the aims of business ethics as a field—of offering counterfeits for conscience. I will have more to say on this subject in Chap. 6, but suffice it to say now that the politicization of business decision making can infect the formation process of business decision makers in both business schools and company programs (Fig. 1.1).

⁵On October 10, 2019 and again on February 27, 2020, I developed these ideas in PowerPoint presentations to members of the *Center for Ethics in Practice* at the Opus College of Business within the University of St. Thomas. The title of the presentation was “Corporate Responsibility and its Counterfeits.”

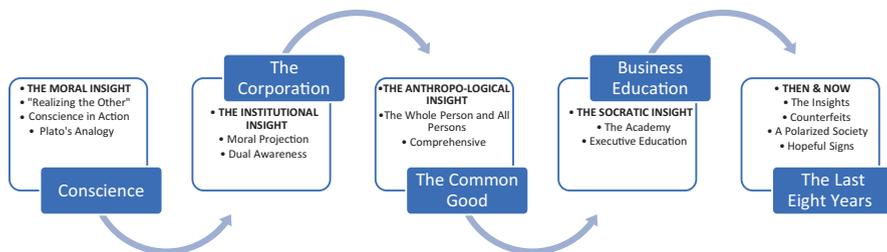


Fig. 1.1 Times of Insight: Conscience, Corporations, and the Common Good

1.2 The Organization of this Book

Here is a brief summary of the chapters of this book. As will be evident, each chapter reveals—in retrospect—an important insight that advanced my thinking on the main theme of the chapter.⁶

Chapter 2—Conscience and the Moral Insight begins with reflections on the source of ethics itself as a discipline, eventually exploring the meaning and development of the concept of corporate responsibility as it unfolded during the first 20 years of my work in the field of business ethics. Here I discuss the meaning of business ethics in relation to the study of ethics generally, and conscience more specifically.

Chapter 3—Corporations and the Institutional Insight elaborates further on the *Principle of Moral Projection* and introduces the organizational counterpart of the *moral insight* for individuals, namely, the *institutional insight*. In addition to tracing the elements of conscientious decision making from personal to organizational manifestations, this chapter also traces the elements of certain obstacles to conscience, from personal to organizational manifestations. One very central such obstacle is a pathology that I have called *teleopathy*.

Chapter 4—The Common Good and the Anthropological Insight reflects on the second 20 years of my work in the field of business ethics, a realization that normative ethics, in order to be truly normative (and non-relativistic), must explore more robust “theories of the right and the good” than had been offered in the late twentieth century (Brenkert and Beauchamp 2009; Goodpaster 2010, 2012, 2017 [reprinted as Appendix 2c of this book]).

Chapter 5—Business Ethics Education and the Socratic Insight shifts the focus from the subject matter of business ethics as a field to the pedagogical point of view. If business ethics is incorporated into the curricula of the nation’s business schools (and into the curricula of the nation’s executive development programs), it matters how that is done. Indeed, if business aspires to be a true profession, an

⁶The *moral insight*, the *institutional insight*, the *anthropological insight*, and the *Socratic insight*. Alongside these four insights, there are two principles that guide the flow from one chapter to another: the *Moral Projection Principle* and the *Moral Fractal Principle*. More on these later.

institution in the classical sense, the moral formation of its future leaders must be initiated and developed by a faculty and administration that are fully committed to this calling. In the course of this discussion, the *Socratic insight* emerges as a way to put the ideas surrounding “conscience, corporations, and the common good” into action.

Chapter 6—Concluding Reflections: Then and Now In the concluding chapter, I will (a) provide a summary of the journey described in Chaps. 2, 3, 4, and 5; (b) reflect on my earlier work indicating my discoveries and changes in thinking; (c) discuss problems that have arisen during the eight years since my becoming Emeritus Professor; and (d) share some thoughts about the future of the field of business and applied ethics in the face of a severe polarization of political values in the U.S. and even abroad.

Chapter 7—Afterword Offers a retrospective summary of the book as a whole and an image of the Sower, who in my view is a compelling portrait of the educator in the field of applied ethics.

Appendices At the end of this book, in Appendix 1, I have included my full curriculum vitae. In Appendix 2, the reader will find reprinted three of my articles that have received less attention than most of the others. I offer them here with the permission of their publishers to round out the retrospective and prospective thoughts occasioned by the invitation to write this volume.

- “Toward an Integrated Approach to Business Ethics,” *Thought*, Volume 60 (June, 1985), pp. 161–180.
This article offers an interpretation of responsibility in business ethics on three scales or levels of analysis—the person, the organization, and the economic system. Utilizing innovative work in mathematics on “fractals,” I suggest both descriptive and prescriptive implications of this conceptual model. Executive Education in the academy and in corporations might benefit from this imaginative understanding of the multi-leveled moral ecosystem within which the leader must lead. As with all ecosystems, “everything is connected to everything else” (Commoner 1971).
- “Tenacity: The American Pursuit of Corporate Responsibility,” *Business and Society Review* (118:4, 2013), pp. 577–605.
In this article, corporate responsibility in the American experience is articulated under the concept of *tenacity*, regarding the possibility that business responsibility in a (relatively) free market economy is possible. The article offers three basic convictions that underlie that tenacity. First, the *Checks & Balances Principle* tells us that there are checks and balances in democratic capitalism which give us confidence that the pursuit of economic goals will be moderated for the common good. Second, the *Principle of Moral Projection* shows that there is good reason to consider the corporation not only as a legal person under corporate law but also as a moral person. And, last, the *Moral Common Ground Principle* reflects that there are shared moral values ascertainable by well-developed consciences in individuals and in corporations.
- “Human Dignity and the Common Good: The Institutional Insight,” *Business and Society Review*, (March, 2017), pp. 27–50.

In this article, I develop the idea of the “institutional insight” as a pathway to two foundational values for applied ethics: human dignity and the common good. I explore—but do not offer a definitive analysis of—these two values, which I believe are critical to the progress of business ethics (indeed to the progress of applied ethics generally). In several previous articles (Goodpaster 1991, 2009, 2012, 2013), I have alluded to this theme, but here I hope to have shown that human dignity and the common good underlie both (1) management’s fiduciary duty to shareholders, and (2) management’s obligations to “stakeholders.” Indeed, it may be that the frequently observed tension between the latter two normative paradigms can be resolved only by engaging in the comprehensive moral thinking afforded by the *institutional insight*.

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Chapter 2

Conscience and the Moral Insight



Abstract This chapter offers an introduction to the field of ethics and the central place of *conscience* within it. To explicate the idea of conscience, I draw upon the work of nineteenth-century Harvard philosopher Josiah Royce. Royce understood conscience as the product of a certain insight, what he called the *moral insight*, which he defined as “the realization of one’s neighbor, in the full sense of the word realization; the resolution to treat him unselfishly.” I then go on to illustrate parallels to Royce’s moral insight in the works of Plato, Jean Piaget, Hannah Arendt, Joseph Ratzinger, and Anthony DeMello. This is followed by a discussion of the work of Jonathan Haidt aimed at tracing the universality of conscience across cultures and strategies for putting conscience into action—even in a pluralistic society. I wrap up this chapter with two subsections: (a) some structural remarks about the field of ethics, anticipating the theme of Chap. 3: Can a *corporation* have a conscience? and (b) two serious objections to *the very idea* of treating corporations as morally responsible entities. This chapter is an organic part of a larger work about the overall contribution of Kenneth Goodpaster to the field of applied ethics and is best read in the context of that larger work.

2.1 Key Terms

Philosophers usually begin their books by examining the meanings of the central terms and ideas in their writing. I will do this eventually for phrases like “business ethics,” “institutional insight,” and “moral anthropology.” However, in this first chapter, I want to communicate the departure point of my career-long interest in moral philosophy and the initial theme of this book—the phenomenon of conscience. It behooves us to clarify certain basic terms that I will be using at the outset and throughout this book, specifically “insight,” “moral insight,” and “conscience.”

2.1.1 *Insight*

Webster's Unabridged Dictionary defines “insight” as:

1. an instance of apprehending the true nature of a thing, esp. through intuitive understanding; an insight into eighteenth-century life; and
2. a penetrating mental vision or discernment; faculty of seeing into inner character or underlying truth.

The common element between (1) and (2) seems to be a shift from an accepted understanding of a phenomenon to a deeper discernment of its true nature. To have insight is to be able to discern something deeper (“what lies beneath”) or something larger (“a bigger picture”). A contrasting element between (1) and (2) seems to be that (1) refers to “an insight” as an instance, a momentary breakthrough, while (2) refers to a human faculty, an ability, even a gift for discerning the truth of a situation.

As you, the reader, will see in what follows, when I use the term *insight* in connection with matters of morality or ethics, the common element and the contrasting element become especially relevant. Some philosophers and psychologists have focused their attention on the “moment of breakthrough” element in ethics—Josiah Royce distinctive among them. I will discuss them in the next section. Others have focused their attention on the “human faculty” element in ethics. I will discuss them subsequently in the section called “Conscience.”

2.1.2 *Moral Insight*

Five decades ago, in Ann Arbor, my philosophical mentor and guide at the University of Michigan, William Frankena, said to me that the deepest truths in ethics were also the simplest. More than once he mentioned a Harvard philosopher and friend of William James—Josiah Royce—as having articulated one of these deep and simple truths more eloquently than anyone else he had ever read. Royce called it the *moral insight* and defined it as “the realization of one’s neighbor, in the full sense of the word realization; the resolution to treat him unselfishly.” Royce immediately added something, however, that emphasized the fragile nature of this transformative breakthrough:

But this resolution expresses and belongs to the moment of insight. Passion may cloud the insight after no very long time. It is as impossible for us to avoid the illusion of selfishness in our daily lives, as to escape seeing through the illusion at the moment of insight. We see the reality of our neighbor; that is, we determine to treat him as we do ourselves. But then we go back to daily action, and we feel the heat of hereditary passions, and we straightway forget what we have seen! Our neighbor becomes obscured. He is once more a foreign power. He is unreal. We are again deluded and selfish. This conflict goes on and will go on as long as we live after the manner of men. Moments of insight, with their accompanying resolutions; long stretches of delusion and selfishness: That is our life.¹ (Royce 1885)

¹Emphasis added.

For Royce, the *moral insight* was not to be understood as a once-and-for-all event. Returning to the “illusion” of self is a persistent human trait. Royce’s way of describing the foundation of ethics is notable for this recognition of our tendency to “backslide” from the moment of insight—the moment of truth—into the illusion that our neighbor is “unreal.” Royce believed that the *moral insight* (a gateway to what later philosophers called the “moral point of view” (Baier 1958)) was the origin of ethics, the spark that gave rise to conscience. But he wished not only to identify this origin, this spark, but also to warn at the same time of its propensity for a kind of *forgetting*, returning us to the delusional state of self-centeredness.²

Recent work in behavioral psychology by Ann Tenbrunsel (Bazerman and Tenbrunsel 2011) and others seems to corroborate Royce’s perspective on the nature of the *moral insight*:

According to Tenbrunsel, the business frame cognitively activates one set of goals—to be competent, to be successful; the ethics frame triggers other goals—to be fair and not hurt others. And once you’re in, say, a business frame, you become really focused on meeting those goals, and other goals can completely fade from view.³ (Joffe-Walt and Spiegel 2012)

Another psychologist, Anthony DeMello, characterizes what Royce called the *moral insight* as a kind of “waking up” from a sleep state to what he called *awareness* (DeMello 1990).⁴ For DeMello, *awareness* frees us for discerning deeper truths about ourselves and a bigger picture than our often self-centered worldview.⁵ A similar idea springs from the book *Alcoholics Anonymous* (1939) and forms the basis for most 12-step programs today.⁶

2.1.3 Conscience

2.1.3.1 Its Basis

Many thinkers have reflected upon the nature of right and wrong, good and bad, virtue and vice, and our ability to know and apply these moral attributes in practical ways in our lives. Here I will mention the thoughts of four other thinkers: Plato, Jean Piaget, Hannah Arendt, and Joseph Ratzinger. What these thinkers have in common

²In the pages ahead, I urge the reader never to lose sight of this fundamental conviction about the moral point of view, for as we explore *Times of Insight: Conscience, Corporations, and the Common Good*, the touchstone of our inquiry will always be the dignity and well-being of human persons—“our neighbors”—as well as the propensity for backsliding, for “forgetting” the insight when we feel “the heat of hereditary passions.”

³We shall discuss in the next chapter whether the point of view of business needs to be as amoral as Tenbrunsel seems to think. I think it does not.

⁴Anthony DeMello, S.J. was a Jesuit priest-psychologist born and raised in India. His message was particularly rich in that it blended Eastern (Buddhist) and Western (Christian) spiritual traditions.

⁵DeMello also writes: “Spirituality means waking up. Most people, even though they don’t know it, are asleep. They’re born asleep, they live asleep, they marry in their sleep, they breed children in their sleep, they die in their sleep without ever waking up” (p. 5).

⁶“Step 12. Having had a spiritual awakening as the result of these steps, we tried to carry this message to alcoholics, and to practice these principles in all our affairs” (p. 60).

is a desire to understand the human faculty of forming good moral judgments as we decide how to act and to live. Each of these thinkers believes that our faculty of conscience can provide reliable access to ethical knowledge under the right conditions. This contrasts with various brands of moral relativism:

- Subjectivism—in which moral judgments are not true or false but are simply the deliverances of our considered personal preferences or emotions regarding ethical matters.
- Cultural relativism—in which moral judgments are not true or false but are the deliverances of our cultural or sub-cultural predispositions on ethical matters (from sources as varied as family, religion, voluntary associations, geographic regions, racial groups, gender, national identities, etc.).⁷

Accounts of conscience typically seek to anchor our moral judgments in specifically human capacities: based on philosophical reasoning, social scientific observation, or theological reflection. Plato, for example, used his argument from analogy between the republic (city state) and the human soul to suggest that conscience in individuals is our faculty of knowing how to keep a proper balance between the rational, the passionate, and the appetitive parts of our souls (analogous to the knowledge class, the military class, and the merchant class, respectively, in the macrocosm of the city state). Injustice consists in a disordering of the parts of the soul, similar to the disordering of the parts of a city whose military class pursues the demands of the merchant class and thus makes insatiable demands on the acquisition of new land and new resources. The contributions of prudence and temperance that would be made by the knowledge class get left behind. Such imprudence and intemperance in individuals, of course, can lead to what we often call the seven deadly sins.⁸ The central point for Plato was that there was a pathway to knowledge about matters of ethics and morals, a non-relativistic pathway based on an account of human nature. Socrates modeled this pathway in his dialogues.

Jean Piaget, the Swiss psychologist who in 1932 wrote his classic *The Moral Judgment of the Child*, thought he saw a universal pattern in child development of three developmental stages leading to a mature conscience: egocentrism (an ethic of self), heteronomy (an ethic of compliance with others' rules), and autonomy (an ethic based on reasoned principles).

In a series of *New Yorker* articles that appeared in 1977, Hannah Arendt, a political theorist and philosopher, wrote of the “banality of evil” in contrast to our

⁷It may bear mentioning that an NGO, *The Caux Round Table*, in 1991 espoused a set of transcultural ethical principles for business, based on input from Japanese, European, and American business leaders. A subgroup of the *Round Table* and scholars then developed a self-assessment and improvement process (SAIP) based on the Caux Principles, analogous to the Baldrige process for quality management. See Goodpaster (2000).

⁸Originating in Christian theology, the seven deadly sins are pride, envy, gluttony, greed, lust, sloth, and wrath. Pride is sometimes referred to as vanity or vainglory, greed as avarice or covetousness, and wrath as anger. Gluttony covers self-indulgent excess more generally, including drunkenness.

often-dramatic preconceptions. The context was her observation of Adolf Eichmann during his trial in Jerusalem in the early 1960s:

The question that imposed itself was, could the activity of thinking as such, the habit of examining whatever happens to come to pass or to attract attention, regardless of the results and the specific content of the activity, could this activity be among the conditions that make men abstain from evildoing, or even actually “condition” them against it? The very word “conscience,” at any rate, points in that direction, insofar as it means “to know with and by myself,” a kind of knowledge that is actualized in every thinking process.⁹

Arendt’s idea—that evil resided in a kind of thoughtlessness—was rooted in her conviction that thinking was the key not only to our relationship to ourselves but to our relationships with others. Reminiscent of DeMello (above), Arendt reminded us of our propensity to substitute counterfeits for conscience:

Clichés, stock phrases, adherence to conventional, standardized codes of expression and conduct have the socially recognized function of protecting us against reality; that is, against the claim on our thinking attention which all events and facts make by virtue of their existence. (p. 196)

DeMello would have agreed wholeheartedly with Arendt’s observation that “[a] life without thinking is quite possible, . . . but it is not fully alive. Unthinking men are like sleepwalkers” (p. 195).¹⁰ Like Plato and Piaget, DeMello and Arendt seem to believe that the faculty of conscience among human beings is universal if only it can be saved from the soul’s disorder (Plato), or underdevelopment (Piaget), or thoughtlessness (Arendt), or lack of awareness (DeMello).

In 1991, Joseph Ratzinger (today Pope Benedict XVI Emeritus) in a widely reprinted essay (Ratzinger 1991), offered an extended reflection on the nature of conscience. He looked to Plato’s theory of *anamnesis* or *recollection* for an understanding of the way conscience works in human nature. In Ratzinger’s view, conscience functions like a *memory from within* in guiding human action, an inner sense of right and wrong, good and bad, virtue and vice that was *written in our hearts* when we were created.¹¹ He might agree with Royce that it offers us a moral intuition born of the *moral insight*. Ratzinger writes:

⁹Hannah Arendt, “Thinking,” *The New Yorker*, November 21, 1977, pp. 65–140; November 28, 1977, pp. 135–216; December 5, 1977, pp. 135–216.

¹⁰T.S. Eliot remarked earlier in this century that we spend too much time “dreaming of systems so perfect that no one will need to be good.” By such dreams few practitioners can live. The problem with contemporary counterfeits for personal and corporate conscience is the same: they are lifeless in themselves and their laws and dictates do not replace conscience—indeed they may ultimately suppress it.

¹¹In his 1991 essay, Ratzinger adds: “This means that the first so-called ontological level of the phenomenon of conscience consists in the fact that something like an original memory of the good and true (both are identical) has been implanted in us, that there is an inner ontological tendency within man, who is created in the likeness of God, toward the divine. *From its origin, man’s being resonates with some things and clashes with others.*” (Emphasis added.)

This anamnesis of the origin, which results from the godlike constitution of our being is not a conceptually articulated knowing, a store of retrievable contents. *It is so to speak an inner sense, a capacity to recall, so that the one whom it addresses, if he is not turned in on himself, hears its echo from within.* He sees: ‘That’s it! That is what my nature points to and seeks.’¹²

I have found this account of conscience to be satisfying philosophically as a form of intuitionism and theologically as a basis for natural law.¹³ Conscience does often seem like an inner sense analogous to memory, much as Socrates suggested in the *Meno* that mathematical knowledge is innate and “recollected.” The idea of intuition has a long and well-developed tradition in ethics, especially in the modern period. Theologically, natural law theory views conscience as our sense of the Creator’s intention for human behavior that must underlie positive law. For this reason, it is invoked in such documents as the U.S. Declaration of Independence and the U.N. Universal Declaration of Human Rights as *more basic* than specific laws in specific societies.

2.1.3.2 In Action

So much for the non-relativistic *basis* of conscience. It appears to be an inner sense that is not arbitrary, that involves a kind of awakening to our human nature, a remembering of who we are. But once we get in touch with this inner sense, how do we translate it into the complexities of our daily lives? The biblical path might be the ten commandments. Other approaches might be more anthropological, such as the work of Jonathan Haidt in his book *The Righteous Mind* (2013). For Haidt, conscience is akin to a social intuition found through empirical *moral foundations theory* in social psychology. He identifies five innate foundations or patterns of processing moral decisions in research on human social groups over many millennia: care/harm, fairness/cheating, loyalty/betrayal, authority/subversion, and sanctity/degradation. Some societies or parts of societies have tended to emphasize one or two of these patterns to the exclusion of the others (e.g., care and fairness to the exclusion of loyalty, authority, and sanctity).¹⁴ These foundational frames will recur, however, and conflicts will seek to “right the ship” so that all five are represented in some way. Table 2.1 below is the diagram Haidt offers in his book.

¹²Emphasis added.

¹³For those less theologically inclined, this “inner sense” might be seen as the result of an evolutionary process, predisposing human beings toward and away from certain behaviors in patterns that are quite universal.

¹⁴Later in his book, Haidt adds a sixth foundation, *Liberty/oppression*, that operates in some tension with the *Authority/subversion* foundation (pp. 200–211).

Table 2.1 Diagram of the five foundations of moral decision making (Haidt, p. 146)

	Care/harm	Fairness/cheating	Loyalty/betrayal	Authority/subversion	Sanctity/degradation
Adaptive challenge	Protect and care for children	Reap benefits of two-way partnerships	Form cohesive coalitions	Forge beneficial relationships within hierarchies	Avoid contaminants
Original triggers	Suffering, distress, or neediness expressed by one's child	Cheating, cooperation, deception	Threat or challenge to group	Signs of dominance and submission	Waste products, diseased people
Current triggers	Baby seals, cute cartoon characters	Marital fidelity, broken vending machines	Sports teams, nations	Bosses, respected professionals	Taboo ideas (communism, racism)
Characteristic emotions	Compassion	Anger, gratitude, guilt	Group pride, rage at traitors	Respect, fear	Disgust
Relevant virtues	Caring, kindness	Fairness, justice, trustworthiness	Loyalty, patriotism, self-sacrifice	Obedience, deference	Temperance, chastity, piety, cleanliness

My own work—in some ways similar in outcome to the work of Haidt—offers four avenues of ethical analysis: interests, rights, duties, and virtues. It is at the intersection of these avenues that *moral insight* (and truth) is to be found. The source of these “avenues” is not the theory of evolution or anthropology but instead the history of philosophy and the patterns of moral reasoning that have recurred in the history of ethics. Like Haidt’s approach, the “four avenues” approach seeks to discipline moral dialogue using several distinct “voices” or “points of view” that deserve consideration as a person or group confronts an ethical challenge. I shall have much more to say about the “four avenues” approach in Chap. 5.

The principal take-away from this exposition and comparison is simply that once the human nature of conscience is granted and moral relativism is set aside, the pathways to structures of ethical decision making can be discerned with the help of social science and philosophy. The task is always to bring to bear the moral point of view on the decisions that we make both personally and (as we are about to see) institutionally.

2.1.3.3 Can a Corporation Have One?

University of Chicago philosopher Alan Gewirth, writing three quarters of a century after Josiah Royce, offered an account of the birthplace of ethics or conscience in terms that in many ways echo the *moral insight*. Gewirth asks us to imagine an

“agent” (actor) and a “recipient” in a “transaction” in which the freedom and well-being of the recipient is at stake. This analysis proves very fruitful in addressing the foundations of business ethics (Gewirth 1978). What Royce would call the “realization” of one’s neighbor, Gewirth would call *respecting the freedom and well-being of one’s recipient(s)*.

Ethics, in the views of these two philosophers, derives from (paradigmatically)¹⁵ relationships between human persons who seek to take each other’s freedom and well-being seriously. Agents need to be accountable to the recipients in their transactions. (See red rectangle within Fig. 2.1 below.)

I have added to the rectangular diagram of the transaction between agent and recipient two other trapezoid-shaped boxes that are intended to represent the *varieties* of agents and the *varieties* of recipients in a general theory of ethics. This will allow me later (in Chap. 3) to explore groups or institutions as moral agents and moral recipients. For now, it is enough to observe that the *core idea* of the field of ethics is the encounter between two human persons, and the insight on the part of each that the other is real and calls for *respect*.¹⁶

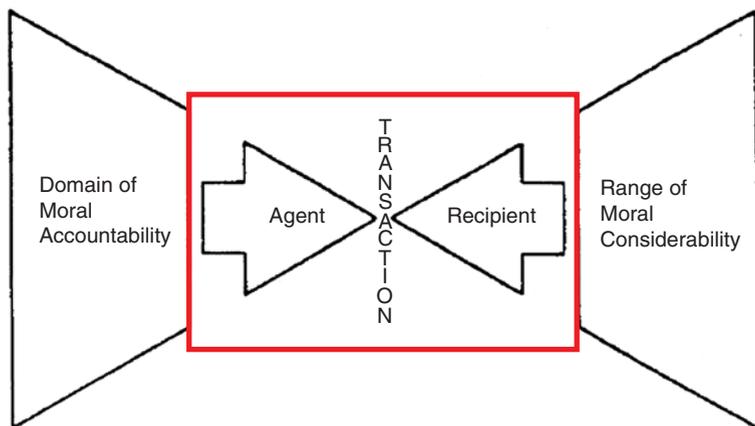


Fig. 2.1 Gewirth’s view of the central idea of ethics

¹⁵Eventually, of course, one might need to consider agents that were not human persons (e.g., corporations and other institutions) and recipients that were not human persons (e.g., animals, plants, and ecosystems).

¹⁶“Re-spect”—to look *again*, as if the object in view deserves special consideration.

2.2 Ethics

2.2.1 *Three Ways of Thinking About Ethics*

Much of my early work in the field of business ethics was spent clarifying the central ideas of business ethics, corporate responsibility, and corporate conscience. The natural way to proceed in this domain seems to me to be to start with the notions of “ethics” and “responsibility” in their *unmodified* meanings—only then to introduce modifiers like “business,” “corporate,” “organizational,” “institutional,” etc.

One article in which I took this approach early on was “The Concept of Corporate Responsibility” (1983) published in what was then the newly founded *Journal of Business Ethics*. There I wrote:

Since business ethics is a part of philosophical ethics generally, we expect and find that its divisions correspond to the divisions most frequently made in philosophical ethics, namely, descriptive ethics, normative ethics and analytical ethics (sometimes called metaethics). Each division may be briefly described in the order just given. (p. 3)

Since there are three main divisions within the field of ethics generally—descriptive, normative, and analytical (see Table 2.2)—it seemed reasonable to anticipate that *business* ethics would have a similar tripartite division.

- **Descriptive ethics** is essentially an *empirical* enterprise. It seeks (psychologically) to describe the moral beliefs and values of a person in a *neutral* way—“without judgment,” as we say. Or it seeks (anthropologically or sociologically) to describe the moral beliefs and values of past or present groups (families, various associations, subcultures, whole nations, etc.) in a *neutral* way—again “without judgment”—based on empirical data about the group(s) under study.
- **Normative ethics**, on the other hand, is essentially a *prescriptive* enterprise. It seeks to articulate and defend principles of right and wrong, good and bad, virtue and vice. In contrast to descriptive ethics, normative ethics is not morally neutral and does not seek to avoid “judgment” (although it does seek to avoid being *judgmental*). Oxford philosopher Mary Midgley (1981) explains the vital, productive role of normative ethics and moral judgment:

The power of moral judgement is, in fact, *not* a luxury, *not* a perverse indulgence of the self-righteous. *It is a necessity*. When we judge something to be bad or good, better or worse than something else, we are taking it as an example to aim at or avoid. Without opinions of this sort, we would have no framework of comparison for our own policy, no chance

Table 2.2 Three ways of thinking about ethics

Three ways of thinking about ethics (“DNA”)		
Descriptive	Normative	Analytical

of profiting by other people's insights or mistakes. In this vacuum, we could form no judgments on *our own* actions.¹⁷

- Being *judgmental*, on the other hand, is the trait of being arrogant or disparaging of individuals or groups—of “rushing to judgment” on the basis of very limited evidence. This of course, leads to *misjudgment*, which prudent persons must avoid.
- Finally, **analytical ethics** (sometimes called *metaethics*) addresses questions about normative ethics, such as: how are we to *understand* ethical claims, how are we to *justify* such claims, and how are we to adjudicate moral *disagreements* both within and between different societies?

2.2.2 Three Levels of Application of That Thinking

It is both a descriptive and an analytical ethical observation to say that within the field of ethics generally, there are three possible levels of *agent* and three possible levels of *recipient* that can come under moral scrutiny using the three ways of ethical thinking mentioned above. Moral agents and recipients can be and (paradigmatically) are human persons; but they can also be understood as organized groups or institutions acting or being acted upon in ethically significant ways. A gang, for example, could do violence to an individual or to another gang. A corporation, as an organized group, might produce life-saving pacemakers for individuals with heart diseases.

At a third level, entire social systems (“societies”) can be understood as actors and recipients over historical time or contemporaneously. World Wars are, of course, one sad category of such third level “transactions,” and science fiction writers have imagined societies from distant star systems interacting in friendly or unfriendly ways with citizens of Earth.

By combining these two tripartite distinctions—the three *ways of thinking* about ethics and the three *levels of application*—we can discern an “architecture of the field of applied ethics” and depict it as in Fig. 2.2 below. Note that this “architecture” carries with it an important assumption, namely, that it is *ethically meaningful* to attribute moral agency (and perhaps moral reciprocity) to entities “larger” than human beings. This assumption harkens back to Plato’s *Republic* and will be the subject of Chap. 3 of this book, but first it will be helpful to consider some early resistance to such an idea.

¹⁷Emphasis added. Midgley argued that moral judgment amounts to “forming an opinion and expressing it if it is called for.” She then added: “Naturally, we ought to avoid forming—and expressing—*crude* opinions. . . . But this is a different objection. The trouble with crude opinions is that they are crude, whoever forms them, not that they are formed by the wrong people” (71). The same observation could be made substituting other words for “crude”—words such as “authoritarian,” “dictatorial,” “tyrannical,” or “repressive.”

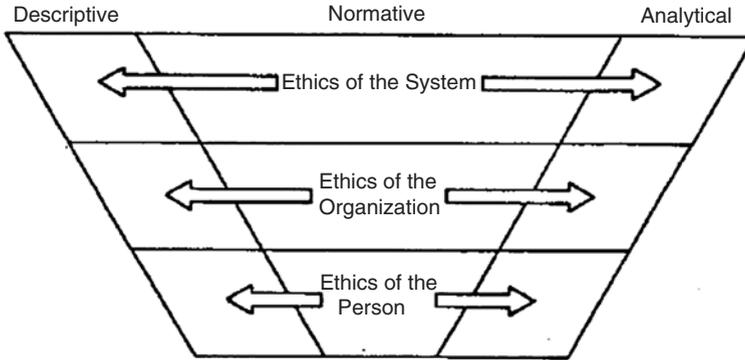


Fig. 2.2 Architecture of the field of applied ethics

2.2.2.1 Not So Fast!

In 1970, two important articles appeared that were aimed at precluding the application of ethical categories to organizational actors like business corporations, one a *logical* objection and one a *moral* objection. The first was a philosophical article that attracted my attention because it jarred my moral intuitions! It was written by a respected moral philosopher named John Ladd at Brown University: “Morality and the Ideal of Rationality in Formal Organizations” (1970).¹⁸ Ladd described corporations (and “formal organizations” generally) as more like machines than like persons with consciences: “If we think of an organization as a machine, it is easy to see why we cannot reasonably expect it to have any moral obligations to people or for them to have any to it” (p. 507). If someone expects corporations “to conform to the principles of morality,” Ladd wrote, “he is simply committing a logical mistake.”

[I]t would be a [logical] mistake to expect a machine to comply with the principles of morality. By the same token, an official or agent of a formal organization is simply violating the basic rules of organizational activity if he allows his moral scruples rather than the objectives of the organization to determine his decision. (p. 500)

In my view, Ladd went too far when he asserted that *amorality* in business was a matter of necessity rather than a matter of observation, but his arguments should not be overlooked or ignored. While comparing organizations to machines may be excessive, the comparison serves as a useful warning about how managers and employees in corporations can be confused about the morality of their work lives

¹⁸It is worth noting that today, 50 years after Ladd’s article, the challenges of artificial intelligence (AI) include, among other things, the puzzle of how to fashion a machine that can make sound ethical decisions!

and their private lives.¹⁹ It is possible that the objectives of the management of an organization do not in fact include moral principles, but such an absence of conscience can and should be viewed as an institutional *failure*—hardly as an institutional *necessity*.

Nevertheless, there was a second important article written in 1970 aimed at resisting the demands of ethics and social responsibility applied to business organizations. It was an article by Nobel Laureate Milton Friedman, entitled “The Social Responsibility of Business is to Increase Its Profits” (1970). Friedman argued that special management attention to ethics or social responsibility was redundant and unnecessary. Why? Because the structure of the market itself was such that Adam Smith’s “invisible hand” took the self-interested decisions of businesspersons and corporations and through competition led them to the common good. In fact, Friedman argued, business leaders were ill-equipped to make decisions with social responsibility as the principal motive and therefore *should not* do so! In other words, whatever ethical values the business system requires are already programmed in, making supplementary efforts unnecessary, even *morally suspect*.

My response to Milton Friedman in those days was that he was too reliant on market forces to provide all the moral guidance that businesses needed in our society today. Because markets are imperfect, they can incentivize less-than-honest treatment of employees, customers, local communities, and the environment. Unless we believe that external laws and government regulations are the cure-all for such market failures, some amount of congruence is to be expected between the moral sensibilities of individuals and the moral sensibilities of organized groups.

2.2.2.2 Right, Left, and Center

If we “zoom out” a bit from the Ladd/Friedman objections to the idea of corporate conscience, one way of seeing their objections is as follows, in Fig. 2.3.

Two major historical control mechanisms that have sometimes been thought to provide “surrogates” for corporate responsibility are what we can, following Adam Smith, call the “invisible hand” of market competition or, following a more socialist agenda, the “visible hand” of legal and governmental control of capital. If one is skeptical, as I have been, that either of these two “hands” (invisible or visible)

¹⁹As I remarked in my book *Conscience and Corporate Culture* (2007): “Ladd drew largely from the landmark works of Herbert Simon and Chester Barnard. These authors saw decision making as anchored in a set of institutional goals. The organization’s ‘rationality’ was defined in terms of the effective and efficient achievement of these goals, period. Simon had written that ‘decisions in private management, like decisions in public management, must take as their ethical premises the objectives that have been set for the organization.’ Ladd concluded from this that ethics could not really function in the business organization. It was simply out of place: ‘. . . Actions that are wrong by ordinary moral standards are not so for organizations; indeed, they may often be required. Secrecy, espionage and deception do not make organizational action wrong; rather they are right, proper, and indeed, *rational*, if they serve the objectives of the organization.’ (Ladd, *op.cit.*)”

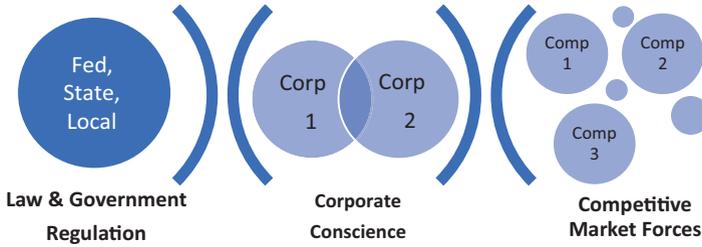


Fig. 2.3 Influences on corporate conscience

provides a satisfactory surrogate for the consciences of our intermediate institutions, including corporations, then one will resist both models in favor of a third model in which the locus of moral responsibility resides with corporate leadership (*conditioned*, of course, by both markets and law).

2.2.2.3 History as a Descriptive Argument for “Corporate” Conscience

Another line of argument against those who would resist applying moral predicates to business organizations is that we have in fact done so for nearly two centuries in ordinary discourse, in education, and in law. Granted, such language can be criticized by Ladd as logically inappropriate or by Friedman as ethically reckless, but it seems to have functioned both meaningfully and coherently since the Industrial Revolution.

There have been at least three books in the last 15 years that offer serious scholarship on the history of business ethics and corporate responsibility reaching back into the nineteenth century:

- *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* by Rakesh Khurana, (Princeton: Princeton University Press, 2007)
- *Corporate Responsibility: The American Experience* by Archie B. Carroll, Kenneth J. Lipartito, James E. Post, Patricia H. Werhane, and Kenneth E. Goodpaster (Executive Editor), (Cambridge: Cambridge University Press, 2012) and
- *The Moral Background: An Inquiry into the History of Business Ethics*, by Gabriel Abend (Princeton, NJ: Princeton University Press, 2014).

Khurana’s book emphasizes the rise of business schools in universities by analogy with law schools and medical schools—an effort to fashion management as a *profession*. The authors of *Corporate Responsibility: The American Experience*, in my opinion as Executive Editor of the project, display the *tenacity* of Americans regarding corporate responsibility:

During the past two centuries, corporations have demonstrated amazing productivity, innovation, and adaptability—and when they have displayed questionable ethical or social behavior, our persistent response as Americans has been to improve them, either internally or externally, rather than to overturn the system in favor of more socialistic models. Despite challenges to corporate *legitimacy*, Americans have sought to deepen corporate *responsibility*.²⁰ (Goodpaster 2013)

Gabriel Abend, in his history of business ethics (*The Moral Background*) applies the language of ethics to individuals and to institutional actors in our social environment.

Finally, the 14th Amendment to the U.S. Constitution²¹ has been interpreted by the U.S. Supreme Court as applying to corporations as persons, not just to individual persons. As recently as 2010, in *Citizens United v. Federal Election Commission* (558 U.S. 310), the U.S. Supreme Court held that the First Amendment prohibits the government from restricting politically independent expenditures by corporations, associations, or labor unions, affirming again the legal rights (and responsibilities) of organizations.

2.3 Conclusion

Let us now revisit, in Chap. 3, the (perhaps) controversial attribution of Gewirth's categories of "moral agent" and "moral recipient" not only to individual human persons but to organizations and whole social systems as well. This is implied in my account of the *Architecture of the Field of Applied Ethics* (see Fig. 2.2) and provides the occasion for a new insight beyond the *moral insight*.

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²⁰Emphasis added. See Appendix 2b.

²¹The 14th Amendment was ratified in 1868, defining national citizenship and forbidding the states to restrict the basic rights of citizens or other persons.

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Chapter 3

Corporations and the Institutional Insight

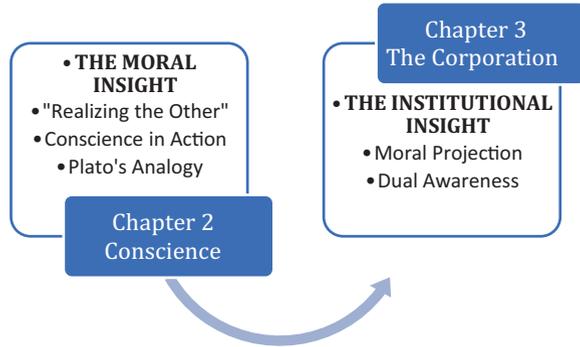


Abstract As anticipated in Chap. 2, this chapter takes on directly the issue of predicating conscience of corporations. In my work over many years, I have defended the *analogical* predication of moral attributes of organizational actors, referring to this practice as the *Principle of Moral Projection* (an inversion of Plato’s strategy in the *Republic*). After clarifying the meaning of *analogical predication*, I turn to the central theme of this chapter: the *institutional insight*. Drawing upon the work of Hugh Hecllo, professor of government and public affairs at George Mason University, I describe institutions as vehicles for achieving a measure of permanence and continuity for what we value, despite our mortality. So if we think of business as an institution, we must attribute not only a *focal* purpose to individual corporations but also an *institutional* purpose—to carry forward the provision of goods that are truly good and services that truly serve. The *institutional insight* does more than “give permission” or “affirm fittingness.” It asks organizational leadership to embrace not only the *presenting* purposes of their organizations but also their *institutional* purposes (as they relate to the common good). This chapter then takes on several related themes such as: Does the attribution of moral responsibility to a corporation preclude the attribution of responsibility to certain individuals within the corporation? And if corporations can be morally *responsible actors*, can they also deserve moral consideration as *recipients* of the actions of others? This chapter is an organic part of a larger work about the overall contribution of Kenneth Goodpaster to the field of applied ethics and is best read in the context of that larger work.

3.1 From Moral to Institutional Insight

In the previous chapter, I offered a view of the “architecture” of the field of business ethics, as I came to see it, drawing upon both Josiah Royce (the *moral insight*) and Alan Gewirth (agents and recipients). This architecture was formed from two tripartite distinctions: (1) descriptive, normative, and analytical ethics, and (2) personal, organizational, and societal agency. Implied in the second tripartite distinction, as we saw, was the idea that organizations or institutions could (and should) be treated as moral agents (and perhaps as moral recipients) analogous to individual persons (Fig. 3.1).

Fig. 3.1 From conscience to the corporation



3.2 More About Transactions

I indicated in the display of Gewirth’s conception of a moral “transaction” that there were some larger questions awaiting our attention about the domain of moral accountability and the range of moral considerability.

The *Principle of Moral Projection*, as I noted in Chap. 1, presupposes that within the domain of moral accountability (see left side of Fig. 3.2) there can be not only persons but also organizations and even whole social systems. But the *Principle of Moral Projection* presumes more than this.¹ It also presumes that we can get a better understanding of corporate responsibility or corporate conscience by employing the analogy with *personal* responsibility or personal conscience—what I called the *inversion* of Plato’s method in the *Republic*.

As I pointed out in Chap. 1, Plato’s strategy in the *Republic*, Book II, was to see the city state as a macrocosm of the soul of the person. Eventually, the insatiability of Athens for wealth led to expansionism and wars of acquisition. This is also true, Socrates argued, for us as individuals. Without virtues like prudence, courage, and temperance, there can be no wisdom or knowledge for the soul; there can only be intemperate acquisition. Lack of virtue in the soul of the individual is analogous to lack of virtue in the life of the republic.

What was the source of my conviction that normative characteristics in the macrocosm would translate into the microcosm (or vice versa)? Organizations appear in many ways to be macro-versions (projections) of ourselves as individuals—human beings writ large. We can sometimes see more clearly in organizations certain features we want to understand better in ourselves, but often the reverse is true. Managers and leaders of organizations can frequently benefit from what we understand about ourselves as individuals. I have referred to this analogical approach in the past as the *Principle of Moral Projection*. Formally, it can be stated as follows:

¹ There are other questions about the domain of moral accountability, of course, including whether it could ever be occupied by artificially intelligent machines or automata that are sufficiently sophisticated in rational decision making. This question will not be treated in this book but deserves careful attention.

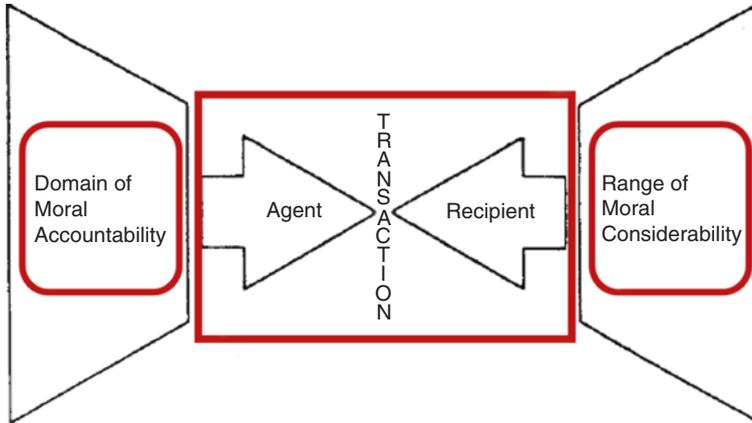


Fig. 3.2 Gewirth's view of the central idea of ethics (reprise)

It is appropriate not only to *describe* organizations and their characteristics by analogy with individuals, it is also appropriate *normatively* to look for and to foster moral attributes in organizations by analogy with those we look for and seek to foster in individuals. (Goodpaster 1997a, b)

The idea was that corporate responsibility is the projection of moral responsibility in its ordinary (individual) sense onto a corporate agent. Corporate conscience can evolve from pure self-centeredness (e.g., public relations or a preoccupation with profit) through the rule-following of corporate compliance (with legal or regulatory requirements) into an authentic, independent management concern. Such an evolution represents a maturation process analogous to the three-stage development of conscience in individuals that we saw in the work of Piaget. Note further that attributing responsibility and conscience to corporate entities does not mean that we cannot *at the same time* attribute responsibility to individuals *within* the corporation. Indeed, we might also at the same time attribute responsibility to the social system surrounding the corporation. More on this shortly.

3.2.1 Analogical Predication

Sociologist Philip Selznick articulated something like this idea more than six decades ago (1957) when he wrote about “character formation” as an important area of exploration for those who would understand the decision making of organizations:

The study of institutions is in some ways comparable to the clinical study of personality. It requires a genetic and developmental approach, an emphasis on historical origins and growth stages. There is a need to see the enterprise as a whole and to see how it is transformed as new ways of dealing with a changing environment evolve. (p. 141)

Leadership, according to Selznick, is about institutionalizing values. We can now see that leadership is the vehicle that makes moral projection both meaningful and plausible. And in the late 1970s, *stakeholder* thinking was most often adopted as a proxy for ethical managerial decision making and corporate conscience.

To be sure, the *Principle of Moral Projection* is a conjecture, but it is an intelligent conjecture. There is significant precedent for such a conjecture in the history of philosophy under the heading of “analogical predication” (Ashworth 2017).

In the work of theologian and philosopher Thomas Aquinas, for example, “analogical predication” was contrasted with “univocal predication” and “equivocal predication” of the same term of two different objects²:

1. Socrates and Plato are both *human* (univocal). The word “human” in this context is used with the *very same meaning* when predicated of the two philosophers.
2. This duck has a *bill* and the president vetoed a *bill* (equivocal). The word “bill” in these contexts is used with two completely *different* meanings.
3. Mary Smith is a *responsible* person and Lincoln Electric Company is a *responsible* organization (analogical). The word “responsible” in these contexts is used with quite similar—but not identical—meanings. It is predicated *analogically*.

In the context of Plato’s *Republic*, the central normative ethical quarry—justice; virtue—are predicated *analogically* of the republic (an organized city-state with an estimated population at the time of 120,000) and of the soul of an individual person. It is the inner dynamics of conscience in each of these differently scaled entities that carry the similarity, making the analogy meaningful. We can thus learn about ourselves from institutions and (I have argued) about institutions from ourselves.

3.2.2 Exploring the Analogy

In my book *Conscience and Corporate Culture*, I described the “moral agenda of corporate leadership” in terms of three broad imperatives:

There are three “practical imperatives” that anchor the moral agenda of leadership: *orienting*, *institutionalizing* and *sustaining* shared values. The first two involve placing moral considerations in a position of salience and authority alongside considerations of profitability and competitive strategy in the corporate mindset. The third imperative (sustenance) has to do with passing on the spirit of this effort in two directions: to future leaders of the organization and to the wider network of organizations and institutions that make up the social system as a whole. (Goodpaster 2007)

²Aquinas was primarily interested in predications of human-like qualities of God, or God-like qualities of humans, in order to be able to say that, e.g., “goodness” and “wisdom” were not identical (*univocal*) when applied to both, but neither were they completely *equivocal*. They were *somewhat* similar, *analogical*, in their application to humans and to God, thus permitting some degree of human knowledge of God.

In that book, I elaborated further as I described the three ensuing chapters:

In *Chapter 5*, I will focus on the meaning and practical implications of *orienting* the ethical values in a corporate culture. I will illustrate this process with several case studies as well as a commentary on current employee survey practices in one large company that I have come to know well.

In *Chapter 6*, the focus will shift to *institutionalizing* the shared values that have been identified by the organization in the process of orientation.

Finally, in *Chapter 7*, I will address an often-overlooked imperative—*sustaining* the shared ethical values that have been identified (*Chapter 5*) and institutionalized (*Chapter 6*). This last imperative falls as much to the board of directors as to the senior leadership of the organization, making it a *governance* issue. (Goodpaster 2007))

The three imperatives for corporate leadership (and the implementation of corporate conscience) echo the elements of personal conscience: (a) embracing the moral point of view—achieving clarity about one’s core values/convictions (about my own and *others’* interests, rights, duties, and virtues); (b) discovering ways to make my commitment to the moral point of view a practical part of my everyday behavior; (c) developing habits (virtues) that will allow me to sustain the moral point of view (to minimize the likelihood of “forgetting”) in my life.

3.2.3 *The Institutional Insight*

Hugh Heclo, a professor of government and public affairs at George Mason University, in his book *On Thinking Institutionally* (2008), offered a rich interpretation of institutions and institutional thinking that bears on the subject at hand.

In Heclo’s words, “Amid the perpetual perishing that marks our individual existences, institutions are *weathered presences*” (p. 127). The essence of an institution, according to Heclo, is that it provides a way to achieve a measure of permanence and continuity for what we value, despite our mortality. Institutions represent our legacies to future generations and our inheritances from past generations of structures for carrying on important values that we hope to see survive beyond our lifetimes. Here are just some examples:

- the nuclear family
- the church or synagogue or mosque
- schools (K-12)
- colleges and universities
- governments (local, state, national)
- guardians local (police); national (armed forces)
- business organizations (for food, transportation, commerce of many kinds)
- healthcare organizations (hospitals, clinics, medical schools, Red Cross, etc.)
- organized communication (media, entertainment, newspapers, etc.)
- voluntary associations of many kinds across our country

As we think about the institution of business and the numerous organizations, large and small, that it includes, using Hecló's perspective, each organization has its *presenting* purpose or mission—its reason for being as a specific business. Yet at the same time, each organization is part of the *institution of business itself*, which has a *social* purpose: to produce goods that are truly good and services that truly serve.³

The *institutional insight* is the realization that one's own institution—like all institutions—is part of a larger enterprise of forwarding the wellbeing of humankind. This means a vision and a concurrent *peripheral* vision about purposes on the part of leadership.

- General Motors focuses on building cars and trucks *but as part of* the human need for transportation;
- Procter & Gamble focuses on household goods *but as part of* the need for family flourishing;
- General Mills focuses on cereals and other foods, *but as part of* the human need for healthy nourishment.

An impediment to the *institutional insight* is a kind of fixation on the foreground and its inevitable competitiveness that I have referred to as *teleopathy*, the unbalanced pursuit of purpose in individuals and institutions.⁴ The U.S. Department of Defense has identified a similar hazard in the training of fighter pilots:

Channelized Attention is a factor when the individual [read: *institution*] is focusing all conscious attention on a limited number of environmental cues to the exclusion of others of a subjectively equal or higher or more immediate priority, leading to an unsafe situation. May be described as a tight focus of attention that leads to the exclusion of comprehensive situational information.⁵ (“Executive Summary” 2006)

It is worth mentioning that because of channelized attention, combat pilots now draw upon and provide mutual support to one another, as missions are always flown with at least two aircraft in formation. The lead pilot must always have a “wingman”⁶ to help avoid the fixation that can occur.

The *Principle of Moral Projection*, in my view, gives permission and ethical fittingness to applying moral predicates to organizational or institutional agents. In Gewirth's terms, it expands the domain of moral accountability beyond individuals. But the *institutional insight* does more than “give permission” or “affirm fittingness.” It *requires* that organizational leadership embrace not only the *presenting*

³ See Appendix 2c. Also see Donaldson & Walsh (2015).

⁴ The principal symptoms of *teleopathy* are fixation, rationalization, and detachment. Avoiding *teleopathy* as an occupational hazard of business life is no small challenge. See Chap. 1 in Goodpaster's *Conscience and Corporate Culture* (2007) as well as the *teleopathy* entry in the *Encyclopedia of Management* (1997).

⁵ Emphasis added.

⁶ Or since 1991, “wingmate” when women entered the air combat forces.

purposes of their organizations but also their contextual or *institutional* purposes (as they relate to human dignity and the common good).⁷

3.2.4 Moral Considerability

So far, I have drawn attention only to the left side of Gewirth's diagram of his agent-recipient view of the central idea of ethics. I have argued that the domain of moral accountability can—indeed must—include corporate or institutional entities by analogy with individual persons. It is natural at this point to ask further: if corporations (or organizations more generally) can be held responsible as moral *actors*, can their own “freedom and well-being” be abridged as moral *recipients*? Can corporations sometimes be *victims* of moral actors? The answer to this question appears to be “Yes.” Consider this observation in the award-winning history *Corporate Responsibility: The American Experience* (2012):

The US Supreme Court in 1886 (*Santa Clara Cnty v. S. Pac. R.R. Co.*) decided that “joint-stock companies, chartered organizations, and corporations had the same rights, or at least the same legal rights, as individuals under the Fourteenth Amendment—rights to due process, property ownership, and equal protection—a claim that has been upheld ever since 1886. Later, in 1889 the Supreme Court ruled that a corporation was a legal person. Corporations could not vote or hold office, but a century later, in *First National Bank of Boston v. Bellotti* (1978) the Court ruled that corporations have rights to free speech. (p. 43)

It seems clear—to use Gewirth's language—that there is precedent for the attribution not only of *responsibilities* to corporations as moral *actors*, but also for the attribution of *rights* to corporations as moral *recipients*.

There are, of course, many other questions that could be raised about possible occupants of the range of moral considerability (see the right side of Fig. 3.2) besides organizations or corporations, such as sentient beings generally, living things generally, and even entire ecosystems. I have explored this topic in my article “On Being Morally Considerable” (1978)⁸ but I must leave it here as a theme in the field of environmental ethics.

⁷Peter Drucker seems to have puzzled over the *institutional insight* when he wrote: “We have to think through how to balance two apparently contradictory requirements. Organizations must competently perform the one social function for the sake of which they exist—the school to teach, the hospital to cure the sick, and the business to produce goods, services, or the capital to provide for the risks of the future. They can do so only if they single-mindedly concentrate on their specialized mission. But there is also society's need for these organizations to take social responsibility—to work on the problems and challenges of the community” (1994).

⁸See also three other articles that I wrote on this general theme: Goodpaster 1979, 1990, 1993.

3.2.5 *Individual and Corporate Responsibility Simultaneously?*

As I mentioned above, business leaders need to *orient*, *institutionalize*, and *sustain* the ethical values of their organizations (Goodpaster 2007). To follow these imperatives, especially the third one (sustain) they need to accomplish two important tasks: (1) passing on the ethical values of the organization to the next generation of employees and company leadership, and (2) protecting the ethical values of the company in its economic and social environment.

The former task, when it is directed toward organizational members and subgroups, includes such activities as hiring and recruitment, management selection and development, executive succession, board oversight, and (in the case of large corporations) acquisition and divestiture of business units. The latter task includes corporate communication, business-government relations, and company participation in its various communities, local and global. (Goodpaster 2007, p. 195)

This dynamic reality on the part of business leadership takes place concurrently with individual employees and managers making daily ethical decisions (responsible or irresponsible) influenced by the (internal) culture of the corporation. Similarly, the leadership agenda is pursued concurrently with (external) cultural influences from the company's socio-economic and political environment.

As I see it, the phenomenon of *institutional responsibility* travels through time, providing a context for *individual responsibility* while living within a larger socio-economic and political system that influences it from the outside (Fig. 3.3).

I should add that this way of thinking about moral responsibility, as “interdependent” among the several levels of application (in the domain of accountability and the range of considerability) goes a long way toward resolving conundrums about “corporate responsibility” *versus* “individual responsibility.” It helps us to see how several levels of responsibility can be acknowledged at once—how there can be an “and” where some were convinced there could only be an “or.”

Consider this illustration: John kills William on a street corner in an urban neighborhood. The initial appearance of John killing William is a straightforward case of

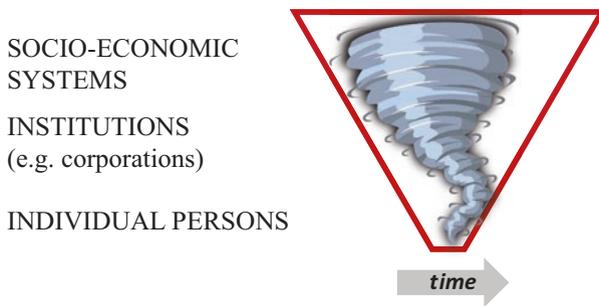


Fig. 3.3 Dynamic and inter-related responsibilities over time

personal responsibility on John's part and personal victimhood on William's part. But the more we learn about the context surrounding this killing, the more we may see the backgrounds of the two parties (gang loyalties) and their cultural surroundings (drug wars and territorial power struggles), and the more we can appreciate the complexity of the ethical situation. Yes, this is about a murder of one individual by another—personal responsibility—but it is about more than that. It is also about a clash of groups and of social forces beyond those groups.

This suggests that moral agency can involve *multi-dimensional or multi-level subjects* (and of course *multi-dimensional or multi-level recipients* as well in the range of moral considerability). Just as *individual* persons can be the recipients of moral agents in the domain of moral accountability, *institutional* entities can be recipients as well—can be harmed, coerced, or even destroyed—along with the individual persons that populate them.⁹

It is as if transactions in “moral space” carry with them multiple levels of causality and therefore multiple levels of responsibility—none of which negate the others, but each of which enhances our understanding of the others as we seek solutions and change for the future. In fact, seldom do we find a moral “transaction” between an agent and a recipient (involving the recipient's freedom or well-being) that does *not* have an accompanying contextual, multi-level narrative.

Wisdom in the field of business or institutional ethics, then, often consists in appreciating the contextual factors that accompany moral transactions, influencing the agents and recipients, be they individual persons or institutions or even entire social systems. This offers us a more robust understanding of the dynamics of “moral space,”¹⁰ and it may offer us a more reflective way to develop public sector responses to problems that “present” on one level but are multi-level in their true nature.

⁹Whether corporations are artificial entities or merely associations of individuals has been debated since *Santa Clara* (1886), and it makes a difference in thinking about whether and in what ways corporations are responsible. U.S. law treats corporations as legal persons and tends to hold corporations themselves, and not merely the managers and employees who make up the corporation, accountable. In fact, we refer to companies as if they are individual entities, and we speak of corporate responsibility as if it applied to a single entity, even though we cannot actually shake hands with companies or lock them up. If corporations are legal persons, and thus artificial entities, this makes sense. In practice it is often difficult to disaggregate responsibility to individuals in a large firm (Carroll et al. 2012, pp. 43–44).

¹⁰In 1984, I found language to help articulate the multi-level interdependence of moral responsibility in a newly developing branch of mathematics called *fractal geometry*. The developer of fractal geometry was a man named Benoit Mandelbrot and he happened to be at Harvard in the 1980s when I was also at the Harvard Business School, so we were able to meet and discuss the possible application of his ideas to the field of business ethics. The insights that I took away from my study of fractal geometry and my discussion with Mandelbrot led to the article in Appendix 2a of this book.

3.2.6 *Two Varieties of Institutional Insight*

There are two ways in which the *institutional insight* can manifest itself in the thinking of business leaders, and both relate to the common good. First, and most obviously, in the context of moral recipients, i.e., those affected by business decision making. The usual stakeholders whose freedom or well-being are under scrutiny include individuals, organized groups (e.g., labor unions), and occasionally whole societies (e.g., the water supply of a nation or the global climate). Recipients are those whose freedom or well-being deserve consideration. I have referred to limiting stakeholder thinking because of a too-narrow field of ethical awareness as “teleopathy” or “channelized attention.”

Two such “narrowings of ethical attention” involve (a) consideration for non-human beings, and (b) consideration for institutions or corporations themselves.

- (a) I have used the phrase “moral consideration” (or the phrase “moral considerability”) deliberately to signal a level of moral awareness and concern that may or may not rise to the level of attributing moral *rights* to the recipient in question (Goodpaster 1978). Debates about animal *rights* can be spirited, but we need not take a position in those debates to accord to non-human living creatures *some* level of moral consideration. It seems clear to most of us that animals are part of the ecosystem that we inhabit and that we have certain stewardship responsibilities toward them. Stakeholder thinking as it is conventionally deployed, especially in business ethics, often excludes animals as a category deserving consideration alongside employees, consumers, suppliers, and shareholders. But while it is frequently true that considerations about animal rights and ecological awareness can enter into stakeholder thinking as concern for *future generations*, it is not obvious that *all* of our stewardship responsibilities can be translated in this way.
- (b) Another context in which moral considerability can be overlooked by stakeholder thinking relates to our conduct toward corporations themselves. Much of business ethics, appropriately, attends to the responsibilities *of corporations toward* those parties affected by corporate decision making. But corporations *themselves* are often affected parties (stakeholders, moral recipients), for example, in legal and judicial contexts as well as contexts like boycotts or labor strikes involving public displays of disapproval.¹¹

The point to be made here in connection with moral recipients is *not* that corporations are identical in all respects with human beings as bearers of rights. There is much room for debate over the moral “personhood” of organizations. What is

¹¹During the past several years, the moral and legal consideration due to business organizations (and in some cases labor organizations) has come under direct scrutiny by the U.S. Supreme Court. Two cases that stand out, of course, are the *Citizens United* case, in which First Amendment rights of free expression were affirmed in relation to political campaign contributions and the *Hobby Lobby* case in which the company’s religious liberty was affirmed in its objection to abortifacient coverage of employees under the *Affordable Care Act*.

reasonable, however, is that stakeholder thinking needs to accord moral consideration to organizations, just as it needs to accord moral consideration to non-human living creatures.

The second way the *institutional insight* can manifest itself in the thinking of business leaders in relation to the common good has to do with collaboration or partnership with institutions from other sectors (political, moral-cultural). This kind of institutional thinking relates to the corporation as a moral agent. Occasionally, business leaders will insist that their organizations cannot (and so *should* not) see themselves as responsible for achieving objectives that are “beyond their spans of control.” A long-defended maxim in moral philosophy is that “ought” implies “can.” However, environmental preservation, public health, minimization of poverty, a culture of respect for life and liberty—these are aspirations for which no institution in any single sector (economic, political, civic) can be asked to take *full* responsibility. Achieving these aspirations would require the collaboration of institutions across sectors, but does this mean that business organizations have *no responsibility at all* in such situations? I think not. I have suggested that this means that they have *partial* responsibility (contingent responsibility) but not complete responsibility for the result. Business is responsible *to* the common good but not completely *for* it. Peter Drucker once observed:

We have to think through how to balance two apparently contradictory requirements. Organizations must competently perform the one social function for the sake of which they exist—the school to teach, the hospital to cure the sick, and the business to produce goods, services, or the capital to provide for the risks of the future. They can do so only if they single-mindedly concentrate on their specialized mission. But there is also society’s need for these organizations to take social responsibility—to work on the problems and challenges of the community. (Drucker 1994)

Sometimes business leaders can overlook business responsibilities for *collaborative* action—at least when institutions in other sectors are *willing* to collaborate. Businesses must do *their part* in support of the common good—both as collaborators and as agents acting directly within their spans of control.¹² They must develop a kind of “peripheral moral vision” and a willingness to work with other institutions to achieve what can only be accomplished *together*. In the words of Marvin Brown, but with application beyond public sector institutions to include families, churches, schools, and NGOs:

[T]he conversations between corporations and government agencies can develop new possibilities for the enhancement of human flourishing in civic life. Corporations cannot facilitate the flourishing *by themselves*. They need public corporations and government agencies, just as public corporations and government agencies need them. For these conversations to have integrity, each participant needs to cooperate with the other, guided by the mission of the city and the dynamics of civic life.¹³ (Brown 2005, p. 159)

¹²In 1991 and again in 2003, the U.S. Congress recognized the moral agency of corporations in its passage and revision of the *Federal Sentencing Guidelines for Organizations* (FSGO).

¹³Emphasis added.

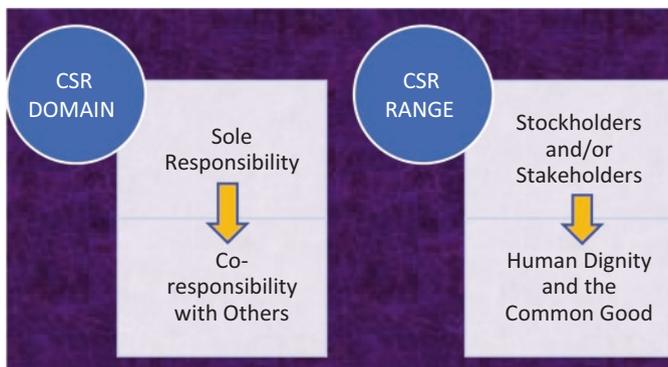


Fig. 3.4 Two varieties of *institutional insight* (CSR Corporate Social Responsibility)

In summary, the grammar of stakeholders can be liberating, but it can also blind companies by shaping their ethical awareness in advance and inhibiting moral imagination—an imagination that sees more deeply the opportunities among social sectors (agency) and between companies and their stakeholders (fiduciary obligations and non-fiduciary obligations).

In the present context, the “neighbor” can be either a collaborating moral agent or an overlooked moral recipient.¹⁴ Figure 3.4 depicts the two possible manifestations (arrows) of the *institutional insight* in the thinking of business leaders.

3.3 Leadership and the Institutional Insight

Let me gather up the several strands of reflection in this chapter surrounding the *Principle of Moral Projection* and the *institutional insight*. The *Principle of Moral Projection* represents an important analogical application of personal moral attributes to organizational actors (and even to entire socio-economic systems to the extent that they are “managed” in relation to neighboring systems). The implication is that the field of business ethics, in addition to including descriptive, normative, and analytical types of ethical inquiry, also allows for the exploration of these forms of inquiry on multiple levels of moral agency and moral reciprocity. The resulting 3x3 “moral space” helps clarify the kinds of questions that research and teaching in the field take: corporate normative obligations, individual descriptive ethical convictions, systemic assumptions about objectivity in ethics, etc.

¹⁴As we saw in Chap. 2, Royce’s *moral insight* (the “realization of one’s neighbor”) implies that conscience does not discriminate in its answer to the question “Who is my neighbor?” It is *inclusive* rather than marginalizing—and avoids seeing neighbors as “foreign powers.”

Moreover, this view of “moral space” in the field of business or organizational ethics also allows (even encourages) us to look closely at relationships *among* and *between* levels, e.g., corporate responsibility and individual responsibility. We may discover that both corporate and individual responsibility are not mutually exclusive in most cases—and that often a full appreciation of the ethical dynamics of a situation on one level may call for a contextual appreciation of the situation on several levels.

All this being said, the *institutional insight* takes the *Principle of Moral Projection* a step beyond an analogical attribution from persons to organizations. It offers a straightforward rationale for the *normative* expectations that we have of the modern institution of business within the economic sector (in contrast to the moral-cultural and political sectors) described by Michael Novak. The central insight here is that business leaders need to cultivate a *dual* awareness or *dual* vision—in the foreground, toward the needs of the specific business at hand (e.g., automobiles, household goods, nutritious foods), and in the background, toward the wellbeing of humankind, i.e., the common good.¹⁵

In the next chapter, I expand on the meaning of human well-being and the common good under the title “The Common Good and the Anthropological Insight.”

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¹⁵ See Goodpaster 2017; and Goodpaster and Naughton 2021.

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Chapter 4

The Common Good and the Anthropological Insight



Abstract In this chapter, I take up the insufficiency of the stockholder-stakeholder debate characteristic of business ethics in its earlier years. I argue that this debate rarely goes deeply enough: to a more *comprehensive* picture of the human person, a more *robust* account of the good. This is not *optional*—if such a more robust account of the good is not made explicit in a normative view of ethics, it inevitably enters beneath the surface, without being made explicit. The sources for more comprehensive accounts of the human person lie in moral traditions that we have inherited, faith traditions, or more secular rational frameworks. This realization, that a satisfactory account of applied normative ethics calls for an anthropology—a substantive view of the good for the human person and the common good of the human community—I call the *anthropological insight*. Without this insight, appeals to the interests of shareholders or stakeholders have very little content. Before concluding, this chapter explores two important topics: (a) the nature of the common good, and (b) the relevance of “mediating institutions.” Under (a), I discuss the aspiration of “integral human development” emphasized in several faith-based traditions. It maintains that if we focus on the good of the *whole* person, body and soul, including the reaching out for *relationships* that whole persons *need* for their flourishing, the *good of all* (the common good) *can* be achieved. Under (b), I argue that the common good requires *mediating institutions* between the individual and society at large: the family, churches, schools, voluntary organizations, businesses, and local governments. These institutions foster and reinforce the social motivations that are essential to the pursuit of the common good. This chapter is an organic part of a larger work about the overall contribution of Kenneth Goodpaster to the field of applied ethics and is best read in the context of that larger work.

4.1 From the Corporation to the Common Good

I described in Chap. 2, under the theme of conscience, Royce’s *moral insight* as one of the key sources of influence on my teaching and research. In Chap. 3, under the theme of corporations, I offered the *institutional insight* as another key source of influence on my teaching and research. Now in Chap. 4, under the theme of the

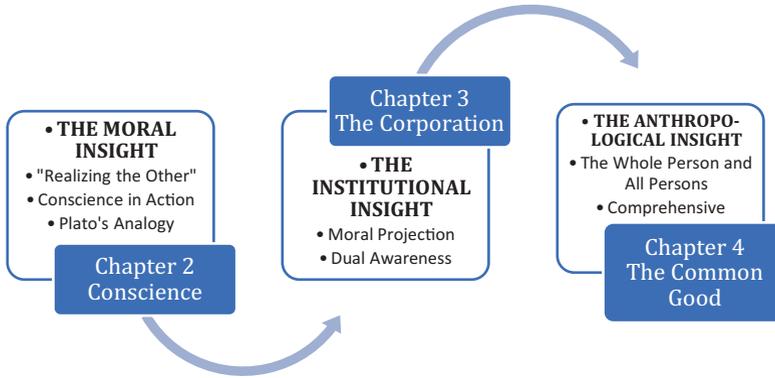


Fig. 4.1 From the corporation to the common good

common good,¹ I will offer another insight, which I will call the *anthropological insight* as a third source of influence (Fig. 4.1).

4.2 The Anthropological Insight

4.2.1 *Stockholders, Stakeholders, and What Lies Beneath*

For many years, the normative core of business ethics seemed to revolve around the “stockholder-stakeholder” dichotomy. That is, did the fiduciary obligations of management to shareholders (in the case of publicly traded companies) shape and limit management’s moral agenda—or were there other obligations to so-called “stakeholders” (groups whose dignity and well-being was affected by management decisions) that needed to be factored in as equally binding?

As I reflected on this polarization, I was struck by the following passage written by Pope John Paul II in his 1991 encyclical letter *Centesimus Annus*:

A given culture reveals its overall understanding of life through the choices it makes in production and consumption. It is here that *the phenomenon of consumerism* arises. In singling out new needs and new means to meet them, *one must be guided by a comprehensive*

¹Hereinafter, when I use the phrase “common good,” I mean to *include* what I have sometimes referred to in my written work as a compound phrase “human dignity *and* the common good.” The importance of human dignity in our understanding of the common good cannot be overstated, especially in the Catholic social tradition, since each person is seen as created “*imago Dei*”—in the image of God. Thus, the common good in this tradition can never trade off the dignity of individual persons in the face of the “good” of the community as a whole. *Rights-based* thinking enters here to temper the utilitarian maximization impulse.

*picture of man which respects all the dimensions of his being and which subordinates his material and instinctive dimensions to his interior and spiritual ones.*²

The passage continues:

Of itself, an economic system does not possess criteria for correctly distinguishing new and higher forms of satisfying human needs from artificial new needs which hinder the formation of a mature personality. *Thus a great deal of educational and cultural work* is urgently needed, including the education of consumers in the responsible use of their power of choice, the formation of a strong sense of responsibility among producers and among people in the mass media in particular, as well as the necessary intervention by public authorities.³

This was something of a “Eureka!” moment for me in the sense that these passages conveyed an insight that went deeper, beyond the framework of the conventional debate—what I will call the *anthropological insight*. It is the insight that an economic system/sector is of itself *morally neutral* when it comes to the consumer and producer choices that drive it, i.e., supply and demand. Thus, if we are to elicit normative guidance from an economic system/sector, we must bring to it an *anthropology*, “a comprehensive picture of man,” rooted in a faith-based or reason-based “moral tradition,” and not simply settle for satisfying preferences while embracing moral relativism.

The *anthropological insight* is the realization that a satisfactory normative account of business (or organizational) ethics requires a comprehensive view of the good for the human person and ultimately of the common good for the human community, an *anthropology*, without which appeals to the interests of shareholders or stakeholders have no content.

What was problematic about the stockholder/stakeholder debate was that it seemed blind to the ethical *neutrality* of its appeal to the “interests” of the parties affected (see Goodpaster 2010). It was a debate that was bypassing the hard work of identifying and affirming a “comprehensive picture of man which respects all the dimensions of his being.” This fact, in my view, ultimately prevented normative business ethics—whether of the stockholder or the stakeholder variety—from delivering on a substantive account of personal and institutional responsibility.

Ah, but could such an account be offered in a pluralistic society in which consensus on a “comprehensive picture of man” might seem impossible (see Goodpaster 2018; Goodpaster and Naughton 2021)? Let us consider this question.

²Emphasis added. John Paul II then continues: “If, on the contrary, a direct appeal is made to his instincts—while ignoring in various ways the reality of the person as intelligent and free—then *consumer attitudes* and *life-styles* can be created which are objectively improper and often damaging to his physical and spiritual health.”

³Some examples then follow: “A striking example of artificial consumption contrary to the health and dignity of the human person, and certainly not easy to control, is the use of drugs. Widespread drug use is a sign of a serious malfunction in the social system; it also implies a materialistic and, in a certain sense, destructive ‘reading’ of human needs. In this way the innovative capacity of a free economy is brought to a one-sided and inadequate conclusion. Drugs, as well as pornography and other forms of consumerism which exploit the frailty of the weak, tend to fill the resulting spiritual void.”

The usual explanation for a “thin” theory of the good in discussions of ethical obligations, i.e., a preference-based approach to stockholder and stakeholder concerns, has been that any attempt to go *beyond* such an approach would land us in an impossibly anarchic competition for a winning “thick” theory of the good. In other words, preference-based relativism avoids having to dogmatically assert a unified objectivism about the good for the human person or “human flourishing” with which not everyone would agree. But this explanation (excuse?) seems to assume that one *can* come to normative conclusions using stockholder or stakeholder reasoning *without* affirming a view of “human flourishing”—either overtly or covertly.

Arriving at practical conclusions in ethics calls for at least a *provisional objectivism* about human flourishing or else normative judgments become vacuous. I am reminded here of a comment by Oxford philosopher Mary Midgley:

The power of moral judgement is, in fact, *not* a luxury, *not* a perverse indulgence of the self-righteous. *It is a necessity*. When we judge something to be bad or good, better or worse than something else, we are taking it as an example to aim at or avoid. Without opinions of this sort, we would have no framework of comparison for our own policy, no chance of profiting by other people’s insights or mistakes. In this vacuum, we could form no judgments on *our own* actions.⁴ (Midgley 1981)

Midgley was saying that we inevitably put ourselves on the line about what is *objectively* worth aiming at or avoiding when we make moral judgments. We may be persuaded to change our minds, but we provisionally are taking a stand on human rightness or wrongness, goodness or badness.

4.2.2 A Conundrum and the Anthropological Insight

Another way of looking at this set of circumstances is that we face a philosophical conundrum. Either:

- (a) Stockholder and stakeholder accounts of business ethics would need to remain “thin” and relativistic (because they are preference-based) and potentially committed to highly implausible decisions based on stockholder and stakeholder preferences that could be extreme (Goodpaster 2010), or
- (b) Stockholder and stakeholder accounts of business ethics—if they were to arrive at substantive conclusions—would have to supply and acknowledge a “picture of man” or “human flourishing” according to some moral tradition (theological or philosophical).⁵

⁴Emphasis added.

⁵Let me offer an illustration of how an implicit “picture of man” can figure in a business ethics case. Consider a successful video game company that has designed and marketed simulations of extremely violent (and at times sexually aggressive) protagonists controlled by the game player. When parents or state regulators raise objections to these game simulations, the company defends itself under First Amendment free speech protections, despite some evidence of negative social effects on young people. The “picture of man” in the background on the part of the company

The thought here is that, one way or another, decision makers *must bring to their decision making an implicit “picture of man” or “moral tradition” whether they acknowledge it or not*; otherwise, they could not reach practical conclusions about right and wrong (and ultimately, the common good). If we want a comprehensive ethics for business (or other) organizations, taking a stand on “human flourishing” or a “picture of man” is not optional: *it comes with the territory*.

The nature of the debate in normative business ethics, then, changes when we understand that relativism lands us in a difficult place—and that most thoughtful decision makers know this instinctively.⁶ So, they avoid that difficult place most often by adopting and bringing to their arguments about right and wrong an *implicit* “picture of man” that they wager others will find acceptable, at least in the context of the decision at hand.⁷

4.2.3 Sources of Moral Traditions: Faith and Reason

When I introduced the idea of the *anthropological insight* above, I alluded to John Paul II’s phrase “a comprehensive picture of man” and suggested that such a picture was rooted in a faith-based or reason-based “moral tradition.” Moral traditions are perhaps not often referred to in everyday life by decision makers in the economic

appears to be that wants and desires measured by market choices should be overriding, at least if the younger customers have reached a certain age. Other factors about the good for humans, such as avoiding habits that could desensitize a person by simulating violent behavior, appear not to have sufficient weight in the company’s moral mindset. Dialogue between the company, parents, law enforcement, and social psychologists *might* lead to a change in the company’s weighting of this factor and should be encouraged—in this author’s opinion—as a step toward the common good. There are many other illustrations that are analogous to this one, including social problems with increased obesity, escalating consumer debt, and too few effective business initiatives in developing countries.

⁶It is worth mentioning here that there is an important difference between relativism and pluralism in discussions of the good or human flourishing. Relativism is the view that the good varies with the wants, desires, or preferences of an individual or a group. “That may be good-for-you, but it is not good-for-me,” or “Pro-choice people have one view on abortion and pro-life people have another. No group is righter than the other.” Pluralism, on the other hand, is not a relativistic view, but is simply the view that there is not one single ethical value or principle that acts as the “umpire” for all other ethical values or principles. There may be more than one, thus allowing for potential conflicting values or principles in certain concrete situations requiring our decisions. As philosopher W.D. Ross might put it, each value or principle may give us a *prima facie* ethical duty, but our *actual* ethical duty is an objective matter, even if it cannot be discerned except in the situation at hand.

⁷Note that the *anthropological insight* is not a claim that this or that *specific* picture of man (or “moral tradition”) is the right one, but that *some* specific picture of man must be brought to bear if a normative (action-guiding) account of an institution’s ethics is to be *comprehensive*. Clearly, Pope John Paul II embraces a picture of humankind in which spiritual goods are superordinate to material goods, wants, and instincts. A Marxist secular materialism would offer a very different picture of humankind and, thus, of the common good.

sector, even though, as I have argued, they are implicitly invoked even when they are not explicitly invoked in ethical discourse.

To be sure, the encyclical letter *Centesimus Annus* is addressed not just to Catholics, but “to all men and women of good will.” Nevertheless, it represents a Christian faith-based reflection on capitalism—its strengths and weaknesses—throughout the twentieth century. And it is rooted in centuries of Catholic social teaching about human dignity and the common good. John Stuart Mill’s account of *utilitarianism* offers a more philosophical account of ethical decision making, typically popularized by the imperative “Seek the greatest good of the greatest number.” Mill’s view of the good was more sophisticated than his mentor Bentham’s hedonistic view, for he appears to have held that there are *qualitative* differences among goods, not just *quantitative* differences and that these qualitative differences could be arranged in a hierarchy that is not relativistic.

More recently, as indicated in Chap. 2, the work of social psychologist Jonathan Haidt (2013) has received much attention as a kind of meta-reflection on the moral traditions that anthropology brings to our attention. Haidt espouses a “moral foundations theory” in social psychology, identifying five or six innate human patterns of processing moral decisions over many millennia.⁸ Haidt attributes a kind of normative force to this pluralistic set of moral traditions (see footnote 6 above), suggesting that consciences that *exclude* one or more of the considerations represented in his framework will be unbalanced and will need eventually to “right the ship.”

The general point in this discussion is that there are multiple “moral traditions” that spring from two main sources, faith and reason, and that despite the contemporary popularity of more relativistic “postmodern” views, the majority of leaders and corporate employees in the economic sector identify with moral traditions of the more traditional kind, based either in faith or reason.

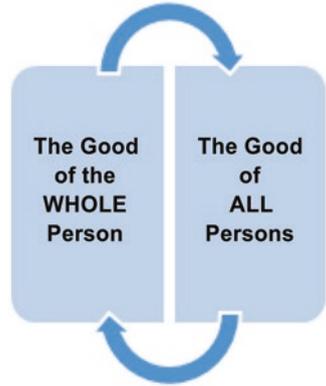
4.2.4 *The Common Good as Integral Human Development*

Returning now to the Catholic tradition, since that is my tradition, there is an account of the common good emphasized in the twentieth century that deserves to be highlighted and offered to other moral traditions as a model. The assumption in the utilitarian tradition is that the good of *all* cannot typically be achieved, so the idea of *maximization* must be introduced as a kind of consolation prize: the “greatest good of the greatest number.”

The faith-based response to this has been that if we truly focus on the good of the *whole* person, including the reaching out for *relationships* that whole persons need for their flourishing, the achievement of the good of all *can* be achieved. This conception of the common good is called *Integral Human Development: the Good of the Whole Person and of All Persons* (see Fig. 4.2). In the words of Pope Benedict

⁸E.g., care/harm, fairness/cheating, loyalty/betrayal, authority/subversion, and sanctity/degradation. Later in his book, Haidt adds a sixth foundation, liberty/oppression, that operates in some tension with the authority/subversion foundation (pp. 200–211).

Fig. 4.2 The common good



XVI (2009): “The truth of development consists in its *completeness*: if it does not involve the whole man and every man, it is not true development.”

The intuitive key to this mindset is that the human community is not simply an unconnected group of human beings, each with a separate utility function unrelated to the utility functions of his/her neighbors. Rather, the human community is a *family* with a shared father:

As society becomes ever more globalized, *it makes us neighbors but does not make us brothers*. Reason, by itself, is capable of grasping the equality between men and of giving stability to their civic coexistence, but it cannot establish fraternity. This originates in a transcendent vocation from God the Father, who loved us first, teaching us through the Son what fraternal charity is. (Benedict XVI 2009, §19)

This conception of the common good insists on “the *dignity of each person* and the *dignity of the human community* without compromise or trade-off” (Goodpaster and Naughton 2021). This may seem impossible in a fallen world—which is why utilitarian *maximization* becomes attractive—but it should be the fundamental hope of every leader.

In the final analysis, the pursuit of “goods that are truly good and services that truly serve” can, in a faith-based framework, contribute both to the good of each whole person and to the good of all persons without impossible trade-offs. As philosopher Kevin Kinghorn puts it:

To avoid irresolvable dilemmas where I promote one person’s welfare only at the expense of another person’s welfare, we will . . . need to suppose that our world is arranged in such a way that all people’s interests coincide . . . [but] the Christian idea of heaven supposes that there can be—and indeed is—the kind of coordination of people’s interests such that everyone experiences ultimate flourishing. (Kinghorn 2016, p. 199)

Kinghorn sees in his moral tradition a solution to the challenge of the common good—the good of the whole person and of all persons:

If the world really is coordinated so that all people’s ultimate welfare can coincide, then our earlier examples need not lead to irresolvable difficulties. Let us suppose that our third party knows that all people’s ultimate welfare can coincide in our world—most straightforwardly,

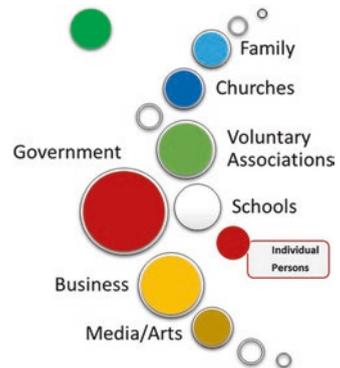
knows this in virtue of having created our world. Indeed, let us go ahead and specify that this third party is God. (Kinghorn 2016, p. 200)

4.2.5 Mediating Institutions

Up to this point, I have approached the common good as if it were a dynamic relationship between individuals and the wider society (see Fig. 4.2 above). But this perspective overlooks what many have called the “mediating institutions” between the individual and the wider society: the family, the school, the church, voluntary organizations (hospitals, community centers, etc.), law enforcement organizations, local, state, and national governments (see Fig. 4.3 below). Not only does each of these mediating institutions have its own “common good,” each mediating institution offers a laboratory for its participants to learn the skills and virtues needed to temper self-interest for the sake of the wider (but limited) groups.

Mediating institutions foster and reinforce the social motivations that are essential to the pursuit of the common good. From one point of view, mediating institutions disperse a society’s institutional power across multiple centers, limiting the power of government as the overarching institution in people’s lives (Fort 1999). From another point of view, however, mediating institutions, because of their typically smaller scale, can serve as “learning laboratories” for the character traits needed in the pursuit of human dignity and the common good.⁹

Fig. 4.3 Mediating Institutions



⁹Timothy Fort writes: “[T]he multiplicity of mediating institutions insures that no particular groups gain oppressive power.” Fort observes further that mediating institutions help us to cultivate and grow moral awareness: “[N]otions of transcendence, expressed in traditional religions or others, must operate through some kind of specific community whereby particular individuals are socialized to understand that there is something to which they are accountable and something with which they are interdependent. *The learning laboratories for this lesson are mediating institutions*” (Fort 1999). Emphasis added.

4.3 Summary and Transition to Chap. 5

In this chapter, I have argued that stockholder and stakeholder thinking may be *necessary* to normative business ethics but they are *insufficient*. The insufficiency calls for something deeper and wider if we are to identify “goods that are truly good and services that truly serve” (Goodpaster 2012). The moral agenda of management calls for a more *comprehensive* kind of thinking—an *anthropological insight*—based on human dignity as part of the common good. Normative ethics, in order to be truly normative (and non-relativistic), must explore more robust “theories of the right and the good” than have been offered in the late twentieth century (Goodpaster 2010; Brenkert and Beauchamp 2009; Goodpaster 2012; Goodpaster 2017 [reprinted as *Appendix 2c* of this book]). The *span of management concern* dominated the original debate, but the *content of the interests* of affected parties was seldom addressed.¹⁰

All of this takes us to a new level of ethical inquiry in applied ethics, a level at which the debate about *stockholders* and *stakeholders* is merely a *gateway* to the hard work of normative business ethics. If the common good is not to be an empty phrase designating whatever people want it to designate (as long as it stays vague), then we must think more deeply about human dignity and well-being. The common good is the good for the whole person and for all persons, simultaneously.

In the last section of this chapter, however, I described an idea elaborated by Professor Timothy Fort and originally observed by Alexis d’Tocqueville: the idea of *educating the human heart* in the direction of the common good, using *mediating institutions*. This idea offers us a natural bridge to our fifth chapter: *Business Ethics Education and the Socratic Insight*.

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¹⁰Notice that “stakeholders” seems to limit concerns to “affected parties,” while the “common good” may invite a broader tapestry of concerns, e.g., “everything is connected to everything else.”

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Chapter 5

Business Ethics Education and the Socratic Insight



Abstract This chapter shifts from “an adequate normative account of applied ethics” to the *moral formation* of the next generation of business leaders. In other words, this chapter concentrates on the critical role played by *pedagogy* in the field of business ethics. I begin by sharing my experience as a professional philosopher being mentored into a radically new kind of teaching: the case method. One of the principal motivations behind the use of this method is described in an eloquent article entitled: *because wisdom can’t be told*. I learned that the art of questioning was central to the case method, especially to teaching *ethics* by the case method. Re-enter Socrates, who was the master of the art of questioning. And enter too a fourth insight in my business ethics career. I call it the *Socratic insight* because it springs from the instructor’s realization of his or her calling to *participate* in the moral formation of those with whom he or she is in dialogue. It is the manifestation in the classroom of Royce’s *moral insight*: the realization of the other (student, employee, executive) as one whose moral awareness can be elicited through respectful dialogue. I complete this chapter by providing a guide to the viewpoints through which case method questions may be shaped: the “four avenues” for ethical analysis: interests, rights, duties, and virtues. Finally, I compare the pedagogy of business schools with that of executive education, noting that executive interactions based on the case method are principally designed to elicit from the participants’ *experience* the threats to personal and organizational conscience. This chapter is an organic part of a larger work about the overall contribution of Kenneth Goodpaster to the field of applied ethics and is best read in the context of that larger work.

5.1 Adding a Fourth Insight

In this chapter, I want to shift the focus from the subject matter of business ethics *as a field* (*Conscience, Corporations, and the Common Good*) to the *pedagogical* point of view. (See Fig. 5.1.) If ethics is to be incorporated (1) into the curricula of the nation’s business schools and (2) into the curricula of the nation’s employee and leadership development programs, it matters how that is done.

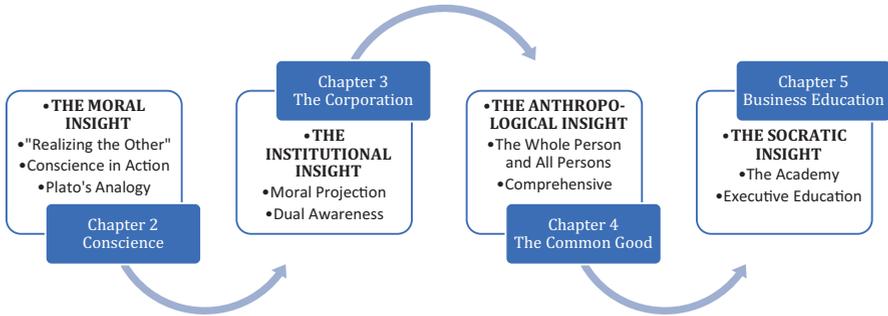


Fig. 5.1 Four chapters, four themes, and a fourth insight

5.1.1 *In the Academy*

As I indicated in Chap. 1, there simply is no discipline within business administration that can afford to ignore the call of conscience. Business is about human relationships and our human living environment. Indeed, if business aspires to be a true profession, and an *institution* in the classical sense, the moral formation of its future leaders must be addressed by a faculty and an administration that are fully committed to this calling (Goodpaster 2002, 2007, 2012; Naughton et al. 2012).

In this chapter, I offer some practical suggestions on how to accomplish this task in the academy and in corporate education programs. The case method, used with care and discipline, is surely one of the most valuable tools in the educator's toolbox, but the "care and discipline" qualifier makes all the difference.¹

My friend and colleague in Minneapolis who taught at the University of Minnesota, Norman Bowie, asked me 20 years ago to write an article for a volume of original articles that he was preparing for Blackwell Publishers: *A Guide to Business Ethics* (my contribution: Goodpaster 2002). He wanted to have an article devoted to teaching by the case method, since (a) he knew I had taught for 10 years at a school where the case method is the primary pedagogy, and (b) he appreciated that the case method was an important vehicle for moral education both in business schools and in corporate in-house education programs. What follows in the next section of this chapter is autobiographical and is borrowed from the opening of that paper.

¹My approach to teaching business ethics at the graduate (MBA) level was influenced mightily by two inputs: my own Ph.D. education in philosophy at the University of Michigan and the transformative influence of the case method pedagogy at the Harvard Business School.

5.1.2 Teaching and Learning Ethics by the Case Method

When I joined the Harvard Business School faculty in 1980, a wayward philosopher seeking to connect ethical theory with management education, I confronted an enormous intellectual and cultural gap. I discovered that philosophers were trained to think differently from professional managers. They usually *zigged* when managers *zagged*. They *ascended* the ladder of reflection toward premises and assumptions when managers *descended* the ladder toward pragmatics and action; they often insisted on *examining* a goal or purpose while managers often cared more about *implementing* it (Fig. 5.2).

The effect was, at first, exasperating. Both the substance and the style of my training ran counter to the distinctive practical orientation of business administration. Nevertheless, I was convinced that philosophy—specifically *moral* philosophy or *ethics*—had as much to offer as to gain from a “joint venture” with management education.

On the *gain* side, there was the practice-oriented pedagogy of the case method. Moral philosophy in the twentieth century had been preoccupied with conceptual analysis. Questions about the meanings of terms like “right” and “good” had dominated the philosophical landscape to the exclusion of questions about what actions are right and what things are good. Conceptual analysis had run amok in many ways and a return to “applied” ethics was needed.

What philosophy had to offer was an inheritance and a talent. The inheritance was a body of thought about the nature of ethics and the human condition that had developed over more than two millennia. The talent was an eye and an ear for distinguishing cogent reasoning from its counterfeits. At a time when the ethical aspects of professional management were coming under increasing scrutiny, this seemed like a valuable resource.

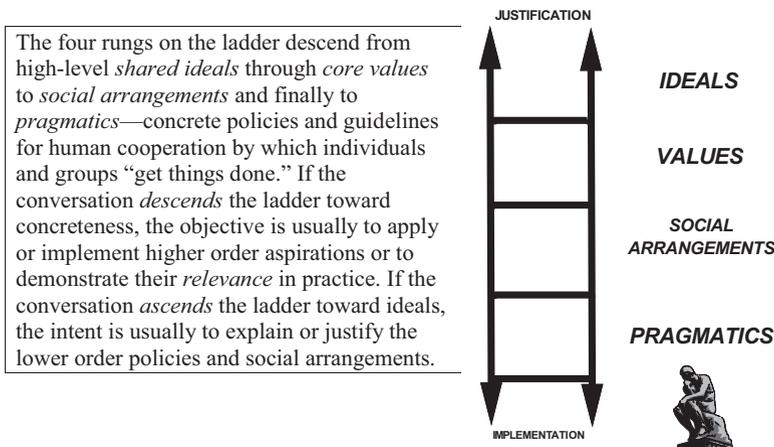


Fig. 5.2 The ladder of reflection

Learning aimed at integrating ethics and management education called for a different pedagogy. Professor Donald Schöen of MIT once suggested an image that may have special meaning in this context:

In the varied topography of professional practice, there is a high, hard ground which overlooks a swamp. On the high ground, manageable problems lend themselves to solution through the use of research-based theory and technique. In the swampy lowlands, problems are messy and confusing and incapable of technical solution. The irony of this situation is that the problems of the high ground tend to be relatively unimportant to individuals or to society at large, however great their technical interest may be, while in the swamp lie the problems of greatest human concern. The practitioner is confronted with a choice. Shall he remain on the high ground where he can solve relatively unimportant problems according to his standards of rigor, or shall he descend to the swamp of important problems and non-rigorous inquiry?²

I found myself departing the high ground and entering the swamp. In the process, I came to believe that if the field of business ethics were to have a future, a new kind of discipline would have to be formed that did not yet exist. A generation of educators was needed that could think and teach using the skills of management education *and* the reflectiveness of moral philosophy at the same time.

On the advice of several Harvard colleagues, therefore, I learned business policy by the case method. Never mind that I was on the instructor's side of the desk. I considered myself a learner. I had to relinquish my "expertise" to learn. It was like starting a second career after having become established in a first. But my students and faculty colleagues helped.

I learned the hard way and the only way: from teaching and from practice. At first, I could not appreciate the so-called "administrative point of view"—how competent managers think about problems; the way they identify issues, formulate and implement strategy, and generate action plans. This appreciation was neither part of my experience nor part of my background in moral philosophy. I had to walk in the moccasins of the general manager. I had to puzzle over the strategic, organizational, and interpersonal challenges that general managers face. And I had to do it case by case.³

I gained a new respect for the vocation of the manager, charting a course amidst the uncertainties of physical events and human nature: trying to motivate others, remaining loyal to providers of resources, setting goals, imposing new structures, monitoring progress and performance, and achieving purpose through cooperation and the exercise of authority. I listened and I learned how the mind of the manager was different from the mind of the philosopher. Not better or worse. Different.

There were challenges on the other side of the desk too. My first classes in business ethics, using the case method, were no small challenge to my students. On some days, looks of glazed incomprehension were a relief from looks of irritation. What had Plato or John Stuart Mill to do with this marketing strategy and these

²This passage came from a working paper shared with me by Professor Schöen in 1984.

³One way to accomplish this was to research and write case studies by traveling to companies, interviewing decision-making executives, and listening to the ways in which they framed problems.

accounting practices? What was the point of comparing and contrasting utilitarian and social contract theories of justice? But they learned, often in spite of their professor, that questioning *ends* was healthy and that questioning *means* to ends was healthy too; that moral reasoning was more than shooting from the hip; and that their fellow students were actually following certain tried and true patterns in the way they joined their realism with their idealism.

The “joint venture” eventually began to happen. It happened as I acknowledged that the frameworks and concepts that are the stock-in-trade of philosophy often blush in the face of the complexity and concreteness of management decisions. What was needed was an ethical point of view, not an ethical *algorithm*. I had believed this many years ago but had forgotten it. I began to change, to think differently. Outer dialogues became inner dialogues. A case method teacher had joined the philosopher in me, and slowly the case method had become my philosophy of moral education.

5.1.3 *Because Wisdom Can't Be Told*

This philosophy of education in practice was Socratic at its heart, dynamic, anchored in dialogue, and student centered. It called for a different kind of preparation on the part of the instructor: the development of “teaching questions” and plans for recording student responses on the large black or white boards in the front of the classroom. Most of all, it called for an understanding that practical wisdom “can’t be told”—that it had to be *elicited* with respect for the learner. As one classic commentator put it:

The outstanding virtue of the case system is that it is suited to inspiring activity, under realistic conditions, on the part of the students; it takes them out of the role of passive absorbers and makes them partners in the joint processes of learning and of furthering learning. The case plan of instruction may be described as democratic in distinction to the telling method, which is in effect dictatorial or patriarchal. With the case method, all members of the academic group, teachers *and* students, are in possession of the same basic materials in the light of which analyses are to be made and decisions arrived at. Each, therefore, has an identical opportunity to make a contribution to the body of principles governing business practice and policy.⁴ (Gragg 1940)

⁴Gragg goes on to say: “Business is not, at least not yet, an exact science. There is no single, demonstrably right answer to a business problem. For the student or businessperson, it cannot be a matter of peeking in the back of a book to see if he has arrived at the right solution. In every business situation, there is always a reasonable possibility that the best answer has not yet been found—even by teachers. Exercise of mature judgment obviously is inconsistent with a program of blindly carrying out someone else’s instructions. Moreover, no matter how worthy those instructions may be, they cannot cover every exigency.”

The art of questioning was central to the case method and especially central to teaching *ethics* by the case method.⁵ And it was Socrates who was the master of the art of questioning. What this understanding of ethics in education brought with it was a fourth insight in my business ethics career.

5.2 The Socratic Insight

I will call it the *Socratic insight* because it manifests itself in the instructor's realization of his or her calling to *participate* in the moral formation of those with whom he or she is in dialogue. The *Socratic insight* is the manifestation in the educational process of the *moral insight* in the general case of agents and recipients. It is the realization of the other (student, employee, executive) as one whose moral awareness can be elicited and even enhanced through respectful dialogue.⁶

The following autobiographical reflection on teaching by Parker Palmer in his masterful book on education helps express the spirit of the *Socratic insight*:

I [often] forget that genuine solutions and authentic answers can only come from within my students, that to “educate” them I must speak words that *draw out* their understanding rather than impose my own. Even the facts and theories I must speak will not be absorbed if they are not spoken into the receptiveness of a compelling question. . . . I have learned to ask questions that open up a space where students can listen to their own experience, to each other, and to the subject at hand—not merely to the authority of the teacher. *Teaching by questioning was the genius of Socrates.*⁷ (Palmer 1993)

We have come full circle to Josiah Royce's account of conscience applied to the relationship between teacher and student in the academic and executive classrooms: “the realization of one's neighbor, in the full sense of the word realization” (Royce 1885).⁸

⁵In the words of Parker Palmer (1993): “[S]ince we as teachers are over-schooled to give answers and solutions, and since we give them for reasons as often evasive as educative, we have special need to develop the discipline of asking questions to create a space for truth.”

⁶The very first article that I published in a refereed journal, “Morality and Dialogue” (1975), explored the meaning of “dialogue” as the source of ethical understanding. This chapter brings this book, and my career, full circle.

⁷Emphasis added.

⁸Emphasis added.

5.2.1 *Four Philosophical Avenues for Ethical Analysis of Cases*

The contribution of *moral philosophy* to the art of questioning, as I saw it, was to provide a reliable set of viewpoints through which case method questions could be shaped. I sought a guide for conscience that had some claim to represent the principal thought patterns of philosophers over two millennia. The guide that I developed was called “Four Avenues for Ethical Analysis” and a summary of these avenues follows.

Interest-Based Avenues One of the most influential types of ethical reasoning, at least in the modern period, is *interest-based*. The fundamental idea here is that the moral assessment of actions and policies depends on their practical consequences, and that the only consequences that really matter are the interests of the parties affected (usually human beings). On this view, ethics is all about harms and benefits to identifiable parties. Moral common sense is governed by a single dominant objective, maximizing net expectable utility (happiness, satisfaction, well-being, pleasure). Critical thinking, on this type of view, amounts to testing our ethical instincts and rules of thumb against the yardstick of social costs and benefits. (Problems and questions regarding interest-based thinking are several: How does one measure utility or interest satisfaction? For whom does one measure it (self, group, humankind, beyond)? What about the *tyranny of the majority* in the calculation?)

Rights-Based Avenues A second influential type of thinking is *rights-based*. The central idea here is that moral common sense is to be governed not (or not *only*) by interest satisfaction but by rights protection. The relevant rights are of two broad kinds: rights to fair distribution of opportunities and wealth (contractarianism), and rights to basic freedoms or liberties (libertarianism). Fair distribution is often explained as a condition that obtains when all individuals are accorded equal respect and equal voice in social arrangements. Basic liberties are often explained in terms of individuals’ opportunities for self-development, work rewards, and freedoms including religion and speech. (Problems and questions regarding this avenue include: Is there a trade-off between equality and liberty when it comes to rights? Does rights-based thinking lead to *tyrannies of minorities* that are as bad as tyrannies of majorities? Is this type of thinking excessively focused on individuals and their entitlements without sufficient attention to larger communities and the responsibilities of individuals to such larger wholes?)

Duty-Based Avenues *Duty-based* thinking is perhaps the least unified and well-defined. The governing ethical idea is *duty* or *responsibility* not so much to other *individuals* as to *communities* of individuals. Critical thinking depends ultimately on individuals conforming to the legitimate norms of a healthy community. Ethics is about playing one’s role as part of a larger whole, either a web of relationships

(like the family) or a community (communitarianism). This line of thinking was implicit in John F. Kennedy’s inaugural address: “Ask not what your country can do for you, ask what you can do for your country.” In management, duty-based thinking appears in appeals to principles like fiduciary obligation. (Problems and questions regarding this type of thinking include the concern that individualism might get lost in a kind of collectivism (under a socialist or communitarian banner). Also, how are our various duties to be prioritized when they come into conflict?)

Virtue-Based Avenues In *virtue-based* thinking, actions and policies are subjected to scrutiny not on the basis of their *consequences* (for individuals or for communities) but on the basis of their *genesis*—the degree to which they flow from or reinforce a virtue or positive trait of character. The traditional short list of basic (or “cardinal”) virtues includes prudence, temperance, courage, and justice.⁹ (Problems or questions associated with virtue-based thinking include: What are the central virtues and their relative priorities in a postmodern world that does not appear to agree on such matters? Are there timeless character traits that are not culture-bound so that we can recommend them to anyone, particularly those in leadership roles?) (Fig. 5.3).

Each of these four main types of ethical thinking represents a *concentration* of critical thinking in ethical matters. Each represents a “voice” in an ethical conversation across millennia. Individuals and organizations must make their own decisions in the end, but these “voices” may well serve as “consultants to conscience.” And each represents a “pool” of questions for the Socratic dialogue between teacher and student in the classroom as it centers around a case study calling for ethical decision

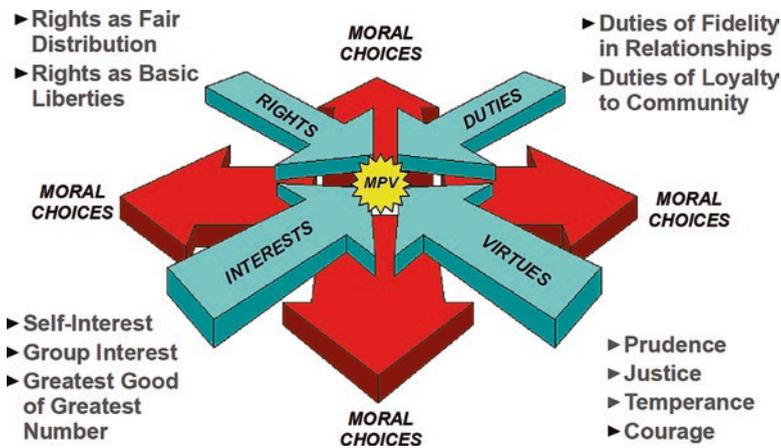


Fig. 5.3 The four avenues of ethical thinking seeking the moral point of view

⁹“Love, and do what you will,” Augustine is supposed to have said, indicating that the virtue of love was ethically more basic and more directly practical than attempts at determining “the right thing to do.”

making. All four have in common the aspiration to give practical meaning to the *moral insight* in human life.

There are clearly overlaps between the matrix offered by Haidt (see Chap. 2) and the “Four Avenues” approach above. Certainly, Haidt’s care/harm foundation and the interest-based avenue cover similar territory, and his fairness/cheating foundation (with the sixth liberty/oppression foundation) align with the rights-based avenue. Haidt’s loyalty/betrayal and authority/subversion foundations appear to align with the duty-based avenue, while the sanctity/degradation foundation calls to mind the virtue-based avenue.

5.2.2 *Executive Development*

While academic programs represent a systematic but general approach to the moral formation of business leaders—and therefore call for a distinctive pedagogy designed with that in mind—executive development typically represents a more *company-specific* approach to moral formation. Often, but not always, executive education presupposes an existing corporate culture and (in my experience) calls for a searching engagement with that culture and the mission that guides it.

In my book *Conscience and Corporate Culture*, I share some of my 10 years of experience with executive education at Medtronic Corporation, a Minnesota-based medical device maker. Medtronic had grown at the time to 35,000 employees from about half that number in a relatively short period of time (less than 10 years). Much of my work with the top executives of this company took place off site in week-long seminars that included case method discussions and other activities devoted to appreciating Medtronic’s origins and its culture.

In the context of ethics education, two ideas (*teleopathy* and “hypocrisy exercises”) formed the backdrop against which an operational understanding of the company’s values-in-action could be identified and examined and, when found compelling, used to initiate newcomers, promote managers, and guide succession planning at the highest level.

After being thoroughly introduced to the idea of *teleopathy* (with its three symptoms of fixation, rationalization, and detachment) in the morning session of the first day of the week, executives are asked in the afternoon session to apply the idea (if it applies) to a Harvard case study of mine called *H.J. Heinz Company: The Administration of Policy*. It becomes clear in discussing the *Heinz* case that the company’s desire to please Wall Street analysts dictated an executive compensation program that led to significant—and hypocritical—misreporting of earnings over an 8-year period. Once the Medtronic executives saw the *Heinz* case dynamics, they were asked to get into small groups to discuss possible examples of similar kinds of hypocrisy in Medtronic itself. I refer to these discussions as *hypocrisy exercises* and I see them as “making friends with hypocrisy” because every person and every organization has a gap between walk and talk, and our ethical challenge is to deliberately, mindfully, reduce that gap as much as possible (Table 5.1).

Table 5.1 Hypocrisy exercise template

Hypocrisy exercise template	
<i>Building upon our discussion of ethical decision making, especially the H.J. Heinz case series, turn now to your experience within this company. In the spaces provided below, try to identify:</i>	
1a. An example from your past or current experience in which company values pointed one way and internal work incentives pointed another.	1b. What is the most realistic and responsible way to resolve or remove the disparity in 1a?
2a. An example from your past or current experience in which company values pointed one way and external sanctions pointed another.	2b. What is the most realistic and responsible way to resolve or remove the disparity in 2a?

Debriefing after these group discussions inevitably surfaced company practices that could be modified to remove dysfunctional incentives—or at least practices that need more careful explanation from senior management. For this reason, the exercise was always debriefed with a member of senior management present.

I mention the above educational practices *with executives* to supplement my discussion of ethics education and the case method *in the academy* because they represent practices that are tailored to the specific cultures of the organizations in which executives find themselves, instead of the inevitably more generic ethics education offered in business school settings. But whether in the academy or in the corporation, these practices are born of a central awareness—the awareness I am here calling the *Socratic insight*. Socrates was convinced that understanding and moral wisdom could only come from respectful dialogue among educators and learners. The case method, in both my classroom experience and my work with business executives, shares that Socratic conviction. This was its aspiration as we saw earlier in this chapter, articulated by Charles Gragg.

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Chapter 6

Concluding Reflections: Then and Now



Abstract This is the concluding chapter of the book but is by no means merely a summary. I begin with a brief summary for the reader, to be sure, but then proceed to describe my “changes and discoveries” over the many years represented by this narrative. I acknowledge some of my critics with the advantage of hindsight and perspective. I also share my “discoveries”—recognitions from “below my awareness,” including linkages among the four insights that unify this book and the four avenues of ethical analysis. I then turn to a discussion of “the last eight years,” the years of my retirement as Emeritus Professor. I describe the extraordinary polarization that has developed in the United States during this period and the impact that this polarization has had on business behavior. I suggest that a number of “counterfeits of conscience” have emerged during this time, including a politicization of the corporation and explicit partisanship on the part of business leaders—almost as if “conscience” is being “outsourced” to political parties. I then turn my eyes to the future of the field of applied ethics, acknowledging the challenges but identifying several sources of hope, including wise books and new institutions dedicated to bridging, indeed healing, the divide between “red and blue” citizens. This chapter is an organic part of a larger work about the overall contribution of Kenneth Goodpaster to the field of applied ethics and is best read in the context of that larger work.

6.1 Conclusion

In this concluding chapter, I will provide a summary of the journey described in Chaps. 2, 3, 4, and 5; reflect on my earlier work indicating changes (and discoveries) in my thinking; discuss issues that have arisen during the 8 years since my becoming Emeritus Professor; and finally share some thoughts about the future of the field of business and applied ethics. Let us first summarize.¹

¹My published work can be found in my curriculum vitae in Appendix 1. Three lesser-known articles can be found in Appendix 2.

6.1.1 Summary

In the body of this book, and on my career journey, I have had four moments of insight. It is useful to recall that at the outset, in Chap. 2, I said the common denominator among definitions of *insight* was: to be able to discern something *deeper* (“what lies beneath”) or something *larger* (“a bigger picture”).

Thus, in my search for an understanding of conscience in Chap. 2, Royce’s *moral insight* provided the deeper departure point. In my view, conscience is what holds us together as human beings, despite the fact that moral relativism would see conscience as *fragmenting* us as a community.

It may be worth pointing out that according to the *Oxford English Dictionary*, conscience was originally understood as a *common* quality that individuals shared: “a man or a people had more or less conscience,” as groups had more or less science, knowledge, intelligence, and so on. The word came gradually to be used as a more personal faculty, so that “my conscience” and “your conscience” were understood no longer as “our respective shares or amounts of the common quality conscience” but as “two distinct individual consciences, mine and yours.” My entry under “conscience” in the *Encyclopedia of Business Ethics and Society* (2008) adds:

This individualization of the meaning of ‘conscience’ . . . signals a polarity at the core of our moral awareness: On the one hand, conscience is our subjective touchstone for ethical decision making. On the other hand, an appeal to conscience in moral argument (or dialogue) usually lays claim to common ground, a warrant for our ethical convictions that reaches beyond the merely subjective. Insofar as conscience must respond in actual decision-making situations, it has a certain private authority, both in relation to non-moral decision guides and in relation to the consciences of others. We can refer to this as the *autonomy* dimension of conscience. But because conscience can be ‘undeveloped,’ ‘neglected,’ or ‘out of touch,’ philosophers have looked to it for a broader kind of authority, less private and more rooted in human nature or reason. We can refer to this as the *discernment* dimension of conscience.

New York Times columnist David Brooks echoed this perspective in 2011 when he commented on a study of the ethical attitudes of young adults in universities across America:

In most times and in most places, the group was seen to be the essential moral unit. A shared religion defined rules and practices. Cultures structured people’s imaginations and imposed moral disciplines. But now more people are led to assume that the free-floating individual is the essential moral unit. Morality was once revealed, inherited and shared, but now it’s thought of as something that emerges in the privacy of your own heart.

I am less pessimistic than those who would see this “privatization” of conscience as the death knell of a shared morality. I believe that Royce’s *moral insight* goes deeper than superficial differences to places where human values converge rather than diverge. It is for this reason that we often speak of individual consciences as “undeveloped,” “arrested,” “neglected,” or as Royce pointed out, “forgetful.” When philosophers anchor the idea of conscience in human nature or reason, they are suggesting a more widely shared (even if private) faculty. The work of Jonathan Haidt (2013) was particularly relevant in this connection.

Turning to the idea of corporations and corporate conscience in Chap. 3, I invoked Hugh Hecló's work on institutions to suggest that there was an *institutional insight* that must accompany our understanding of business and the economic sector of society. It is an insight that enables business leaders to discern something deeper and larger ("a bigger picture") in the purposes of their organizations. This means that leaders need to operate with a dual awareness—foreground and background—seeing their responsibilities both to their present organization's success and to the success of business as an institution whose mission is to produce goods that are truly good and services that truly serve.

Chapter 4 introduced an aspect of normative thinking in business ethics that took us beyond the conventional debate about "stockholders and stakeholders." The *anthropological insight* helps us to see that *any* normative account of personal, organizational, or societal ethics must carry with it—either up front or behind the scenes—a "comprehensive picture of man" (borrowing the phrase from John Paul II). Like the *institutional insight*, it is an insight that helps us to discern something deeper (what lies beneath) and larger ("a bigger picture")—this means a view of what the good is for human beings, what happiness is for "the whole person and all persons" (Benedict XVI 2009). This is not optional, though it is often not made explicit by those invoking, say, "stakeholder capitalism."²

In Chap. 5, I described the case method pedagogy in the business school environment as well as the case method and "hypocrisy exercises" in the executive education environment. The *Socratic insight* brought us full circle, in the sense that it meant discerning something deeper about the role of the "ethics teacher" and something larger about the purposes of educational institutions. That "something deeper" is the dynamic of *respect* between the educator and the learner that the case method requires (Gragg 1940), and it was the genius of Plato in doing philosophy in the form of *dialogues*. This is the direct application of the *moral insight* to the educational process. The "something larger" is the ethical role of business and executive educational institutions in their respective environments.³

6.1.2 Changes and Discoveries

As I look back over my earlier work for instances of change (or discovery) in my thinking, several things come to mind.

² See the *Business Roundtable* statement of August 19, 2019, signed by 181 of the largest U.S. corporations, declaring that "companies should serve not only their shareholders, but also deliver value to their customers, invest in employees, deal fairly with suppliers and support the communities in which they operate."

³ It is often observed that if business schools are to be professional schools, alongside medical schools and law schools, then they must convey a body of knowledge, to be sure, *but also* a set of ethical norms for their graduates.

1. Milton Friedman's skepticism about corporate leaders acting in the public interest (see Chap. 2)
2. The concerns of some critics that the *Principle of Moral Projection* will somehow undermine *individual* responsibility for business decisions (see Chap. 3)
3. The realization that my work actually progressed beneath my awareness (until now) from the *moral insight* to the *institutional insight* to the *anthropological insight*, and finally to the *Socratic insight* (see Chap. 4)
4. The further realization that these four insights were "bonded" in a significant way: the first three (*moral*, *institutional*, and *anthropological*) were needed to form a comprehensive understanding of business ethics (espoused values), while the fourth, the *Socratic insight*, was needed to educate (values-in-action) the next generation of business leaders with this understanding (see Chap. 5)⁴
5. Finally, the realization that the "Four Avenues" of ethical analysis actually *anticipated* the "Four Insights" in a surprising fashion

6.1.2.1 Milton Friedman Revisited

Reflecting now on my convictions three or four decades ago about Milton Friedman's (1970) concerns about business leaders and "social responsibility," I have to say that a recent development leads me to appreciate more than I did then the wisdom of his warnings. This development is social in nature: it is the tendency during the last 6 or 7 years for business leaders to substitute *political partisanship* for *corporate conscience*. Friedman was concerned about the legitimacy of corporations using their economic power without a "political license," so to speak, untethered and unaccountable to the public generally (Nather 2019; Jamison 2018). Friedman's warning then seemed a bit excessive, but today it seems almost prophetic (Goodpaster 1991, 2018). The drift on the part of many left-leaning companies toward political correctness and "resistance"—and the drift on the part of many right-leaning companies toward political "incorrectness" and conservative values—is becoming embarrassing, given any plausible distinction between the private and the public sectors.⁵

So, as I look back on Milton Friedman's famous essay warning against corporate leadership straying too far from its fiduciary duties to shareholders, I appreciate its wisdom more today than I did when I first read it. Friedman anticipated by 50 years the Business Roundtable *Statement on the Purpose of a Corporation* (2019) when he wrote:

I share Adam Smith's skepticism about the benefits that can be expected from "those who affected to trade for the public good"—this argument must be rejected on grounds of principle. What it amounts to is an assertion that those who favor the taxes and expenditures in

⁴I first became aware of the distinction between "espoused values" and "values-in-action" from the work of Harvard professor Chris Argyris.

⁵Some striking examples are the "canceling" done during the 2020 presidential election in the U.S. by Twitter, Google, Facebook, and Amazon.

question [corporate leaders] have failed to persuade a majority of their fellow citizens to be of like mind and that they are seeking to attain by undemocratic procedures what they cannot attain by democratic procedures. In a free society, it is hard for “good” people to do “good,” but that is a small price to pay for making it hard for “evil” people to do “evil,” especially since one man’s good is another’s evil. (Friedman 1970)

Sometimes the use of private sector resources by corporate leaders for the sake of controversial political causes in our contemporary environment *does* seem to represent “seeking to attain by undemocratic procedures what they cannot attain by democratic procedures.”

6.1.2.2 Moral Projection and Personal Responsibility

During the 1980s, when I was defending the appropriateness of predicating responsibility of corporations, I received pushback from some respected philosophers who believed that attributing responsibility to corporations was tantamount to denying responsibility on the part of individual persons within corporations who made decisions for which they should be held accountable.⁶ These objectors were convinced that attributing responsibility to corporations meant *not* attributing responsibility to individuals within the corporation. My response was to disagree—I insisted that both corporations and the decision-making individuals within them could be held responsible simultaneously (see Chap. 3, “Individual and Corporate Responsibility Simultaneously?”).

In twenty-twenty hindsight, I now see that it was not enough at the time to simply *deny* that there was a logical implication between attributing responsibility to a corporation and refusing to affirm responsibility to individuals working for the corporation. It is *true* (as I insisted at the time) that this logical implication does not exist, either from the organizational level to the personal level, or from the personal level to the organizational level. (That is, if a corporation is held responsible for a certain wrongdoing, individuals within that corporation can also be held responsible for their decisions that contributed to the corporate wrongdoing. Conversely, if an individual within a corporation is responsible for a certain wrongdoing, the organization itself may or may not be held responsible for wrongdoing at the same time.)

When I say “I now see that it was not enough,” I mean that I *now* believe that a full ethical understanding of organizational decision making calls for an appreciation of the reality that individual persons in their organizational contexts are acting *both* as sovereign persons *and* as participants in a person-like actor that has a moral-cultural life of its own. Somehow, persons, organizations, and (dare I say) organized social systems face moral accountability as a connected whole, not simply as

⁶Two noteworthy critics were Professor Manuel Velasquez (Santa Clara) and Professor Nani Ranken (Indiana University). My formal responses can be found at “Commentary: Velasquez on Corporate Responsibility” (1983) and “The Principle of Moral Projection: A Reply to Professor Ranken” (1987). Professor Ranken’s original article was “Corporations as Persons: Objections to Goodpaster’s ‘Principle of Moral Projection’” (1987).

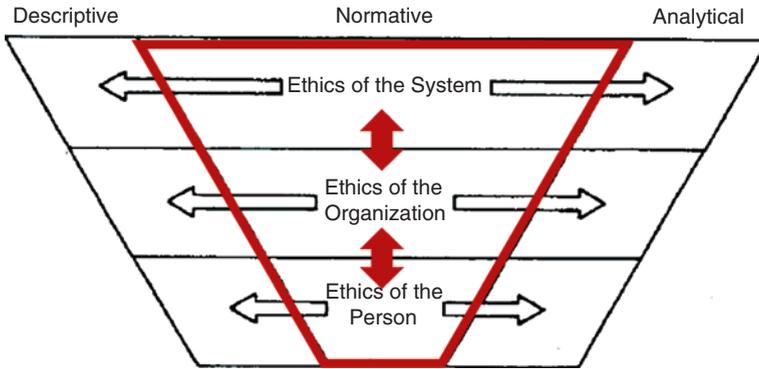


Fig. 6.1 Relationship among the levels in applied ethics (from Chap. 2)

discrete abstracted fragments. (See Fig. 6.1.) This is why it is not enough to simply deny that predications on one level fail to exclude predications on other levels. The reality is that *the levels are not culturally independent of one another*. They are culturally interdependent like the various pieces of a balanced mobile, all moving with a perturbation of just one.

6.1.2.3 Progress Beneath My Awareness: The Four Insights

In reviewing my work over nearly 50 years for this book, I came to see patterns that were often beneath my awareness. Principal among those patterns are the “four insights,” around which I have organized Chaps. 2, 3, 4 and 5. The *moral insight* was defined by Royce as “the realization of one’s neighbor, in the full sense of the word realization; the resolution to treat him unselfishly” (Royce 1885).⁷ This provided an account of conscience (Chap. 2). The *institutional insight* is the realization that one’s own institution—like all institutions—is part of a larger enterprise of forwarding the well-being of humankind. This means that business leaders must foster in themselves and in their leadership teams a vision *and a concurrent peripheral vision* about the purposes of their corporation (Chap. 3). Then the *anthropological insight* emerges as the realization that a satisfactory normative account of business (or organizational) ethics requires a *comprehensive* view of the good for the human person and ultimately of the common good for the human community—an *anthropology*—without which appeals to the interests of shareholders or stakeholders have no *content*. The inclusion of an *anthropology* is not an option in business ethics; it is a necessity. Thus, asking what “picture of man” is implicit in

⁷Remember, however, Royce’s proviso: “[T]his resolution expresses and belongs to the moment of insight. Passion may cloud the insight after no very long time.”

any given normative ethical action-guide for business is always a legitimate question (Chap. 4). Finally, weaving the three insights above into a unity, each calling for the other and all of them reaching for action in the marketplace, we have the *Socratic insight*. This insight guides the formation of the current and next generation of business leadership in our society (and often in other countries). It is the manifestation in the educational process of the *moral insight* in the general case of agents and recipients. It is the realization of the other (student, employee, executive) as one whose moral, institutional, and anthropological awareness can be elicited through respectful dialogue.⁸ The *Socratic insight* applies the *moral, institutional, and anthropological insights* to the very methodology of business formation and practice, using the case method and certain other tools—*because wisdom can't be told* (Chap. 5). Awareness (*moral, institutional, and anthropological*) without interaction is powerless, but (*Socratic*) interaction without awareness is blind.

6.1.2.4 The Four Insights Enrich the “Four Avenues” Approach to Ethical Analysis

As I reflect on the progress beneath my awareness afforded by the four insights, it becomes clear to me that the “four avenues” approach to ethical analysis that I have been using with my students (described in Chap. 5) could and should be enriched using those four insights.

In discussing interest-based avenues of ethical analysis, the central idea was that the moral assessment of actions and policies depends on their practical consequences, and that the only consequences that really matter are the *interests* of the parties affected. This way of thinking can be enriched by the *anthropological insight* in the sense that the latter seeks to discern more deeply and more widely the content of the word “interests.” It calls for the “comprehensive picture of man” in the background. My answer to that call was to identify the “whole person and all persons,” interpreted from a “family of God” perspective.⁹ Others, of course, will have a more secular picture.

In discussing rights-based avenues of ethical analysis, the central idea was that all individuals are accorded equal respect and equal voice in social arrangements and also accorded basic liberties, such as opportunities for self-development, work rewards, and freedoms including religion and speech. This way of thinking is enriched by the *moral insight* itself, in the sense that it emphasizes “the realization of one’s neighbor.” It calls our attention to human dignity and reminds us that we seek not only the good of *all* persons but also the good of *each* person.

⁸As Benedict XVI would have put it: “one who is a *brother*, not just a *neighbor*” (Benedict XVI 2009).

⁹Some have distinguished between the *temporal* common good and the *spiritual* common good.

In discussing duty-based avenues of ethical analysis, the central idea was that “ethics is about playing one’s role as part of a larger whole,” such as family obligations, obligations to local communities and various associations, and obligations to larger communities like the business community itself or the nation as a whole. Eventually, duty-based thinking can extend to humanity at large, as in the cases of pandemics and global warming. This way of thinking is enriched by the *institutional insight*, which calls for each of us to navigate ethically with multiple levels of awareness that correspond to the many intersecting communities to which we belong. Recall that the *institutional insight* asks business leaders to maintain at least a dual awareness of their obligations to the company that they lead and *also* to business as an institution for the common good. Expanding this dual awareness to include other intersecting institutions is a natural next step.

Finally, in discussing virtue-based avenues of ethical analysis, the central idea is that actions should be assessed by the degree to which they flow from or reinforce a virtue or positive trait of character. This way of thinking is enriched by the *Socratic insight* because that insight calls for the positive traits of character needed for effective dialogue. These traits include respect, honesty, prudence, humility, and courage.¹⁰ As we have seen, the *Socratic insight* invites us to carry into practice the other insights—from espoused values to values-in-action.

6.1.3 *The Last 8 Years*

During the 8 years since I have retired to the role of Emeritus Professor at the University of St. Thomas, political and cultural polarization has increased in the United States at an alarming rate, culminating in the 2020 presidential election and the events of January 6, 2021, in which the nation’s Capitol building was breached by demonstrators. Frank Newport, Ph.D., a Gallup senior scientist and author of *Polling Matters: Why Leaders Must Listen to the Wisdom of the People*, wrote:

Any functioning society needs to develop and maintain its social institutions—the widely agreed-upon ways in which society handles the core functions necessary for survival. But that agreement appears to be waning. Partisans on both sides increasingly see institutions in the U.S. not as beneficial and necessary, but as part of an effort by the other side to gain advantage and to perpetuate its power and philosophical positions. Liberals and Democrats today, for example, have lower trust in traditional family institutions, traditional religious institutions and the economic system. Republicans have lower trust in the scientific process, higher education, the mass media, and the role of the state (government). (Newport 2019)

¹⁰As mentioned earlier “Love, and do what you will,” Augustine is supposed to have said, indicating that the virtue of love was ethically more basic and more directly practical than attempts at determining “the right thing to do.” It summed up all the other virtues.

This polarization found its way into workplaces and the C-suites of large publicly traded corporations and into the halls of most American colleges and universities. During the pandemic year of 2020, which was also a highly contested presidential election year and a year of intense social protest surrounding the death of George Floyd in Minneapolis, Minnesota, ideological clashes and political partisanship were on display across the country and even internationally. The intensity of the polarization led *New York Times* columnist David Brooks (quoted earlier in this chapter) to write in March 2021:

These days it's hard to be blithely confident in the core American creed we used to be so proud about—*e pluribus unum*. Out of many one. We don't seem like "one" today if you look at the facts. This general disillusion with *e pluribus unum* has caused many people to give up on patriotism altogether.¹¹ (Brooks 2021)

These events, combined with the comments by Brooks, led me to reflect on their implications for the discussion in this book (and throughout my career) of conscience, corporations, and the common good.

At a time of intense social and political unrest and polarization, it is difficult not to hear the echo of Josiah Royce's prophetic description of the *moral insight* in Chap. 2: "It is the realization of one's neighbor, in the full sense of the word realization; the resolution to treat him unselfishly" (Royce 1885).

But. . . [p]assion may cloud the insight after no very long time. It is as impossible for us to avoid the illusion of selfishness in our daily lives, as to escape seeing through the illusion at the moment of insight. We see the reality of our neighbor, that is, we determine to treat him as we do ourselves. But then we go back to daily action, and we feel the heat of hereditary passions, and we straightway forget what we have seen. Our neighbor becomes obscured. *He is once more a foreign power. He is unreal.* We are again deluded and selfish. This conflict goes on and will go on as long as we live after the manner of men. Moments of insight, with their accompanying resolutions; long stretches of delusion and selfishness: That is our life.¹² (Royce 1885)

In a time of "passion clouding insight" and opposing factions being characterized as "foreign powers," the need for moral insight is as great as the forces that would obscure it.

And what is more, at such a time, it is difficult not to hear the echo of the *institutional insight* from Chap. 3, the need for leaders to operate with a dual awareness: foreground and background—seeing their responsibilities both to their present organization's success and to the success of business as an institution whose mission is to produce goods that are truly good and services that truly serve.

Corporations that guide themselves by an inner compass using the *institutional insight* will be less likely, in my opinion, to dive headlong into the political and ideological fray, as so many seem to have done. In this regard, and under these circumstances, it is tempting to be drawn into what I have called "counterfeits" of corporate conscience or corporate responsibility.

¹¹ Brooks draws special attention in this article to a newly published book by Yale professor Steven B. Smith: *Reclaiming Patriotism in an Age of Extremes*.

¹² Emphasis added.

6.1.3.1 Counterfeits of Conscience

What most of these counterfeits have in common—like counterfeit currencies—is the use of a substitute in place of the “real thing.” Many have pointed out that corporations like Google, Facebook, Twitter, and even Amazon adopted policies during 2020 that were calculated to disadvantage the *right* and advantage the *left* by “canceling” many conservative communications, tweets, books, etc.¹³ While these policies (when acknowledged) might have been rationalized using moral or ethical categories, it seems clear to dispassionate observers that this behavior did not stem so much from corporate conscience as from corporate political gamesmanship. And similar observations could be made regarding corporations not in the information business when their leaders decided how to allocate political monetary contributions.¹⁴ What may be happening in such cases is that corporate conscience, guided by the *institutional insight*, is being muted and outsourced to political expediency, a set of norms external to and only contingently related to the company’s considered values.¹⁵

In *Conscience and Corporate Culture* (2007), I discussed another possible source of this counterfeit phenomenon in connection with what I called the *paradox of paternalism*: “It seems essential for sustaining a group conscience, yet coercive, to seek to dictate the value orientation of others, whether inside the corporation or outside.” I argued that corporate leaders could insist on a low degree of value congruence in their organizations or a high (“lock step”) degree—or a golden mean between these two. I said that the “high range is too dogmatic to be respectful, while the low range is too relativistic to be stable” for the culture over time. This is the way to manage (if not resolve) the *paradox of paternalism*. Corporate leaders who speak and allocate/withhold resources in a partisan way, however, tend to disrespect members of their own corporate community (employees) whose views about politics may be very different.¹⁶

¹³The so-called “cancel culture” got its start, according to many, on college and university campuses during the last two decades. For an informative article (with data) on this subject, see Eric Kaufmann’s “Academic Freedom is Withering.” (2021)

¹⁴I hasten to add that all of the above remarks could apply if the political tables were turned from left to right.

¹⁵It is possible for a company to consider carefully and conscientiously to put its resources in the political arena in one direction for the sake of human dignity and the common good. If the reasoning is sound in such a case, this would *not* be what I am calling “counterfeit.”

¹⁶Here is a sampling of recent articles that touch on this topic: Washington and Spierings (2021), Wall Street Journal Editorial Board (2021), and Golub (2021).

6.1.3.2 Other Counterfeits

There are other instances of “outsourcing conscience,” of course. *Socialism* is one well-known counterfeit that would simply put the public sector itself in the place of private sector conscience—and law and regulation in the place of markets. Sometimes “compliance” is interpreted along these lines, but not always. We saw in Chap. 4 that “stockholder thinking” and “stakeholder thinking,” if unspecified regarding “a comprehensive picture of man,” amount to counterfeits as well.

One other recent counterfeit comes to us from the field of Artificial Intelligence (AI). The more sophisticated robotics, self-driven automobiles, and mining big data become, the more software engineers (and their managers) are faced with the challenge of programing “decision trees” that are ethically value laden, that favor certain outcomes over others depending on the preferences of the manufacturers (Murawski 2019). AI-based manufacturing is analogous to “building in” (or “freezing in”) to the decision-making software of an “autonomous” system various prescriptions or norms, meaning that those “built in” decisions may or may not represent the organization’s judgments at the moment of the automaton’s decision.¹⁷ While AI can build into automatons “consciences” that are unreflectively sourced to the ethical views of the software engineers at the time of manufacture, stepping back, we might say that political partisanship can easily display the unreflective outsourcing of corporate conscience to an external political party. Either way, there is a kind of alienation of the *moral* and *institutional insights*, a reverting—as Jean Piaget might say—from an ethic of core values to an ethic guided by the rules of another (“heteronomy”).

6.1.4 The Future of the Field—Can the Insights Find Traction?

It is tempting to be pessimistic in the face of the societal divisions that have intensified over the past decade, especially if one believes, as I do, that the four insights described in these pages depend importantly on a basic spirit of community behind our inevitable differences.¹⁸ The *moral insight*, when it is not lost or forgotten, invites reciprocity and respect. The *institutional insight* carries with it a recognition of the common good as an underlying purpose of the economic sector. The *anthropological insight* calls for finding common ground in our views about humanity. The *Socratic insight* calls for our pedagogy itself to mirror the ethical message of conscience, personal and institutional, in service of the common good.

¹⁷WSJ Pro, Artificial Intelligence Newsletter (n.d.): “Our weekday AI newsletter provides news and insight into business opportunities and challenges companies face when implementing machine learning, deep learning and other advanced technologies.”

¹⁸See a recent interview of this author by David Bevan: “The Business Ethics Pioneers Project: An Introduction and a First Sample” (2020).

Severe polarization threatens our ability to live out these ethical aspirations, even our ability to formulate a coherent normative ethics for business. Are there any signs of hope in such circumstances? My answer to this question is an *emphatic affirmative*. For one thing, thoughtful reflection can and does reveal more common ground than one might expect regarding the virtues we recognize in our “comprehensive picture of man.” As Yale professor Steven Smith observes: “American patriotism at its best does not rely on indoctrination but on teaching and supporting the virtues of civility, respect for law, respect for others, responsibility, honor, courage, loyalty, and leadership—all virtues worth having and keeping.” Smith says further that “among the themes that constitute our national symphony,” we should include equality, liberty, human dignity, limited government, pluralism and respect for diversity, love of culture and the arts, positive attitudes toward invention and discovery, economic development and opportunity, faith and hope, and individualism and exceptionalism (properly understood) (Smith 2021).¹⁹ No doubt Smith’s two lists above will occasion some energetic debates, but they provide a platform for hope, I think, that the idea of common ground—and thus a “common good”—is attainable even in a time of serious division.

Another reason for my emphatic affirmative answer to the question about signs of hope is the founding and flourishing of a non-profit organization called Braver Angels.²⁰ This is a grassroots organization that originated from a simple idea in one state and spread to all fifty of the United States and beyond. The simple idea was that the principles and techniques of family counseling might be “writ large” to help in practical ways to heal the divisions that plague an entire nation.²¹ To quote from the Braver Angels website:

[T]oday, there is evidence to suggest that we are now as polarized as we have been since the Civil War. We are in what some are calling a “cold civil war” right at the moment when a spreading pandemic, vast economic trouble, and other national and global challenges call upon us to support each other like never before.

At Braver Angels we do not accept this division. . . . Our work is about restoring civic trust in the USA. It is about healing the wounds between left and right. It is about challenging institutions to be better, building community together, and discovering what it means to be American in our time. . . . At Braver Angels, our work is about building a house united.²²

¹⁹And compare the speech by Kofi Annan, former Secretary-General of the United Nations, at Tübingen University, Germany in 2003 in which he said that “universal values are acutely needed”—and he named five of them: Peace, Freedom, Social Progress, Equal Rights, and Human Dignity.

²⁰From the Braver Angels website: “*Braver Angels* was inspired by the words of Abraham Lincoln, who not only called on Americans to summon the ‘better angels’ of our nature—but called on us to find the *courage* needed to pursue a more perfect union, ‘with malice toward none, with charity for all, with firmness in the right.’ To meet the current moment, at this time of national crisis, we need more than civility. We need to challenge ourselves to work together when we disagree. We need bravery.”(Braver Angels n.d.)

²¹Reflect here again on the inversion of Plato’s analogy, using the *Principle of Moral Projection* (see Chap. 3). The projection is from the *microcosm* of the family and family therapy to help us heal the *macrocosm* of a divided nation (the American family).

²²See the documentary film *The ReUnited States* (2021)

Using an army of trained volunteer moderators, the organization puts on “Red/Blue” and “Skills” workshops (*Depolarizing Within, Families and Politics, Bridging the Divide*); hosts general debates attended by thousands of citizens, college debates, book discussions, film discussion clubs, Zoom webinars; curates a library; and much more. Braver Angels is just one of many efforts underway at the time of this writing (though it is a particularly striking one) that are signs of hope in difficult times.

Another striking sign of hope deserves mention in this context. In 2019, Arthur C. Brooks published an extraordinary book entitled *Love Your Enemies: How Decent People Can Save America from the Culture of Contempt*. Brooks observes that:

From the philosophers of ancient Greece to the world’s great religions to our own Founding Fathers to the psychology research of the modern era, we are exhorted to choose our heart’s true desire: love and kindness. All warn unambiguously that division, if allowed to take permanent root, will be our misery and downfall. (p. 37)

Brooks emphasizes, however, that “unity does not necessarily mean agreement” and that “unity is always an aspiration; we will never be 100 percent unified.” Nevertheless, he reminds his readers of the response that the Dalai Lama gave to his very personal question “Your Holiness, what do I do when I feel contempt?” The response was: “Practice warm-heartedness” (p. 40). The rest of the book gives practical meaning to this strong, not weak, reply: “Warm-heartedness is not for the faint-hearted.” In my opinion, this is a strong sign of hope!

6.2 Message to the Reader

This concludes my reflections on nearly 50 years of teaching and research in applied ethics, most of those years in business ethics at three institutions: the University of Notre Dame, Harvard Business School, and the University of St. Thomas. The record of my published work appears as Appendix 1 to this volume, and Appendix 2 contains three of my articles that are especially relevant to the narrative. I reprint them here with the permission of their publishers to round out the retrospective and prospective thoughts in this volume.

- “Toward an Integrated Approach to Business Ethics,” *Thought*, Volume 60 (June, 1985), pp. 161–180.
- “Tenacity: The American Pursuit of Corporate Responsibility,” *Business and Society Review* (118:4, 2013), pp. 577–605.
- “Human Dignity and the Common Good: The Institutional Insight,” *Business and Society Review*, (March, 2017), pp. 27–50.

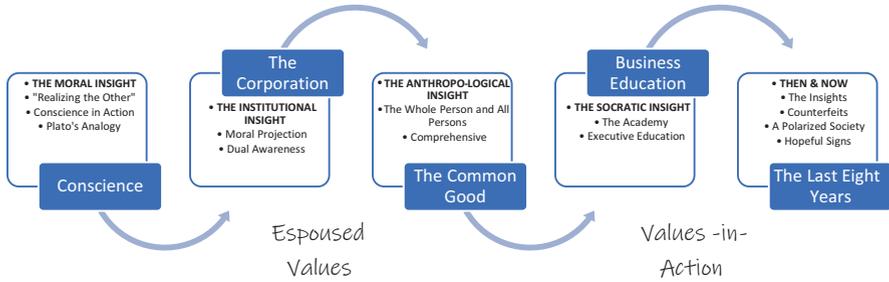


Fig. 6.2 Awareness without interaction is powerless, but interaction without awareness is blind

Figure 6.2 above indicates the flow of chapters in this tale of my career journey, ending for me in a period of challenge with hopeful signs—but beginning for you to carry forward with these same hopeful signs. Thank you for joining me on my journey, and on yours, I wish you the very best.

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Chapter 7

Afterword



Abstract Since completing these chapters and sharing them with a number of thoughtful colleagues, including Series Editor Frank den Hond, I would like to revisit briefly five convictions: the four insights and one additional concern about the future of the field of business ethics alluded to in the final chapter. Four of these convictions, in retrospect, have been the sources of energy behind much of my work in the field of business or organizational ethics, the motivators that have guided my teaching and research for over five decades. The fifth theme signals my worries but also my optimism regarding the future of the field to which I hope I have contributed. This *Afterword* is the book in microcosm, I suppose, even though it does not do justice to the richness of the story told in Chapters 1 through 6. It is nevertheless an organic part of a larger work about my overall contribution to the field of applied ethics and is best read in the context of that larger work.

7.1 The Birth of Conscience in the *Moral Insight*

Josiah Royce articulates the *moral insight* in a beautiful way—as if it were a discovery that changes the whole world of the person having the insight:

[T]he realization of one’s neighbor, in the full sense of the word realization; the resolution to treat him unselfishly.

Imagine if today we were to discover that there were intelligent beings on another planet in orbit around another star in another galaxy. I am reminded of the 1996 novel *The Sparrow* by Mary Doria Russell. “We’re not alone!” the headline in the *New York Times* might read. Well, the same is true with the *moral insight*, only it begins with: “I’m not alone!” Of course, that is in many ways both the ethical good news and the ethical bad news. It is the good news because it means that one of the fundamental needs of my humanity—the need for companionship, love, fellowship, friendship—might possibly be met! It means that I am not doomed to solipsistic bondage despite my longing for something more. Yes, that is the ethical good news. But there is a curious downside to this discovery of my neighbor.

The ethical “bad news” is that the moment I discover there is another being (perhaps many) occupying moral space with me, I must find a way to treat them *as they deserve to be treated*. This complicates (and makes more difficult) my decision making, perhaps enormously! For now, I must not only consider my own good and my own dignity; I must consider the “goods” and “dignities” of all those affected by my behavior!

Notice too that the “complication” the *moral insight* introduces is twofold. The complication is at first numerical—not just *my* good/dignity but the good/dignity of *others*. The complication also calls for understanding what my good/dignity and others’ good/dignity really amounts to. There are various candidates, like satisfying wants, desires, and interests. What is the highest and best good for human beings? What lies behind the often-used phrase “human flourishing”? (See Sect. 7.3 below.)

So the *moral insight* presents us with an extraordinary moment: it is the birth of conscience within each of us and among all of us! It is no less than the creation of a new world! A shared world! There is now no longer just an “I” but a “we”! Our language changes—there is a first-, second-, and third-person *plural* now! Kant would say that now categorical imperatives are possible; now there is a *kingdom of ends* in terms of which our moral judgments can be measured. John Stuart Mill would say that now there is a greater number than I to whose happiness (“higher quality pleasure”) my actions can and must be dedicated.

In the field of ethics, then, the *moral insight* is the departure point for all normative and applied reflection.

7.2 Moral Projection, Leadership, and the *Institutional Insight*

The next step is crucial, however. A great deal of my work in the field of business and organizational ethics has turned on the analogical predication of moral attributes to organized groups or corporations—attributes like conscience and responsibility. Inspired by Plato’s methodology in the *Republic*, I first offered the *Principle of Moral Projection*:

It is appropriate not only to describe organizations and their characteristics by analogy with individuals, it is also appropriate normatively to look for and to foster moral attributes in organizations by analogy with those we look for and foster in individuals. (Goodpaster 1997)

I believe that this methodology fits well with what I call the *institutional insight*, which contrasts with Royce’s *moral insight* in that it applies not so much to the ordinary private lives of persons but to the mindsets of organizational leaders as they navigate their institutions through the cultural waters that they inhabit. The *institutional insight* is similar to the *moral insight* in the sense that, at its core, it is about the social importance of institutions—and it can be lost and regained, as well as supported or unsupported by “resolutions” on the part of senior leadership.

As with the *moral insight*, the *institutional insight*, from the point of view of institutional leadership, represents a discovery moment—a moment in which leadership can exclaim:

This organization is not alone! It is really an *institution*! It is part of a joint venture with other similar organizations now and over (past) time devoted to the dignity and common good of humankind. Yes, we must lead and govern this organization so that it survives its current competitive pressures—but we must also see it as one in a long line of organizations of its kind called to *make contributions* to the common good.

What kinds of contributions? Contributions to transportation; to the provision of energy; to financial services; to commerce and its supply chains; to housing; to healthcare; to family life; to executive, legislative, and judicial branches of government; to law enforcement; to education and the application of knowledge; and on and on.

Of course, institutions may fail at their callings or vocations—they may thereby “institutionalize” injustice (render it systemic) or unethical practices that perpetuate wrongdoing. In such cases, we call for reforming or rehabilitating institutions.

All of these contributions, at various levels, from families and schools to nation states and international alliances—and in various domains of human fulfillment, from work to learning to leisure to worship to the pursuit of justice—represent contributions to human dignity and the common good.

Thus, the discovery by leaders of the *institutional insight* is the discovery that their organizations have social callings, not just individual purposes, and that these social callings underwrite the moral expectations we have toward them, not unlike the way conscience in individuals underwrites individual moral expectations.

Corporations, through the lens of the *institutional insight*, can be said to have (or lack) consciences in a similar way that individuals, through the lens of the *moral insight*, can be said to have (or lack) consciences. And corporations, through the lens of the *institutional insight*, can make their social contributions at various levels and in various domains of human endeavor.

7.3 The *Anthropological Insight*—Seeking the Common Good

Both the *moral insight* and the *institutional insight* enlarge our minds and hearts dramatically by opening them up to a shared reality—by transforming a self-centered mindset into a social mindset. As noted above, however, there is another transformation that is essential to a well-grounded normative ethics for both individuals and organizations. What I/we want, wish, desire, have an interest in, seek at the moment—whatever this may be—could fall short, could fail to be good. Here we have an echo of G.E. Moore’s *Open Question Argument*: “This is something I want, wish, desire, have an interest in, seek at the moment, but is it good?” (Moore 1903).

Royce’s idea of “treating someone unselfishly” raises a question that is not self-answering: *How do I truly serve and do good for human beings?* This question introduces another dimension into the conscience of the individual and of the would-be leader: *Is there such a thing as the nature of a human being and a shared*

idea of human fulfillment or human flourishing? The answer to this question requires what we call an *anthropology*. If ethics is supposed to serve human well-being, we need a minimally shared conception of what human well-being is!

The ideas of “human dignity” and the “common good” cannot be fully understood without a sufficiently shared anthropology that allows for “the good of the whole person and of all persons.” And for this to be possible, a perspective is needed that sees human persons as physical, emotional, social, and spiritual beings. I have referred to this as the *anthropological insight*:

the realization that a satisfactory normative account of business (or organizational) ethics requires a comprehensive view of the good for the human person and ultimately of the common good for the human community, an *anthropology*, without which appeals to the interests of shareholders or stakeholders have no content.

In a society or moral culture as fragmented as ours, can we hope to find consensus on an account of human dignity and the good for human beings? When the prospects for such a consensus seem dim, we must remember that any normative assertion of right or wrong, good or bad, virtue or vice, carries with it to some degree an *implicit* commitment to a picture of human flourishing—of what it is to be a human being deserving of respect and (at least) the pursuit of happiness. For without such an implicit commitment (appeal), normative judgments inevitably collapse into subjective exhortations on the part of those who utter them—exercises in self-will, perhaps, but not exercises in reason-based (or even faith-based) moral argument.

It is true, of course, as I discussed in Chap. 2, that there are different moral traditions with different emphases on the central aspects of human nature that should guide or govern conscience. What is striking, however, is not the *multiplicity* of these traditions and their contents, but their *congruence*.

Much more work remains to be done in this anthropological arena to clarify the elements of our human “moral inheritance”—work that inevitably includes questions about our origins and our destiny—but it is essential work if we are to develop a coherent notion of our common good.

Whether the ethical aspiration is a Kantian “kingdom of ends” or a utilitarian “greatest happiness of the greatest number,” either of which can be viewed as approximations to what Catholic Social Teaching calls the *common good*, the challenge will always be to find practical choices and corporate policies aimed at “goods that are truly good and services that truly serve.” (Goodpaster 2012)

Such goods and services contribute both to the well-being/dignity of *each* whole person and to the wellbeing/dignity of *all* persons without conventional utilitarian compromises and tradeoffs. A faith-based anthropology supports an arrangement of the world that allows all people’s interests to coincide—an ultimate resolution in the kingdom of heaven of the challenges to happiness and justice that we experience on earth.

As I indicated in Chap. 4, it matters greatly for a normative account of ethics whether one believes that there is a fundamental coordination of people’s interests by a higher power. Human flourishing “of *each* whole person and of *all* persons” may not be a realistic aspiration without such an *ultimate* reconciliation of interests.

A secular worldview may inevitably have a distinct picture of the common good, a more limited “humanistic” approach to happiness, justice, and dignity. This depends, of course, on whether faith and reason can arrive at similar accounts of the right and the obligatory, of virtue and vice, of the good for humankind.

In sum, the *anthropological insight* aims to resolve two important challenges in applied ethics:

1. the challenge to avoid relativism regarding “the good” associated with both personal and institutional conscience; and
2. the challenge to conceptualize the common good in a way that avoids the stumbling block of utilitarian compromises (promoting one party’s wellbeing at the expense of another party’s wellbeing, and at the expense of justice when wrongdoing has been severe).

Conscience calls for more than an acknowledgement of our *sociality*—it calls also for a substantive insight into our humanity: *Who am I and who is my neighbor?* This is what lies behind a call for “goods that are truly good and services that truly serve.” Let us turn now to my fourth conviction.

7.4 The *Socratic Insight*: Dialogue, Discernment, and Finding Moral Common Ground

It is not an accident that the comprehensive picture of humankind discussed in connection with the *anthropological insight* should figure centrally in our decision making about not only how to treat others but also how to *teach* or *educate* others when it comes to applied normative ethics. This is the role of the *Socratic insight*, which is simply the application of the first three insights (above) to the perennial task in every generation of passing on the torch of a healthy conscience, sustaining a core set of values. Socrates understood, perhaps better than anyone, that it was the *love* of wisdom (*philo-sophia*) that needed to be cultivated and passed on if wisdom were to survive. And if “wisdom can’t be told” (as discussed in Chap. 5), then methods for somehow communicating wisdom across generations needed to be developed. And these methods needed to *embody* the three insights: the *moral*, the *institutional*, and the *anthropological*.

The influence of the case method in my journey as an educator has been substantial. I believe that the dialogical process, with a teacher properly managing respect for student participants, will lead the group closer to something resembling the truth than using any other method.

For this to happen, both the teacher and the student need to understand that the enterprise in which they are engaged when business ethics is the subject matter is not ordinary instruction, information sharing, historical criticism, or case analysis. It must *include* these things, to be sure, but it is, at its foundation, a different kind of

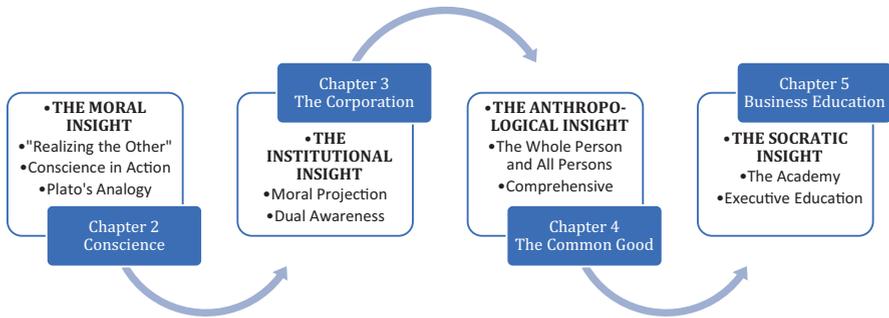


Fig. 7.1 Graphic overview of the four insights

enterprise: *moral formation*, the shaping of the professional consciences of students with an eye toward the common good.

The *Socratic insight* is the realization in the educational process of the *moral insight* in the general case of agents and recipients. It is the realization of the *other* (student, employee, executive) as one whose moral awareness can be elicited through respectful dialogue. Or to put it differently, it is to engage in professional moral formation using a method that practices the very virtues it seeks to inculcate: conscience, personal and institutional, in service of the common good.

The very first article I published in a refereed journal, “Morality and Dialogue” (1975), explored the meaning of “dialogue” as the source of ethical understanding. The *Socratic insight* seems to bring this book, and my career, full circle (Fig. 7.1).

7.5 Recent Directions in Business Decision Making—Ethics and Its Counterfeits

A recent *New York Times* article by David Gelles entitled “Red Brands and Blue Brands: Is Hyper-Partisanship Coming for Corporate America?” (2021) summed up many of my concerns about the field of business ethics—concerns that began during the run up to the 2016 election of Donald J. Trump as President of the United States. Gelles opines, alluding to the 2020 Trump re-election campaign, that

More likely is a world where chief executives and the companies they lead are more and more often affiliated with one party or the other. When Mr. Trump ran for re-election, news sites feverishly tracked which executives were supporting his campaign, and which had sided with Joe Biden. In the months since the Jan. 6 insurrection at the U.S. Capitol, research groups have tracked which companies are donating to Republicans who voted against certifying the Electoral College results.

In the years since my retirement in 2014–15, one of the more notable trends in the academy and in the business community has been the partisan polarization suggested by Gelles, a polarization that he seems to believe is likely to continue.

The 2021 presidential address at the *Society for Business Ethics* by Danielle E. Warren of Rutgers University entitled “‘Woke’ Corporations and the Stigmatization of Corporate Social Initiatives” (Warren 2022) also paid special notice to the politicization phenomenon, as well as C. Rhodes’s book *Woke Capitalism: How Corporate Morality is Sabotaging Democracy* (Rhodes 2021).

To someone, such as myself, whose life project has been articulating and helping to implement the ideal of a corporation being responsible (analogized with a responsible individual with a healthy conscience), the prospect of a corporate leadership team deliberately steering the organization in a partisan political direction is quite simply *abhorrent*. It represents an abandonment of the pursuit of ethical responsibility in favor of political partisanship.

Perhaps the setting aside of the *moral point of view* in business ethics in favor of a partisan political perspective is a temptation that regularly presents itself to leaders in power. After all, Royce did refer to a kind of “forgetting”—when “[o]ur neighbor becomes obscured. . . [h]e is once more a foreign power. . . [h]e is unreal. . . [w]e are again deluded and selfish.” (Royce 1885) At times during the past several years, in the name of “reds” and “blues,” it has seemed like companies were entering the fray as one foreign power against another, indeed against even those persons within their organizations who held contrary views. In my view, this has been a “forgetting” of the kind to which Royce alluded.

On more conservative (*stockholder* primacy) accounts of corporate governance, such partisanship could be viewed as property theft pure and simple. On more liberal (*stakeholder* primacy) accounts of corporate governance, partisan political allocation of corporate resources without a careful analysis of the implications for employee stakeholders, customers, suppliers, and local communities runs the risk of significant injustice, if not backlash from stakeholders whose political leanings are contrary to those of corporate leadership.

Partisanship, almost by definition, is a counterfeit for conscience in the sense that it represents an *outsourcing* of decision making values from the (private sector) company center to various power centers ultimately aimed at executive, legislative, and judicial (public sector) offices. (There are other counterfeits for corporate conscience, by the way, such as maximization of shareholder return, corporate compliance, and socialism, but these call for separate discussions.)

Returning to partisanship, however, there are two problems.

1. One is that joining forces with polarized social power centers and guiding corporate behavior (policy making, resource allocation, even human resource management) accordingly seems to derail the orienting, institutionalizing, and sustaining of core company values identified over time as constituting the moral identity of the organization. I wrote extensively about this topic in my 2007 book *Conscience and Corporate Culture*. The “derailing” consists in externalizing or alienating the conscience of the corporation in the direction of competing political ideologies (left or right) that are seeking allegiance.
2. The other problem is that the eventual cultural outcome of such outsourcing behavior over time blurs the lines between private sector and public sector insti-

tutions. The blurring of the sectors (public, private, moral/cultural) has always been an issue at their margins and intersections, but when the private sector jumps *into* the public sector (or for that matter vice versa) faults develop in the underlying structure of the social system itself. My concern is that if we are not circumspect, this can happen to the American social system.

Significant efforts are being made at this writing (and as indicated in Chap. 5), by organizations like *Braver Angels*, to depolarize the “culture of contempt” and to find common ground.

Where will these efforts lead in the face of the cultural forces that confront them—forces that would displace business ethics with business partisan politics and social fragmentation? It is difficult to say, impossible to predict. The answer surely lies in the minds and hearts of the next generation of business leadership—formed as they will be by the current generation of executives and business educators.



The painting by early impressionist François Millet entitled *The Sower* (1850) has for many years been an inspiration to me in my teaching and my research. So it seems appropriate at the end of these reflections on my career to share it with my readers. It shows the Sower casting his seed with energy to complete his task as evening approaches. As I said at the end of Chap. 6, these reflections on the field of applied ethics are “ending for me in a period of challenge with hopeful signs—but beginning for you to carry forward with these same hopeful signs.” I hope that my sowing of seeds will bear fruit in the work of those who might read these words.

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Appendices

Appendix 1: Selected Publication List for Kenneth E. Goodpaster

Books

- Goodpaster, K., *Perspectives on Morality: Essays by W.K. Frankena*, (University of Notre Dame Press, 1976).
- Goodpaster, K. and Sayre, K., eds., *Ethics and Problems of the 21st Century*, (University of Notre Dame Press, 1979).
- Goodpaster, K., contributor, *Regulation, Values, and the Public Interest*, (University of Notre Dame Press, 1980).
- Goodpaster, K., *Ethics in Management*, (Harvard Business School, 1984). Course Module (9-985-001), Teacher's Manual (5-985-003), Follow-Up Cases (1-985-002), Video Supplement of 10 half-hour programs (9-886-020).
- Goodpaster, K., *Policies and Persons: A Casebook in Business Ethics*, with John B. Matthews and Laura L. Nash, (McGraw-Hill, 1985). Teacher's Manual and Follow-Up Cases included.
- Goodpaster, K., *Ethical Considerations in Corporate Takeovers and Creating and Maintaining an Ethical Corporate Climate* (Woodstock Theological Center Seminar Monographs, Georgetown University Press, 1990), participating author.
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- “Morality and Dialogue,” *The Southern Journal of Philosophy*, XIII (Spring, 1975), pp. 55–70.
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- “From Egoism to Environmentalism,” in Goodpaster and Sayre, eds., *Ethics and Problems of the 21st Century*, University of Notre Dame Press, 1979, pp. 21–35.
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Appendix 2a: Toward an Integrated Approach to Business Ethics

KENNETH E. GOODPASTER

What are the practical limits of moral imagination and vision? Is there a collective or institutional ethic beyond the ethics of the individual? (McCoy 106)

Abstract This essay offers an interpretation of accountability in business ethics on three scales or levels of analysis—the person, the organization, and the economic system. Utilizing innovative work in mathematics on “fractals,” the author suggests both descriptive and prescriptive implications of this conceptual model.

Relationships of this account to recent literature in business ethics are indicated, as well as its classical roots. Theorists and practitioners alike are invited to expand and apply the ideas presented with a view toward future research.

THE AIM OF THIS ESSAY is to outline a framework or model for accountability in business ethics. To help motivate such an undertaking, I will sketch in *Part I* an overview of the field and then suggest some basic categories for classifying research.

Part II will go beyond classification toward an integrated approach to issues in the field. A geometrical analogue will be presented—the concept of a *fractal*—and it will be related to ethics with the help of a case study.

Part III will then draw out some of the theoretical and practical implications of “moral fractals,” along with directions for future research.

Part I. Motivating the Model

There is today a growing network of educators in business ethics that includes not only philosophers and theologians, but also humanities scholars, social scientists, and managers—all of whom are as interested in applying practice to theory as they are in applying theory to practice. The discussion that follows is intended for this growing audience and seeks to develop a vocabulary for dialogue that is interdisciplinary without sacrificing precision and clarity of thought.

A Field Both Old and New

Interest in the subject matter of business ethics has, by most accounts, grown dramatically over the past two decades. Business managers, academicians, and the general public have come to appreciate in new ways the importance of the relationship between economic excellence and ethical judgment. Speculation abounds, of

“Toward an Integrated Approach to Business Ethics,” *Thought*, Volume 60 (June, 1985), pp. 161–180.

course, as to why this interest has developed: institutional self-examination after Watergate, the environmental movement, concern over employee rights, the increased number of working women, affirmative action regarding minorities, new challenges on the health and safety front, competition and comparisons with European and Asian business practices, and so on. Probably none of these factors is a sufficient explanation, but jointly they explain a lot.

Many of the concerns that are now being addressed under the rubric of “business ethics” were addressed during earlier decades under different names. Some were called “business and society.” Others were called “human relations in organizations.” Still others focused on “business-government relations” or “international business.” There is, therefore, considerable topical continuity and history to what is now called business ethics.

If there is a new twist, it has to do with a more sustained and systematic push in the seventies and eighties for an application of the tools and concepts of the humanities. Whereas in previous decades, it was largely the social sciences (psychology, sociology, economics, and political science) to which management studies turned, we see today increasing attention to disciplines such as philosophy and theology. An awareness seems to be growing that there are as many untapped resources in the disciplines that focus on frameworks for ethical thought as in those that focus on individual and group behavior.¹

Ethics: Three Ways of Thinking About Morality

“Ethics” and “moral philosophy” refer to a domain of inquiry, a discipline in which matters of right and wrong, good and evil, virtue and vice, are systematically (or at least carefully) examined. “Morality,” by contrast, most often refers not to a discipline but to a pattern of thought and action “in place” in an individual or a group or a whole society. Thus morality is what the discipline of ethics is *about*—and business morality is what business ethics is about.

Understood in this way, ethical inquiry may take one of three forms: *descriptive*, *normative*, or *analytical*. It is useful to distinguish these forms not just to maintain precise terminology but because discussions that ignore their differences create confusion. A comment like “for Americans bribery is unethical but for others not so” illustrates how such confusion can arise.

¹ Some notable examples of recent texts, anthologies, and casebooks are: Bowie, *Business Ethics*; DeGeorge, *Business Ethics*; Donaldson, *Corporations and Morality*; Barry, *Moral Issues in Business*; Beauchamp and Bowie, *Ethical Theory and Business*; Des Jardins and McCall, *Contemporary Issues in Business Ethics*; Donaldson and Werhane, *Ethical Issues in Business: A Philosophical Approach*; Hoffman and Moore, *Business Ethics: Readings and Cases in Corporate Morality*; Regan, *Just Business: New Introductory Essays in Business Ethics*; Williams and Houck, *The Judeo-Christian Vision and the Modern Corporation*; Velasquez, *Business Ethics: Concepts and Cases*; Werhane, *Persons, Rights, and Corporations*; Beauchamp, *Case Studies in Business, Society, and Ethics*; Donaldson, *Case Studies in Business Ethics*; Goodpaster, *Ethics in Management*; Matthews, Goodpaster, and Nash, *Policies and Persons: A Casebook in Business Ethics*.

If the intention is descriptive, the speaker would (correctly or not) be claiming that there are differences in moral beliefs about bribery across societies. If the intention is analytical, the speaker would (again, correctly or not) be saying something about the lack of an objective or crosscultural ethical standard. Finally, if the intention is normative, the speaker would be expressing a conviction about the moral unacceptability of bribery, at least for Americans. Any agreement or disagreement that we might have with the speaker, then, depends a great deal on how we understand the comment.

Much philosophical effort has been devoted in this country to the analytical form of ethical inquiry (also referred to as *metaethics*). Some have sought to make normative ethics objective by defining “good” and “right” in empirically verifiable terms. Others, convinced that such definitions involved an “is/ought” fallacy, found themselves unable to offer an alternative account of objectivity and lapsed into ethical relativism.

While a primary task of this essay will be analytical, in the sense of providing a *model* or *conceptual framework*, equally important are the descriptive and prescriptive tasks that it seeks to advance, i.e., understanding the values that can and should guide persons and organizations in the context of democratic capitalism as a socio-economic system.

Moral Transactions: The Subject Matter of Ethics

If morality, as the subject matter of ethics, refers to a pattern of thought and action in the real world, what kind of pattern might this be? Following philosopher Alan Gewirth, we can say that morality has to do with *transactions* between “agents” and “recipients” in which what is affected is the recipient’s freedom and well-being, and hence his capacity for action. Such modes of affecting in transactions can be most readily recognized in their negative forms: when one person coerces another, hence preventing him from participating purposively or with well-being in the transaction. (78).

At the core of morality, then, is the idea of a transaction between parties in which the freedom and well-being of each is at stake. One of the merits of this characterization is that it implies two importantly different functions for ethical reflection:

1. Understanding the nature of the *parties* to moral transactions and the criteria for identifying members of each group (agents and recipients); and
2. Giving critical attention to the *transactions* themselves (either prospectively or retrospectively), using frameworks such as those implicit in Gewirth’s mention of the “freedom and well-being” of the parties.

Unfortunately, the first of these two functions has been insufficiently explored by philosophers. There is a tendency to assume that the parties to moral transactions are easily identified or that ethical problems come prepackaged with respect to “agent” and “recipient.” Since the conventional paradigm is one in which the parties are individual persons, e.g., “Cain strikes Abel,” one could easily overlook the fact

that an initial process of interpretation takes place, and that such a process might have ethical ramifications of its own. The moral point of view or conscience, after identifying Cain and Abel as relevant parties, moves directly to the challenge of evaluating the transaction between them.

Debates over the morality of abortion illustrate the importance of distinguishing these two functions of ethical reflection, for it becomes clear that a question of the first type—“Is the fetus a human life in the morally relevant sense?”—lies behind the question of the second type—“How are we to evaluate the taking of this life?”

Conventional wisdom about the parties to various moral transactions can be and has been called into question in recent years. Concerns about the environment as well as concerns about business and professional ethics have led many to ask: What are the criteria for including something in the range of morally “considerable” recipients or in the domain of morally “accountable” agents? Who or what might count as considerable from the moral point of view? Obviously contemporary individual persons, but what about other possibilities: future persons? developing persons? animals? whole systems of living things? Such questioning is at the foundation of what is now called environmental ethics, and is leading us to a deeper understanding of the roots of Western moral thought.²

More important for present purposes is the question: What might count as an “agent” or morally accountable in the basic ethical transaction? Again, the conventional paradigm tells us that individual persons count. But what about organizations and nations or whole social systems? Are these not significant actors on the human stage and are they not in some sense “more than the sums of their parts (individual members)”?

Might corporate or government policy decisions and various forms of resource allocation be thought of as “transactions” on an institutional scale?³

In the context of business ethics, what I have called the conventional paradigm has led many researchers to focus on business transactions (e.g., employment, production, investment, marketing, accounting, etc.) without identifying the morally accountable parties in such transactions.⁴ There is a danger, however, in relying solely upon this approach in defining our subject matter. We shall see that it can lead to a kind of myopia or narrowness of vision with respect to the full complexity of the issues involved. .

Figure A2.1 depicts the basic moral transaction, labeling the class to which the agent belongs the “domain of moral accountability” and the class to which the recipient belongs the “range of moral considerability.” It leaves open questions regarding who or what might belong to each of these two classes.

²For further discussion of the range of moral considerability, see Goodpaster, 1978 and 1979.

³For further discussion of the domain of moral accountability, see Goodpaster, “Morality and Organizations,” and “The Concept of Corporate Responsibility.”

⁴An examination of the tables of contents of the books listed in footnote #1 will confirm this point. Also see Braybrooke, *Ethics in the World of Business*; Jones, *Doing Ethics in Business*; and Solomon and Hanson, *Above the Bottom Line*.

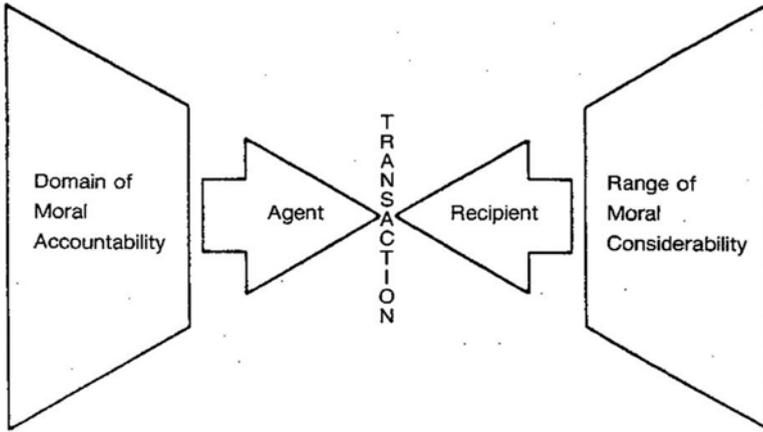


Fig. A2.1 Morality as a transaction

Mapping the Domain of Moral Accountability

While business ethics can and should include questions about considerability (e.g., Do organizations have rights?), primary attention naturally turns to the domain of moral accountability in exploring the conventional paradigm for business transactions. The three most plausible candidates for moral accountability are the choices and characters of *persons*, the policies and cultures of *organizations*, and the arrangements and ideologies of entire *social systems* (such as democratic capitalism).

Much if not all recent research in business ethics can be classified as descriptive, normative, or analytical with respect to issues on one of these three levels, though as we have seen, most writers use a more transaction-oriented classification scheme. The problem of “whistle-blowing” illustrates the ethics of the person, for example, and might be examined descriptively through case studies (How and to whom does it become an issue?), normatively through moral arguments (When is it right and when is it wrong?), or analytically through inquiries into meaning and justification (Can we define and defend it as a practice?).⁵

Issues such as employee rights, product safety, and environmental protection illustrate the ethics of the organization and, again, can be investigated along descriptive, normative, and analytical lines.⁶ The ethics of the social system itself can come

⁵ See Westin, *Whistleblowing!*; Maccoby, *The Gamesman and The Leader*.

⁶ See Ewing, *Freedom Inside the Organization and Do It My Way Or You're Fired!*; also Stone, *Where the Law Ends: The Social Control of Corporate Behavior*.

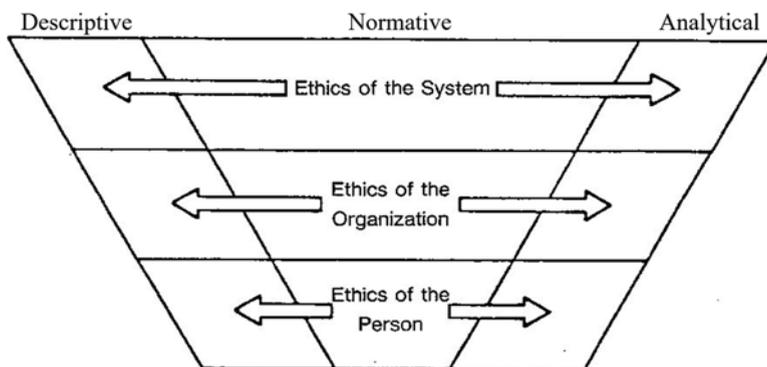


Fig. A2.2 The domain of moral accountability

under scrutiny in the arena of international business practices such as questionable payments or exports of hazardous substances.⁷

Figure A2.2 depicts the distinctions so far discussed, arranging the levels of moral accountability to indicate a broadening of scope as one moves upward from the level of the person.

One senses in this multiplicity of issues and levels a somewhat disordered “state of the art” in the field of business ethics. Part II will outline a framework or model that not only helps to classify research in the field but also illuminates linkages between research efforts and results on different levels.

Part II. Explicating the Model

Metaphysics aside, we think naturally of the domain of players on the human stage as populated by several “levels” of accountability. The institutional structures that we both form and are formed by admit of meaningful description and evaluation in terms analogous to those applied to individual persons. Once we begin to move in this direction, however, we are moving beyond simply “classifying” problems and issues in the field of business ethics.

Beyond Classification

What might it mean to go “beyond classification” in the direction of a unified framework for business ethics? We get a hint about an answer to this question when we ask another: Might there be relationships among the three levels of moral accountability that contribute to our understanding of *each* issue or problem that we

⁷See Evans, *Management Ethics: An Intercultural Perspective*. Also see Heilbroner, *Business Civilization in Decline*; Lodge, *The New American Ideology*; and Novak, *The Spirit of Democratic Capitalism*.

meet—much as when we look through different lenses on a microscope or camera, we reveal successive layers of detail and various kinds of kinship among them?

If so, then specific issues in business ethics might turn out to have several scales or level scales or levels of moral detail to them (system, organization, person). And we might inquire as to whether there were useful generalizations or patterns to be found from level to level for a given problem or kind of problem. One might seek not only to identify and address issues consistently on any given level, but also to relate the levels themselves in ways that might have implications for both philosophical understanding and management practice. Phenomena on one level might be expected to illuminate or even explain phenomena on other levels.⁸

Such an approach is what I will propose—going beyond classification in the direction of a unified framework by taking cues from a branch of contemporary mathematics: the theory of “fractals.” I will argue later that this approach has significant heuristic value for the three kinds of ethical inquiry mentioned earlier: descriptive, normative, and analytical.

An Integrating Image: Fractals in Geometry

There seems to be wide consensus in the mathematical community that the inventor of “fractals” is Benoit B. Mandelbrot, whose original essays on the subject have been refined in his book *The Fractal Geometry of Nature*. Mandelbrot coined the term “fractal” a decade ago (from the Latin *fractus*: broken or fragmented) to refer to geometrical objects that have a unique property, unlike ordinary Euclidean curves. If you look at a circle, Mandelbrot explains,

then look at it more and more closely, you will see a smaller and smaller segment of the curve and it will appear to become straighter and straighter. There is no new structure in a circle at higher magnifications. It simply looks more and more like a straight line. But imagine a shape in which increasing detail is revealed with increasing magnification, and the newly revealed structure looks the same as what you have seen at lower magnifications. This shape is a fractal. (McDermott 112)

Not all fractals are strictly “self-similar” in the sense of being assembled out of smaller identical copies of themselves (like the classic “Koch Snowflake” in Fig. A2.3, courtesy of B. Mandelbrot).

In some cases the similarity is only statistical. Mandelbrot points out, for example, that

the coast of Britain is not an exact copy of parts of itself. However, if you magnify a section of the coastline, it looks like a plausible piece of coastline from somewhere. Its pattern of wiggles is the same; there are the same number, roughly, of big wiggles and medium wiggles and small wiggles. In a statistical sense, it looks just like it did before. Just as a twig resembles a branch and a branch resembles the tree, each part of a fractal is like the whole. This property, that the statistical nature of the object remains the same if it is magnified, is known as statistical self-similarity, and it is very common indeed in nature. (Prince 48)

⁸One is reminded here of Hume’s relations of resemblance, contiguity, and causality (*Treatise*, Book I, 4).

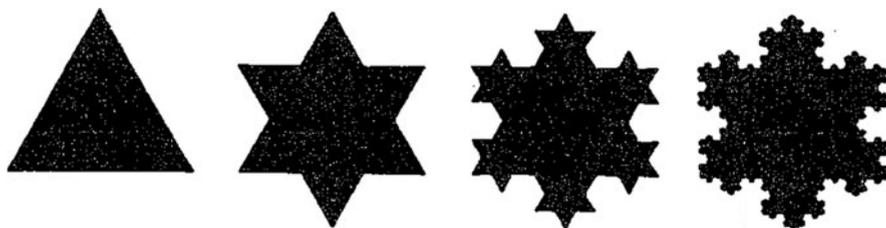


Fig. A2.3 A fractal produced by adding more and more triangles to the sides of triangles

The concept of a fractal, sketched here in only the most elementary terms, has opened up new vistas in science and mathematics for two basic reasons: *manageability* and *explanatory utility*. By manageability, I mean simply the technical capacity to generate computer representations of hitherto “chaotic” phenomena—to see them as possessing an unexpected regularity:

Until recently, scientists believed that the only shapes that were useful in science were those simple Euclidean shapes, lines, planes, and spheres; all else was chaos. There was order and there was disorder. Now there is order (simple shapes), manageable chaos (fractals) and unmanageable chaos. (McDermott 115)

By explanatory utility I mean that fractal geometry often enables us to predict the behavior of natural objects better than conventional constructs. Mandelbrot believed that fractals described nature better than any Euclidean shapes and he set out to prove it:

(Mandelbrot) scavenged problems that scientists had swept under the rugs of their disciplines, problems that did not fit conventional thinking. He characterized price jumps in the stock market, turbulence in the weather, the distribution of galaxies, the flooding of the Nile, even the length of coastlines. (McDermott 114)

The contexts in which the theory of fractals has found application, therefore, are many and varied—including meteorology, geography, metallurgy, computer science, and economics. While I have been unable to discover any previous applications in the field of ethics, it is my hope that in the future such an idea will not seem strange. The suggestion of this essay is that the notion of a fractal has as much power in the context of moral subjects as in the context of natural objects.⁹

Giving Meaning to “Moral Fractals”

To clarify this latter suggestion, and thus to give meaning to the notion of a “moral fractal,” three features of our geometrical analogue need to be emphasized. Each represents a condition or requirement for the transferability of the notion of a fractal to the field of ethics.

⁹See Mandelbrot, especially Chapter XII, for connections between fractal geometry and certain basic themes in classical philosophical and scientific thought.

1. The first feature is that our ordinary intuitions about space permit mathematical objects to have similar properties at various “scales”—and therefore to be *self*-similar. While this may seem obvious for geometry, it is less obvious in the domain of moral accountability and therefore deserves special notice.

It is necessary for the intelligibility of moral fractals that ethical attributes be meaningful at different “scales” (person, organization, system). Without some constancy of meaning across levels of attribution, similarity between levels cannot be defined. And without the availability of similarity as a relation among levels, the idea of fractal self-similarity cannot be understood.

Thus concepts like “right” and “wrong,” “good” and “evil,” “responsible” and “virtuous,” must have analogous meaning as applied to moral subjects on the personal, organizational, and systematic levels. Otherwise the fractal comparison cannot even get a foothold.

This way of thinking is already implicit in our use of persons, organizations, and systems as units of analysis in social scientific description and explanation. It is not only logically possible, but often quite illuminating, to view them as agents in transactions with other persons, organizations, and systems, particularly when they manifest symptoms of rationality and self-interest. We speak, for example, of the goals and purposes of individuals like Tom and Mary, the interests and strategies of organizations like IBM, and the directions of entire social systems including nations and groups of nations (e.g., “the West”).

I have argued elsewhere that it is meaningful to attribute general moral characteristics to organizations by analogy with individual persons.¹⁰ Extending this line of thought to social systems by analogy with organizations, of course, requires certain qualifications (having to do with the sense in which such systems can be “managed” as unified wholes), but raises no insurmountable obstacles.

2. The second feature of our geometrical analogue that needs emphasis is that it is a theory about “full-scale” objects. That is, while it is possible to distinguish between scales from the point of view of the scientific observer, objects come packaged in nature with all scales in place at once.

The corresponding feature of moral accountability is illuminating, for it represents a condition (in fact satisfied) that persons, organizations, and systems do not come separated neatly in real life. They are inevitably and inextricably linked. A moral fractal is a complex reality made up of persons-in-organizations-in-systems that manifests more or less self-similarity with respect to a given set of ethical characteristics. It is not enough in trying to understand problem situations to focus on individuals or organizations or systems in isolation from one another. This point will be clarified further in the next section with the help of a case study.

3. The third feature of our geometrical analogue that should be emphasized is that not all fractals are strictly self-similar. One should not interpret the claim that certain persons or organizations are parts of moral fractals to mean that precisely

¹⁰Goodpaster, “The Concept of Corporate Responsibility.”

the same attributes will be found in one that are found in the other. It may be that the attributes are only remotely similar—or indeed it may be that they are not similar at all, but *eventually will be* given the playing out of certain social or psychological dynamics.

In the context of moral accountability, this last feature of fractal geometry requires that we be able to make sense of partial similarities as well as tendencies toward congruence from one level to another. That this condition is satisfied can be seen from such observations as the following by psychiatrist M. Scott Peck, writing of the infamous massacre at MyLai:

For many years it has seemed to me that human groups tend to behave in much the same ways as human individuals—except at a level that is more primitive and immature than one might expect.

Why this is so, Peck says, he does not know. But he adds:

It is an extremely important question, deserving great thought and research. It is an issue not only specific to group evil in general—as if that were not enough—but crucial to the understanding of all human group phenomena, from international relations to the nature of the family. (216)

Up to this point, we have been exploring the meaningfulness of the notion of a moral fractal in terms of three key features of its geometrical analogue. These features add up to the simultaneous presence in real world situations of different levels of moral accountability and different degrees of self-similarity. Let us now enrich this somewhat abstract analogy with the help of a case study, and then (in Part III) explore some of its philosophical and managerial implications.

Moral Fractals in Business Ethics: A Case Study

Consider the (disguised but real) case of John Reed, president of the Food Products Division of Diversified Industries, Inc., a large multinational corporation headquartered in Atlanta, Georgia:

It had been a very profitable year, but Reed was under pressure to misrepresent his division's financial success by asking several major suppliers to bill him in advance for amounts totalling \$1 million in future goods and services. This would reduce profits just enough to make his division's goal for the year, while not encouraging corporate headquarters to increase the goal too much for next year. Forty percent of Reed's compensation, as well as the compensation of a significant number of his best managers, depended upon the bonus allocated for achieving the division's annual financial goals.

Each year Reed was expected to sign a document attesting to his compliance with Diversified's Code of Ethics, a code that explicitly mentioned honest financial reporting. Nevertheless, he was aware that his ambitious counterparts in other divisions understated their income regularly as a kind of "savings account" for future success.

What, and on what level, is the ethical problem in this case? It is possible to view the case as a study in the ethics of the person—John Reed—as he struggled to maintain his integrity in the face of significant pressures to compromise. It is also

possible to view it as a study in the ethics of the organization—Diversified Industries, Inc.—as it sought to encourage both ethical behavior and dependable growth through a management incentive system. On still a third level, it is possible to view the case as a study in the values and competitive dynamics of capitalism itself: large and small investors guide their resource-allocation decisions by the quarterly and annual earnings reported by large organizations.

To ask “On what level is the ethical problem in this case?” is, in a sense, to do violence to the moral reality of the situation. It is to look at the level structure depicted earlier in *Fig. 2* from a classificatory rather than a fractal point of view. A full understanding of John Reed’s problem and meaningful suggestions for resolving it demand that we look at the issues on all three levels at once and that we see the relationships between them. The “problem” does not *exist* on only one level—any more than objects in nature exist on only one “scale”—even though they must of course *present* themselves to us at a given scale.

Thus it would be accurate—but misleading—to say that this is a case about whistleblowing, or about corporate management incentive systems and ethical codes, or about the values implicit in capital markets. In reality, it is a case about all three—and about their “connectedness.” What is more, we can see certain structural similarities on each level of moral accountability: the person, the organization, and the system each confront circumstances in which “breaking ranks” in the name of ethical values could be costly. We cannot fully understand the moral transactions (and hence responsibilities) in this case until we see them as resonating through several levels of moral accountability.¹¹

Part III. Some Implications of the Model

I shall call the strategic or methodological principle that I am proposing here the “Moral Fractal Principle”(MFP).¹² In its simplest form it can be stated as follows:

(MFP) Persons, organizations, and social systems can usefully be seen from the fractal point of view as aspects of self-similar coalitions of moral accountability.

Just as many phenomena in nature can usefully be seen as complex unities which copy themselves when one enlarges or reduces their scale, the MFP asserts that certain ethical “patterns” reappear in the domain of moral accountability at the “scale” of the person, the organization, and the system as a whole. Morally accountable “coalitions” in transactions, like “players” in game theory, can be understood

¹¹ Greater detail on this and several other case studies that invite ethical analysis from a fractal point of view can be found in Goodpaster, *Ethics in Management*.

¹² Readers of Goodpaster, “The Concept of Corporate Responsibility” will see in the MFP a generalization of what I there called the “Principle of Moral Projection” (see §8). Readers will also see that a corresponding “Fractal Principle of Moral Considerability” might be developed on the other side of the transaction in *Figure 1*. The seeds for such a corresponding principle were planted in the essay “From Egoism to Environmentalism.”

and analyzed similarly on multiple levels—not in “perceptual” space, as with geometrical fractals, but in “conceptual” space.¹³

To try to set out the full implications of the fractal point of view in business ethics would take us beyond the scope of this essay, but we can get a sense of its heuristic value for three primary groups whose interests in the field are significant—social scientists, managers, and ethical theorists. The perspectives of these groups, it should be noted, correspond roughly to the branches of ethical inquiry mentioned in Part I—descriptive, normative, and analytical.

In the three sections that follow, I will discuss some of the implications of the MFP for these branches of inquiry—touching upon directions for future research. No attempt will be made to be comprehensive in these discussions; rather, the purpose is to indicate the fertility of the notion of a “moral fractal” for each branch. Such fertility is, in the end, the strongest argument for any methodological principle.

The Social Sciences

The MFP has two general implications for the *descriptive* study of business ethics, carried on largely by the social sciences. First of all, it supports certain broad similarities in research methods across persons, organizations, and social systems. Sociologist Philip Selznick has observed that

the study of institutions is in some ways comparable to the clinical study of personality. It requires a genetic and developmental approach, an emphasis on historical origins and growth stages. There is a need to see the enterprise as a whole and to see how it is transformed as new ways of dealing with a changing environment evolve. As in the case of personality, effective diagnosis depends upon locating the special problems that go along with a particular character-structure; and we can understand character better when we see it as the product of self-preserving effort to deal with inner impulses and external demands. In both personality and institutions “self-preservation” means more than bare organic or material survival. Self-preservation has to do with the maintenance of basic identity, with the integrity of a personal or institutional “self.” (141)

Selznick’s point has been echoed in other quarters and applied even more directly to quasimoral characteristics in Robert Axelrod’s game-theoretic study of cooperation. Axelrod writes:

The emergence, growth, and maintenance of cooperation do require some assumptions about the individuals and the social setting. . . . Actually, these requirements (for recognition and recall) are not so strong as they might seem. Even bacteria can fulfill them by interacting with only one other organism and using a strategy which responds only to the

¹³One might view the “level independence” of the notion of a “player” in game theory as an illustration of the relevance of the fractal point of view to nonmoral studies of decision making. See, for example, Davis, *Game Theory: A Nontechnical Introduction*.

The word “player,” incidentally, does not have quite the meaning one would expect. A player need not be one person; he may be a team, a corporation, a nation. It is useful to regard any group of individuals who have identical interests with respect to the game as a single player. (xvi)

recent behavior of the other player. And if bacteria can play games, so can people and nations. (174)

Both Selznick and Axelrod reinforce the suggestion of the MFP that categories such as “self-preservation” and “cooperation.” display empirical similarities from person to organization to system. Further research is needed that focuses directly on the moral aspects of such characteristics as perception, reasoning, coordination, and implementation.¹⁴

The second general implication of the MFP for social-scientific research goes beyond similarities of *method* from one level to another and focuses on the *connections* between empirical findings on each level. Once we understand that John Reed (in our case study) is faced with a personal moral dilemma and that Diversified Products, Inc. is also faced with an organizational moral dilemma, we can explore the relationships between them.

If we generalize from individual cases, and pursue *causal* regularities, it becomes natural to ask such questions as whether capitalism as a system confers virtues or vices on the organizations and institutions that comprise it; and whether the organizations and institutions that comprise it confer virtues or vices on the persons that work for them. Similar questions might be raised in the reverse direction (from persons, through organizations, to the system itself).

Research of this sort has been conducted during the past decade by psychoanalyst Michael Maccoby, for example, who suggests that certain character traits of responsible executives are selected against by the “psychostructure” of many corporations leading in turn to effects on the overall character of the organizations themselves.

Some of the questions in this branch of inquiry to which the MFP naturally gives rise are:

- What are the most reliable “indicators” of the various moral characteristics in which we are interested at each level?
- To what extent do the moral values of managers and employees at various levels in ¹ the organizational hierarchy-influence the moral values of the organization as a whole—and conversely?
- To what extent do the moral values of organizations of various sizes in various sectors influence the moral values of the system as a whole—and conversely?
- What are the mechanisms by which ethical “accommodation” takes place between individuals and an organization, between organizations and a system, and among systems in a global social economy?

The research challenges that lie ahead here will involve understanding patterns that more conventional research agendas would overlook. Selznick’s observations over 25 years ago still apply, especially if we interpret “diagnosis” (if not “therapy”) in ethical terms:

¹⁴ See Goodpaster, “The Concept of Corporate Responsibility” §6, 7, 9.

In approaching these problems, there is necessarily a close connection between clinical diagnosis of particular cases and the development of sound general knowledge. Our problem is to discover the characteristic ways in which types of institutions respond to types of circumstances. The significant classifications may well depart from common-sense distinctions among enterprises according to whether they perform economic, political, religious, or military functions. Students of personality have had similar objectives and have made greater, although still very crude, efforts to get away from common-sense rubrics. Yet, despite theoretical difficulties, real progress has been made, and clinical success in diagnosis and therapy lends confidence to the larger scientific quest. (142)

In summary, the MFP does have both methodological and substantive heuristic value for the study of business ethics by social scientists. Let us now turn to the most concrete purposes that such studies might serve, the normative decision making of managers themselves.

Business Administration

We have seen that “moral fractals” both merit and encourage further social-scientific inquiry. But business managers must make and act upon *normative* ethical judgments about right and wrong, good and evil, virtue and vice. What implications and heuristic value might the MFP have in the executive suite?

A number of contemporary observers of management have expressed the view that human values are increasingly becoming a part of the business of business. The extraordinary popularity of the book *In Search of Excellence* by Peters and Waterman is some testimony to the wide following that such a view possesses. Another well-received book, *The Art of Japanese Management* by Pascale and Athos, expands on the point:

Two forces are at work: employees seeking more meaning from their jobs and demanding more concern from the corporation, and legislative pressures enforcing a broad range of personal services, including employee rights to counseling. (193)

Management that is responsive to these forces will give special attention to the formulation and implementation of corporate policies for securing “shared values” among employees. The MFP suggests that this process may be analogous to the process that system-level regulators face in dealing with corporations. If so, then corporate executives might consider a kind of “Golden Rule” in order to avoid ethical dissonance: “Regulate internally as you would be regulated externally—no more but no less.”

A related point about dissonance is that very seldom is it possible in an administrative situation to “do just one thing”—so that conflict and internal inconsistency must be guarded against. Policies may not only conflict with one another at a given level (as in the case of the incentive system and the ethics code at Diversified Industries) but they may interact from one level to the next as well (e.g., ethical “anarchy” in the name of toleration leading to organizational amorality).

The MFP suggests that the policies governing ethical decisions for the organization as a whole should be similar to the policies governing the ethical behavior of

individuals and/or the larger system. In other words, the normative ethical role of the administrator may involve not only the avoidance of conflict on or between levels but the more positive task of developing a set of moral principles or “superordinate goals” for the organization analogous to those he or she would define and defend for an individual or conversely. To quote Pascale and Athos again:

What is needed in the West is a nondeified, nonreligious “spiritualism” that enables a firm’s superordinate goals to respond truly to the inner meanings that many people seek in their work—or, alternatively, seek in their lives and could find at work if only that were more culturally acceptable. (193)

Some of the questions in this arena to which the MFP naturally gives rise are:

- Is it desirable for a chief executive to try to articulate a statement or formulation of a corporation’s moral beliefs, especially if they run the risk of disadvantaging the company with respect to one or more of its many constituencies?
- What are the most effective techniques for implementing such a statement (if desirable) to foster an ethical environment in the corporation (management succession, hiring policies, reward systems, organizational structure, etc.)?
- What is an appropriate degree of “value tolerance” in an organization, avoiding both indifference and dogmatism?
- What is an appropriate degree of “value tolerance” in a social system, made up of organizations and institutions?

Leadership in administration has a profoundly normative aspect to it that reaches from the level of the organization to both the person and the wider social system. Managers who ignore this aspect of their role do so not only at their own peril but at the peril of those—either within or outside—whose lives are touched by the corporation. Selznick summarizes this line of thought eloquently when he writes:

The lesson is this: Those who deal with the more obvious ideals—such as education, science, creativity, or freedom—should more fully recognize the dependence of these ideals on congenial though often mundane administrative arrangements. On the other hand, those who deal with more restricted values, such as the maintenance of a particular industrial competence, should be aware that these values too involve ideals of excellence, ideals that must be built into the social structure of the enterprise and become part of its basic character. In either case, a too ready acceptance of neutral techniques of efficiency, whatever their other merits, will contribute little to this institutional development and may even retard it. (141).

The MFP, then, in addition to its heuristic value for descriptive ethics in the realm of business, offers normative guidance for those who struggle with the legitimacy and content of the administrative point of view.

Ethical Theory

We turn now to ethical theory, which, while it includes some of the normative concerns of the previous section, embraces as well the conceptual foundations of moral thought. Here we discover that the MFP has deep classical roots and that Plato long

ago appreciated (and presupposed) it in his discussion of justice (*Republic*, Book II). The language is richly suggestive in the context of fractals:

SOCRATES: This investigation we are undertaking is not easy, but requires keen eyesight. As we are not very clever, I think we should adopt a method like this: if men who did not have keen eyesight were told to read small letters from a distance, and then someone noticed that these same letters were to be found somewhere else on a larger scale and on a larger object, it would be considered a piece of luck that they could read these first and then examine the smaller letters to see if they were the same.

FRIENDS: That is certainly true, but what relevance do you see in it to our present search for justice?

SOCRATES: I will tell you. There is, we say, the justice of one man, and also the justice of a whole city. And a city is larger than one man. Perhaps there is more justice in the larger unit, and it may be easier to grasp. So if you are willing, let us first investigate what justice is in the cities, and afterwards let us look for it in the individual, observing the similarities to the larger in the smaller.

Plato's strategy in the above passage represents a rather direct application of the MFP to the problem of analyzing the concept of justice. Similar moves might be made with respect to other key moral concepts such as responsibility, virtue, rationality, and respect—as well as into the *conditions* presupposed by such concepts, such as unity of consciousness, centralization of control, perception, freedom, action, etc. Beyond the heuristic value of the MFP for the analysis of moral concepts and their conditions, however, we can begin to see its value for deepening our understanding of certain recurrent “conundrums” in ethical theory. Four such issues have been the topic of much discussion in the twentieth century:

Ethical Relativism Can there be a cross-cultural standard of moral judgment based on certain universal human characteristics? Or are we reduced to either moral imperialism on the one hand or what one author calls “moral isolationism” on the other? What are the organizational and systemic analogues to this problem in the context of multinational corporations and are they related?¹⁵

Ethical Egoism Is it possible to provide a satisfactory account of rationality that incorporates nonegoistic elements such as respect for others? How would such an account test against competitive dilemmas in game theory? Is the problem of egoism present in the same way at each level of moral accountability?¹⁶

The Naturalistic Fallacy Does the temptation to supply a reductivistic “definition” of the moral point of view manifest itself at each level of moral accountability? Can we see in the tendency of corporations to substitute various “stakeholder” interests

¹⁵ See Midgley, *Heart and Mind: The Varieties of Moral Experience*.

¹⁶ See Axelrod; also see Goodpaster, “Morality as a System of Categorical Imperatives.”

for conscience an analogue to this temptation? If so, does the organizational analogue afford any insight into the issue on the personal and systemic levels?

Collective Responsibility How are we to understand the attribution of responsibility (in various senses of that term) to individuals and collectives? Does one imply or exclude the other?

In connection with the last-mentioned issue, it is perhaps worth mentioning that the MFP may help resolve recent debates over the implications of ascribing moral responsibility to corporations. Some have argued, for example, that if we were to take the notion of corporate (let alone systemic!) responsibility seriously, we would either be logically or morally forced to ignore individual or personal responsibility—that attribution of responsibility at one level precludes attribution at the other.¹⁷

If we take the fractal point of view, however, we can see that there is no pressure in the direction of exclusivity as we attribute moral characteristics across levels. Indeed, fractal geometry (in contrast to Euclidean geometry) helps us to understand precisely how it is possible for characteristics at one level or scale to be present simultaneously at others without exclusion.¹⁸ Recalling our case study, this translates into the observation that John Reed’s personal responsibility for honest financial reporting is not removed by the acknowledgment of responsibilities on the part of Diversified Industries for ethical incentive policies or the attribution of responsibility to the social system for the regulation of capital markets.

We should note, in reflecting on the fundamental issues mentioned here, that the MFP stimulates new questions and points out new directions for seeking answers in ethical theory. It does this by forcing us to consider whether and in what sense corporations and social systems, like persons, can be regarded as agents and recipients in moral transactions. The answers to such questions are not simply logical truths about moral discourse. They have to do not with possible worlds but with the actual world in which we live out the moral life.

Nor are they *ontological* truths about individuals and organizations. The “furniture” of the moral world, like that in one’s study, needn’t be regarded as ontologically primitive or irreducible in order to be used for sitting, writing, storing information, etc. It serves its purpose if it helps one to get on with the business of living well. The ontological status of persons, corporations, and systems can remain

¹⁷See Velasquez, “Why Corporations Are Not Responsible for Anything They Do,” and “Commentary” article by Goodpaster in the following issue of the same journal.

¹⁸Arguments like the following from a recent article by philosopher John Ladd can thus be seen to be flawed:

Just as the Greek mythology relieved individuals of responsibility for their actions and projected it onto the gods, so also the corporate mythology enables individuals to abdicate their responsibility for collective action and to “project” responsibility instead, onto the corporation (14).

In the same journal issue, see a reply by Goodpaster, “Testing Morality in Organizations” 35–8.

open while ethical theorists explore the similarities and differences among the levels of moral accountability.

Thus the MFP suggests a kind of “metaphysics of morals,” but without the trappings of logical or ontological ultimacy. It helps the ethical theorist to appreciate the multidimensional structure of practical problems that call for moral judgment.

Conclusion

This essay has sought to integrate moral accountability on three scales or levels of analysis—the person, the organization, and the economic system. Utilizing innovative work in mathematics on “fractals,” I have suggested some of the implications of this conceptual model for social scientists, business managers, and ethical theorists. Linkages to recent literature in business ethics have been indicated, as well as to classical sources.

The concept of a moral fractal is *not* offered as a device for easy solutions to ethical problems. On this point, I am inclined to echo Mandelbrot’s own words on the subject:

Most emphatically, I do not consider the fractal point of view a panacea, and each case analysis should be assessed by the criteria holding in its field, that is, mostly upon the basis of its powers of organization, explanation, and prediction. . . . (3).

Nevertheless, the potential relevance of the Moral Fractal Principle to business ethics is dramatic. It presents an image of great heuristic power for understanding the multiple levels of moral accountability. This means that there may be a way to integrate the field—in the sense of providing researchable descriptive, normative, and analytical hypotheses—hypotheses that if false, will be interestingly false and if true will be importantly true. Theorists and practitioners alike are invited to expand and apply these ideas with a view toward an integrated approach to business ethics.

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Appendix 2b: Tenacity: The American Pursuit of Corporate Responsibility

KENNETH E. GOODPASTER

Abstract This article attempts to answer the question, “What are the most important ideas from serving as Executive Editor of the 5-year history project that culminated in the book, *Corporate Responsibility: The American Experience*?” The ideas focus on (1) clarifying the phenomenon of tenacity; (2) looking at three foundations of our tenacity; and (3) asking “*How fragile is our tenacity?*” This article also presents three foundational principles that underlie the American experience of corporate responsibility. First, the Checks & Balances Principle tells us that *there are checks and balances in democratic capitalism which give us confidence that the pursuit of economic goals will be moderated for the common good*. Second, the Moral Projection Principle shows that *there is good reason to consider the corporation not only as a legal person under corporate law but also as a moral person*. And, last, the Moral Common Ground Principle reflects that *there are shared moral values ascertainable by well-developed consciences in individuals and in corporations*. The article concludes with this argument: The tenacity regarding corporate responsibility that has been so characteristic of American capitalism is fragile—calling for serious vigilance if it is to endure.

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This article takes its inspiration from a 5-year project on the history of corporate responsibility in the United States that I was privileged to lead as Executive Editor. My distinguished colleagues and the principal authors of this history were Professor Archie Carroll of the University of Georgia, Professor Kenneth Lipartito of Florida International University, Professor James Post of Boston University, and Professor Patricia Werhane of the University of Virginia and DePaul University. This work was recently published by Cambridge University Press under the title *Corporate Responsibility: The American Experience*. I should also mention that this project was made possible by a generous grant to the University of St. Thomas from the Halloran Philanthropies in Philadelphia, Pennsylvania¹ (see Fig. A3.1).

What this history project offered to all of us who participated in it was a degree of *perspective* on the subject of corporate responsibility that I doubt any of us could have claimed at the outset of the work.² I have been asked on numerous occasions, “What’s the most important idea—your biggest ‘take-away’—from the 5 years of work that went into this history?” This article represents my attempt to answer that question.

¹“Tenacity: The American Pursuit of Corporate Responsibility,” *Business and Society Review*, (118:4, 2013), pp. 577–605.

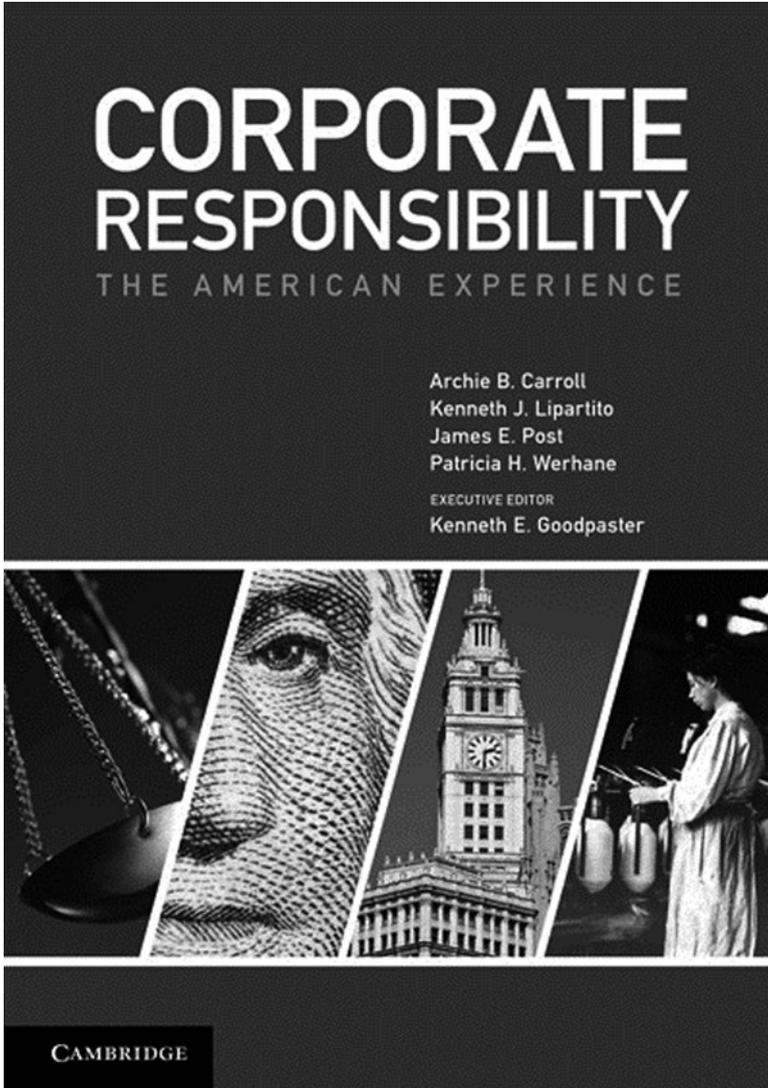


Fig. A3.1 Cover of corporate responsibility: the American experience

I will be arguing for three propositions:

- First, the most striking characteristic of American culture, from the time the modern corporation arrived on the scene in the nineteenth century through the first decade of the twenty-first century, has been the tenacity with which we have held to a free enterprise market economy despite frequent disappointments.

- Second, this tenacity reveals several *basic convictions* about business ethics in America. These convictions encompass (a) our confidence in *checks & balances* for sustaining our ideals as a society; (b) our view of the corporation not only as a legal person under constitutional law but also as *a moral person*; and (c) a set of *shared moral convictions* about right and wrong, good and bad, virtue and vice.
- My third proposition is that going forward, our American tenacity about corporate responsibility is *fragile*—because the convictions that have given it strength in the past may or may not be able to support it in the future. If we lose confidence in our institutional systems and/or in our shared moral convictions, the discipline and practice of business ethics as we currently understand it will weaken and wane.

Clarifying the Phenomenon of Tenacity

During the past two centuries, corporations have demonstrated amazing productivity, innovation, and adaptability—and when they have displayed questionable ethical or social behavior, our persistent response as Americans has been to improve them, either internally or externally, rather than to overturn the system in favor of more socialistic models. Despite challenges to corporate *legitimacy*, Americans have sought to deepen corporate *responsibility*.³

Think about it for a moment: “Corporate responsibility” in the American experience is a reality that has a *history*! The fact that our history project has a *subject matter* is a nontrivial comment on American society that we tend to take for granted. We can joke—as we often do—about “business ethics” being an oxymoron, but what if it really *was* an oxymoron? What if the attribution of adjectives like “responsible” or “ethical” to corporations was pointless, ridiculous, even self-contradictory? The *very idea* of insisting that business organizations (already considered legal persons) must be ethical, or responsible actors would be meaningless unless they had some degree of discretion or liberty.

But the idea is *not* meaningless. It is embedded in our law and in our everyday discourse about leadership and corporate culture. I will say more about the legal system later, but it is worth pointing out here, as we do in the history volume just published, that we attribute personhood to corporations under American law and in our common moral discourse:

US law treats corporations as legal persons and tends to hold corporations themselves, and not merely the managers and employees who make up the corporation, accountable. In fact, we refer to companies as if they are individual entities, and we speak of corporate responsibility as if it applied to a single entity, even though we cannot actually shake hands with companies or lock them up. If corporations are legal persons, and thus artificial entities, this makes sense.⁴

Of course the American experience with corporate responsibility reveals both “good news” and “bad news” about business organizations.

The Good News

Throughout the history of corporate responsibility in America, there has been *praise* for the contributions of business organizations for many reasons, including the following:

- innovation in manufacturing and technology
- the provision of employment opportunities
- increased productivity
- contributions to the overall health and longevity of American lives
- improved economic opportunities for minorities and women
- general contributions to the public sector through tax revenues
- philanthropic generosity to social institutions, educational institutions, and the arts

The Not-So-Good News

Across those same pages of American history, there have been serious negative charges leveled at the corporation, at corporate behavior, and at business as an institution. Some of the prominent criticisms have been as follows:

- abuse of power by monopolies
- violence toward, and exploitation of, labor on the part of management
- employee “captivity” in company towns
- unsafe labor practices (including child labor)
- discrimination against minorities and women in the workplace
- indifference to consumer product safety
- unresponsiveness to the importance of the natural environment
- financial manipulation and breaches of fiduciary obligations to investors
- betrayal of American workers (and exploitation of foreign workers) in the pursuit of globalization

Instead of *surrendering* the business system (the private sector) by centralizing economic decision making in the public sector, Americans have relied upon checks and balances between and among the public sector, the private sector, and a “third sector” that has been called by various names: the “social-cultural sector,”⁵ “the moral-cultural sector,”⁶ the “social sector,”⁷ the “civic sector,”⁸ or simply “private associations.”⁹

During the nineteenth century, Karl Marx and other critics of capitalism saw it as essentially morally bankrupt, relentlessly alienating in its exploitation of workers. Indeed, between the mid- nineteenth century and the mid-twentieth century, competing economic systems were clearly gaining energy in both Europe and Asia. However, American companies, the American public, and the U.S. government responded to this critique with *voluntary* initiatives designed to “humanize” free enterprise—or with *involuntary* boundaries when voluntarism was unreliable or

prevented by competitive dilemmas. So far, this American pursuit of corporate responsibility seems to have succeeded—or at least most forms of collectivism seem to have failed.

It is as if the American disdain for *political* centralization, so evident in its rejection of monarchy, generated a *corresponding* disdain for *economic* centralization in its affirmation of free market business organizations.

Again and again, we have witnessed this pattern: *appeals* by citizens and civic associations in the public square for business leadership and accountability—and failing this—*appeals in legislatures and courtrooms* for curbs on business behavior and punishment for past wrongdoing. We presume that the corporation, despite its preoccupations with efficiency, profitability, and competitiveness, and despite its need to comply with governmental imperatives, *can and should be responsive to individual rights and to the common good*. We presume, in other words, that the corporation *can and must develop an ethical response system, not just an economic and a legal response system*. Now let us turn to my second main proposition and the basic foundations that lie *behind* the tenacity of our pursuit of corporate responsibility.

Three Foundations of our Tenacity

Three foundational convictions underlie what I am calling American tenacity regarding corporate responsibility:

1. **The Checks & Balances Principle.** There are checks and balances in democratic capitalism which give us confidence that the pursuit of economic goals will be moderated with attention to the common good.
2. **The Moral Projection Principle.** There is good reason to consider the corporation not only as a legal person under constitutional law but also as a moral person.
3. **The Moral Common Ground Principle.** There are shared moral values ascertainable by well-developed consciences in individuals and in corporations.

Most Americans understand the idea of a *political* set of checks and balances, that is, the separation of governmental powers among legislative, executive, and judicial branches to avoid too much concentration of power in any branch. However, when I refer to the “Checks & Balances Principle,” I have a related, but larger scale idea in mind.

The First Underlying Conviction

The first foundational conviction has already been alluded to, namely, that Americans have placed a good deal of confidence in the social arrangements that sustain our core ideals. This “Checks & Balances Principle” was born alongside our Declaration of Independence and our constitutional rejection of *monarchy*.

In the nineteenth century, Alexis de Tocqueville remarked about Americans' confidence in and reliance upon not only government and commerce but also "private associations" to achieve social stability.¹⁰ In the twentieth century, Michael Novak, in his book, *The Spirit of Democratic Capitalism*, echoed de Tocqueville when he offered a description of American society as an intersection of three broad subsystems or "sectors": the economic, the political, and the moral-cultural (see Fig. A3.2 below). In Novak's words,

Democratic capitalism is not a "free enterprise system" alone. It cannot thrive apart from the moral culture that nourishes the virtues and values on which its existence depends. It cannot thrive apart from a democratic polity committed, on the one hand, to limited government and, on the other hand, to many legitimate activities without which a prosperous economy is impossible.¹¹

The *economic* sector accounts largely for the wealth of a nation (its production of goods and services). In keeping with the Preamble to the United States Constitution, the *political* sector aims to "establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity." The *moralcultural* sector shapes and articulates our moral values through the basic elements of civil society, including the family, educational institutions, churches, the media (print and electronic), and various other nonprofit associations.

The important point is that business organizations, as elements of the *economic* sector of our society, do not function in a vacuum. They function in an atmosphere of "practical wisdom" supplied by the other two sectors: by the political sector

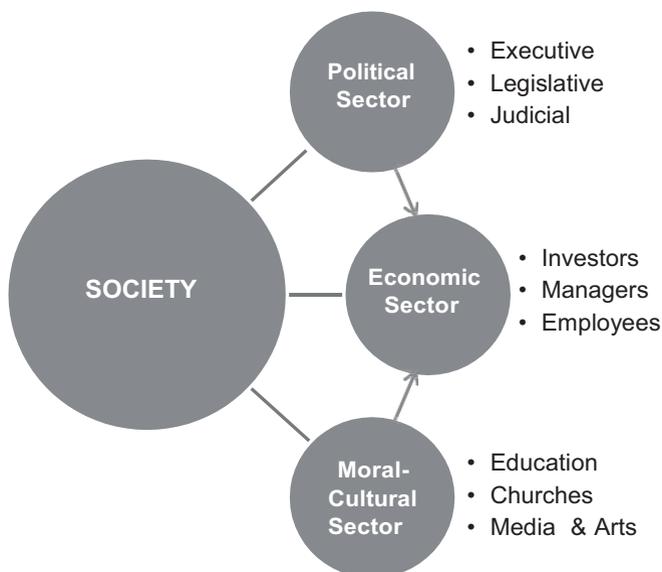


Fig. A3.2 An interpretation of Novak's tripartite view of society

through legal statutes, regulations, and court decisions; and by the moral-cultural sector through appeals by various stakeholder groups, by the business press, by churches, and increasingly by social media and the Internet.¹² As Novak points out, “At various times in American history, both the political system and the moral-cultural system have seriously intervened, positively and negatively, in the economic system. Each of the three systems has modified the others.”¹³

We have pursued corporate responsibility through actions in the public square—identifying problems, appealing for solutions to business leadership, enlisting political leadership, and even showing leadership in the “third sector”—churches, business schools, advocacy groups, other nongovernmental organizations, and the media. The consistent American aspiration, in other words, has been *the moral improvement of the business corporation*:

- from condemnations of child labor in 1832 to the Fair Labor Standards Act in 1938
- from the Seneca Falls Declaration of 1848 to the Women’s Rights Movement of the 1960s
- from the Emancipation Proclamation in 1862 to the Civil Rights Act in 1964
- from the protests leading up to the Sherman Antitrust Act in 1890 to Theodore Roosevelt’s energetic application of it in the first decade of the twentieth century¹⁴ (see Fig. A3.3 below)



Fig. A3.3 “Concerning a Growing Menace,” chromolithograph by Joseph Keppler, *Puck*, September 30, 1903. (Courtesy of the Library of Congress, Prints and Photographs Division)¹⁵

These transformations have evolved (sometimes all too slowly) over time from interactions among corporations, the government, and various institutions representing the moral and cultural values of the American public. Critics of the abuses and misfortunes of capitalism have often appealed to the public sector for control and redress but usually as a last resort. Long before legislative, judicial, or executive governmental interventions, Americans organized associations and appealed to whoever would listen when the lives and livelihoods of employees, consumers, communities, and the natural environment were at stake. Corporations often did listen, and often sought to devise their own creative solutions to the social problems of capitalism.

This **Checks & Balances** architecture means that each sector must coexist in equilibrium with *two* other societal influences—a kind of social *ecosystem*. Each sector must check and be balanced by the other two. Applying this to business institutions, the *resilience* of American capitalism has been encouraged by pressures to respond to *both* political *and* moral-cultural stimuli.¹⁶

As our history has repeatedly illustrated, the press, labor unions, churches, associations of minorities and women, and groups of citizens dedicated to truth in advertising have been the voices of the moral-cultural sector directed at business practices when they were found wanting. When these voices have not been heeded, they have formed coalitions with the political sector to influence business behavior.

The Second Underlying Conviction

The second foundational conviction that underlies our tenacity about corporate responsibility—**The Moral Projection Principle**—acknowledges the “checks & balances” idea just described, but sees it as insufficient because it is too *external*. The evolution of the American corporation has led us in the direction of trying to *internalize* and *institutionalize* responsibility rather than depend solely on political and moral-cultural external pressures.

Over the past two centuries, our society has become what Peter Drucker referred to as a “society of organizations.”¹⁷ Personal actors on the economic, political, and moral-cultural stage have more and more been replaced by institutional or organizational actors.¹⁸ If we combine with the evolution of our “society of organizations” the fact alluded to earlier, that, by 1868 corporations were firmly established under American law as “legal persons,” it should not be surprising to find that corporations were eventually expected to behave in society with *consciences* analogous to individual persons¹⁹ (see Fig. A3.4).

In truth, the idea of the corporation as a legal person was established long before the Fourteenth Amendment to the U.S. Constitution in 1868. It was articulated as early as 1819 when the Supreme Court ruled that the Trustees of Dartmouth College could act as a corporate body “to have, get, acquire, purchase, receive, hold, possess and enjoy. . .” properties and to “accept and receive any rents, profits, annuities, gifts, legacies, donations or bequests. . .” for their use.²⁰

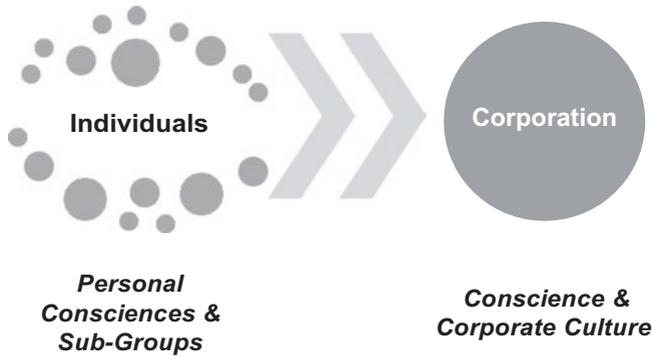


Fig. A3.4 The principle of moral projection: personal consciences and subgroups influence organizational or corporate conscience

However, it is important to add that the “legal personhood” of the corporation is not the same as its *moral* personhood. *Moral* personhood requires that the corporation have sufficient *discretion* or *freedom* under the law so that the ideas of *responsibility* and *conscience* can make sense. Without such freedom, corporate leaders and managers might simply be constrained by law to make decisions solely on the basis of nonmoral considerations such as profit maximization.²¹ Only an organization that is relatively *free* can be asked to be *responsible*; an organization that is merely an arm of the state can only be *compliant*.²² As corporate law scholar Lyman Johnson pointed out to our research team,

It is . . . the very discretion afforded by law that makes discussions of corporate responsibility possible and meaningful. Without such discretion—as, for example, if managers really were legally required to maximize profits—advocacy of socially responsible behavior would truly be academic because managers would be prohibited from engaging in such conduct.²³

In 1982, John Matthews and I formalized this analogical perspective in an article in the *Harvard Business Review*, called “Can a Corporation Have a Conscience?” and labeled it the “Principle of Moral Projection”:

It is appropriate not only to *describe* organizations (and their characteristics) by analogy with individuals, it is also appropriate *normatively* to look for and to foster moral attributes in organizations by analogy with those we look for and foster in individuals.

Indeed, the idea that Americans seek to “institutionalize” the values that we hold dear has been discussed with sophistication by a number of twentieth-century scholars.²⁴ I should emphasize a very important fact, however, related to the **Moral Projection Principle**, namely that it depends for its reality on corporate *leadership*. The shapers and architects of the conscience of the corporation are those who *lead* the organization. For this reason, business ethics and the study of organizational leadership are, and should be, inextricably linked.

To recap, I have been arguing so far that Americans have displayed, over the 200-year history of capitalism in the United States, significant *tenacity* regarding the

possibility that corporations not only can be *held* responsible (by the law and by the moral-cultural sector) but can also *be* responsible by analogy with individual persons with consciences. As part of the economic sector, corporations are not only checked and balanced from the *outside* by two other sectors (the moral-cultural sector and the government), they are also expected to be influenced from the *inside* by a kind of moral compass—a corporate conscience. American tenacity regarding corporate responsibility has been reinforced and bolstered by (1) the social architecture surrounding the corporation, and (2) the way the corporation has evolved under American law, leading us to try to institutionalize corporate responsibility in the economic sector rather than to depend solely on political and moral-cultural external pressures. Let us now turn to the third foundational conviction behind our tenacity.

The Third Underlying Conviction

The third basic conviction that underlies American tenacity about corporate responsibility—**The Moral Common Ground Principle**—is that whatever our differences in this pluralistic society, we share a *significant number* of moral convictions about right and wrong, good and bad, virtue and vice. We depend upon *moral common ground* when we appeal to individuals and to corporations to act according to their *consciences*. We assume *moral common ground* when we ask corporations to develop ethical response systems beyond their economic and legal response systems.

It may be worth pointing out that according to the *Oxford English Dictionary*, *conscience* was originally understood as a common quality which individuals *shared*: “a man or a people had more or less conscience,” as persons or groups had more or less science, knowledge, intelligence, prudence, and so on. The word came gradually to be used as a more *personal* faculty or attribute so that “*my conscience*” and “*your conscience*” were understood no longer as “our respective shares or amounts of the common quality *conscience*,” but as “two distinct individual consciences, mine and yours.”²⁵ Not long ago, *New York Times* columnist David Brooks echoed this perspective as he commented on a study of the ethical attitudes of young adults in universities across America:

In most times and in most places, the group was seen to be the essential moral unit. A shared religion defined rules and practices. Cultures structured people’s imaginations and imposed moral disciplines. But now more people are led to assume that the free-floating individual is the essential moral unit. Morality was once revealed, inherited and shared, but now it’s thought of as something that emerges in the privacy of your own heart.²⁶

A moment’s reflection on the good news and the not-so-good news that I mentioned earlier should help us to appreciate that, regarding business, Americans have historically shared and continue to share significant moral common ground:

- We cannot praise innovation, employment, productivity, philanthropy, educational opportunity, or paying taxes unless we have a *shared idea of what constitutes a good life within a good community*.

- Nor can we protest or condemn abuses of power, exploitation of labor, unsafe labor practices, discrimination against minorities and women, indifference to consumer safety, environmental pollution, or breaches of financial trust unless we have *certain shared values about right and wrong, human dignity, and the common good.*

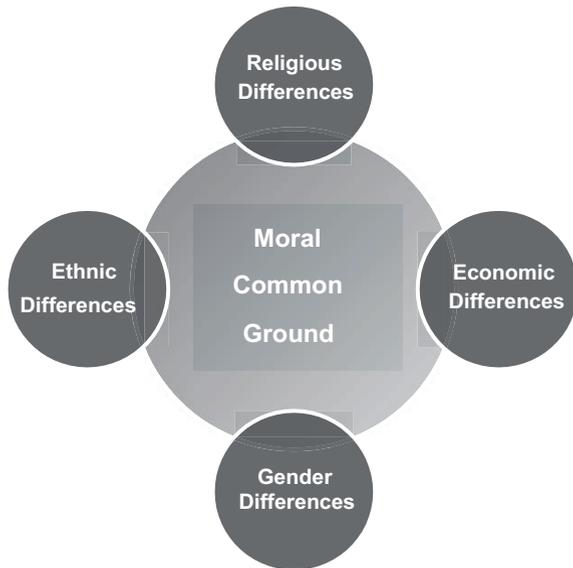
In other words, our confidence that corporations can meaningfully be said to have *consciences* includes the conviction that our moral values are not entirely isolated from one another, and that they can be relied upon in debates about the behavior of our most important institutions—economic, political, and moral-cultural. We cannot be *tenacious* about our belief in corporate responsibility without a conviction that the idea of “responsibility” is not empty or fragmented. We cannot be *tenacious* about corporate responsibility unless we share a conviction that in the realm of goods and services, there are some goods that are *truly* good and some services that *truly* serve²⁷ (see Fig. A3.5).

In the Declaration of Independence, Thomas Jefferson listed the abuses of the King of Great Britain, but only after stating,

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.

To galvanize a people into life-risking action, the language of the Declaration of Independence needed to appeal to moral common ground or it would have been ineffective. In the context of corporate responsibility, the “self-evident”—or at least “widely accepted”—truths relate to the interests and rights of employees,

Fig. A3.5 Despite differences in a pluralistic society, there is moral common ground



customers, suppliers, and local communities; to fiduciary duties to investors and sustainability obligations to the natural environment; and to the critical importance of integrity in leadership and an ethical culture in organizations.

As we look across our American history of corporate responsibility, we see a pattern of speaking sometimes softly and some times loudly to business leaders, asking them to live up to the social contract²⁸ *internally*—from the inside out—while at the same time assembling a formidable *external* array of controls outside and around the corporation. Compliance with laws and regulations has always been essential as a safeguard when responsible business conduct has not been forthcoming (due either to moral indifference or to economic pressures).

It is perhaps worth mentioning that this approach of “internal appeals backed up by external controls” is the same strategy we employ (as parents and as educators) in dealing with individuals in our society. The conviction that conscience is possible (both personally and institutionally) does not mean that we are naive about its failures. It simply means that we must be prepared to contain those failures as we seek new ways to cultivate ethical self-regulation.

To say that there has been “moral common ground” during the history of corporate responsibility is not, of course, to imply that this common ground was self-evident *from the outset*. Frequently, through give-and-take in the public square, we have witnessed something akin to institutional *learning*: the movement from an unacceptable social situation to what seemed like a good solution but with unintended (and unacceptable) consequences that called for readjustment. Aristotle described this pattern as the (sometimes elusive) pursuit and discovery of a virtuous “golden mean” between two extremes. For example,

- In the nineteenth century, we moved from frequent worker destitution and homelessness to the innovation of company towns, with the unintended consequence of lost civic autonomy and independence, and have since learned to lessen workers’ dependency on the corporation.
- In the wake of World War II, we grew from economic depression and material sacrifice to corporate innovation in goods and services, leading to prosperity and consumerism, but also to a culture of consumption. We are now attending to the need for *sustainable* economic growth.
- We moved in the mid-twentieth century from an absence of credit to the innovations associated with the liberal credit/debt policies of modern banking, with the unintended consequences of unrestrained credit, systemic risk, and eventually a loss of trust in financial institutions, and we are now seeking to discern the *appropriate* use of credit/debt.
- Our innovative business system has led us from time-consuming transportation using horses and wagons to railroads and eventually to automobiles, aircraft, and space technology, with unintended consequences relating to safety and pollution, and we now are reflecting upon the true costs and true benefits of all forms of transportation.
- That same innovative business system has led us from slow communication by “pony express” and telegraph to a high tech Internet revolution, with its unin-

tended side effects of too much information (and *misinformation*), and we are now examining ways to protect our privacy against identity theft and our communication systems against cyber threats.

In each of these cases, our moral common ground was clarified slowly and incrementally by discerning conditions that were unacceptable in one direction, noticing that we were replacing them with conditions that were unacceptable in the opposite direction, and finally searching for more balanced approaches.²⁹

During the twentieth century, the **Moral Common Ground Principle** led to the gradual emergence of “stakeholder thinking” to supplement “stockholder thinking.” A strong theme across our history has been the trend toward *enlarging the set of parties to whom the corporation must be accountable*, from providers of capital (stockholders) to other stakeholders (employees, consumers, suppliers, the communities to which the corporation belongs, and eventually the natural environment) whose claims increasingly seek and achieve a kind of parity with stockholder claims.³⁰

Summing up, the distinctive characteristic of the American experience in the history of corporate responsibility is the *tenacity* with which Americans have held on to an institutional aspiration (parallel to a personal aspiration) to uphold freedom in the face of frequent failure.³¹ Beneath this tenacity, we have identified three foundational convictions:

1. **The Checks & Balances Principle:** There are societal checks and balances in democratic capitalism which give us confidence that the pursuit of economic goals will be moderated for the common good.
2. **The Moral Projection Principle:** We should consider the corporation not only as a legal person under corporate law but also appeal to it as a moral person.
3. **The Moral Common Ground Principle:** There are shared moral values ascertainable by individuals and by corporations, and that despite economic *abuses* of human rights and the common good, corporations can discern goods that are truly good and services that truly serve.

The first is about our social system; the second is about organizations within the system; and the third is about our capacities to know right from wrong, good from bad, virtue from vice.

How Fragile Is Tenacity Going Forward?

Our American tenacity about corporate responsibility is fragile *because the foundational convictions that have given it strength in the past may or may not be able to support it in the future.*

If we lose confidence in any or all of the three convictions that I have been calling foundational—in our institutional checks and balances, in our belief that corporations can internalize ethical values, or in the moral common ground that we have

been able to rely upon in the past—the discipline and practice of business ethics as we currently understand it *will be unable to sustain itself for lack of a subject matter*.

Whatever the future brings, we know that certain factors will continue to evolve: globalization, economic development, information technology, and corporate law. The influence of these factors on the prospects of corporate responsibility might take unpredictable forms. However, despite such uncertainties, can we say *anything* about the prospects for the tenacity described in this article? Well, there are *negative* signs on the horizon and there are *positive* signs.

The Not-So-Good News

On the negative side, we can discern several reasons for a *loss* of confidence and consequently a *loosening* of our tenacity:

- First, of course, is the behavior of business during the first decade of our new century, by the Enron debacle and the long list of scandals that followed it (from Arthur Andersen to WorldCom to Tyco, and so on; from Ponzi schemes to the mortgage crisis and the collapse or near collapse of financial institutions on Wall Street). In the face of these scandals, it should come as no surprise that the public has been questioning the capacity of corporations to self-regulate—to be responsible. It is also no surprise to see sweeping federal legislation like the Sarbanes-Oxley Act and the Dodd-Frank Act as political responses to these failures of our economic institutions. Apparently, the institutionalization of ethical values that has given us confidence in the past is not clearly something we can rely upon in the future. On this subject, of course, *future leadership* will be critical. As a signal about the future of corporate responsibility and our tenacity in holding on to it, these events are discouraging as they inevitably lead to intensified regulation that can threaten the **Checks & Balances Principle** as well as the **Moral Projection Principle**.³²
- Another reason for a loss of confidence is more diffuse but no less real, namely, that cultural trends in our society signal a new level of moral relativism. Sometimes, this relativism sails under the banner of “postmodernism”; the view that “Objectivity is a myth; there is no Truth, no Right Way to read nature or a text. All interpretations are equally valid. Values are socially subjective products. Culturally, therefore, no group’s values have special standing.”³³ Such a view, however widespread it might be, inevitably leads us to question the “moral common ground” that has guided our pursuit of corporate responsibility in the past. In the study of American university students mentioned earlier, David Brooks comments:
 - The default position, which most [students] came back to again and again, is that moral choices are just a matter of individual taste. “It’s personal,” the respondents typically said. “It’s up to the individual. Who am I to say?”

- Rejecting blind deference to authority, many of the young people have gone off to the other extreme: “I would do what I thought made me happy or how I felt. I have no other way of knowing what to do but how I internally feel.”
- Many were quick to talk about their moral feelings but hesitant to link these feelings to any broader thinking about a shared moral framework or obligation. As one put it, “I mean, I guess what makes something right is how I feel about it. But different people feel different ways, so I couldn’t speak on behalf of anyone else as to what’s right and wrong.”

As a signal about the future of corporate responsibility, these findings suggest a weakening of the **Moral Common Ground Principle**. They suggest that future business leaders (and future stakeholders in business behavior) will not be able to give shared meaning to the idea of responsibility, much less *corporate* responsibility. With such a moral-cultural breakdown (which could undermine the **Checks & Balances Principle**), it is difficult to imagine our expectations of the corporation (the **Moral Projection Principle**) going much beyond regulatory and judicial compliance.

The Good News

On the positive side, we can discern several reasons for hope—hope that our past and present tenacity will continue to be vindicated in the century ahead:

- During the past two decades, we have seen new emphasis on the ethical and cultural dimensions of corporate governance— the *Federal Sentencing Guidelines for Organizations* and the rise of the Ethics and Compliance Officer as a new profession.³⁴ The importance of this development lies in its reinforcement of both the **Checks & Balances Principle** and the **Moral Projection Principle**, a new form of *regulation* that makes use of the *internalization* of ethical response systems by the corporation.
- During the past decade, we have seen the emergence of the *MBA Oath* (analogous to the *Hippocratic Oath*)³⁵ along with a new emphasis on management as a profession (something that our history of corporate responsibility recounts as born a century ago).³⁶ Indeed, a number of authors have gone further in referring to management as a “calling” and as a “vocation.” This development encourages us to believe that the ideal of corporate responsibility is alive and well within the next generation of business students and business leaders, supporting the **Moral Projection Principle**.
- The emerging phenomena of “Social Entrepreneurship” and the formation of “B-Corporations” suggests that in the decades ahead, we will see business innovation aimed at social responsibility—at widening the social benefits of our economic system and reducing many of its costs.³⁷ These developments support all three of the foundational convictions described earlier.
- “On the philanthropy front, there is recent evidence that even though recovery from the 2008 financial crisis is slow, corporate giving has rebounded.”³⁸ New

efforts by multinational corporations to reduce poverty, pandemics, and corruption offer more reasons for hope as does the extraordinary work of the Bill and Melinda Gates Foundation and similar undertakings.³⁹

Conclusion

As we look to the future, corporations seeking to preserve the trust and faith of society must embrace decision-making responsibility meaningfully. As our historical narrative insists in its final chapter, “the future of the *corporation* is tethered to the future of its responsible management.”⁴⁰ Businesses must address the issues that currently present themselves, such as the need for sustainability in the provision of all goods and services:

For if *companies* do not steadfastly embrace the project of corporate responsibility, other institutions will, and that may lead to the end of the most promising form of political economy for creating economic growth: free enterprise.⁴¹

The message of this article has been that, over the past two centuries, Americans have displayed significant tenacity in the pursuit of corporate responsibility and that this tenacity has been grounded in three foundational convictions—about checks & balances, moral projection, and moral common ground. Our future grasp on this ideal for business as an institution depends profoundly on whether these foundational convictions are maintained and cultivated during the centuries that lie ahead. Let me conclude this article with the closing lines of our history:

The freedom of free markets, like the freedom of free persons, is a precious asset so long as society does not pay too high a price . . . For [Adam] Smith, the true “wealth of nations” could only be realized if its citizens cultivated their moral sentiments as a foundation for their commercial enterprises. The future of corporate responsibility in the American experience depends, ultimately, on the choices of Americans themselves.⁴²

Notes

1. Special thanks and recognition are due to my Research Associate, Pati Provinske, for her many contributions to this essay—thorough research, careful editing, creative suggestions on style and graphics, and detailed citation and reference work.
2. Throughout this paper, as in the history project, I used “corporate responsibility” as an umbrella phrase for a number of different identifiers that, while not *synonymous*, overlap considerably: business ethics, corporate social responsibility (CSR), corporate citizenship, corporate community involvement, stakeholder management, sustainability, and many more.
3. So much so that at one point, I considered proposing *Tenacity* as the title of our book instead of *Corporate Responsibility: The American Experience* (hereinafter, *CRAE*).
4. (Carroll, Lipartito, Post, Werhane, and Goodpaster, Executive Editor, 2012, 43–44). One recent controversial Supreme Court case illustrates the opposite side of the coin when it comes to attributing *responsibilities* to corporations,

that is, what about corporations having *rights*? *CRAE* continues “. . . in 2010, the Supreme Court in *Citizens United* ruled that corporations (both for-profit and nonprofit) and unions could contribute freely to political campaign advocacy ‘so long as they do not coordinate their efforts with campaigns or political parties’ (OMB Watch 2010). The reasoning behind this decision, following an earlier 1906 decision, was that the corporation was an ‘association of [natural] citizens,’ and thus like individual natural citizens could freely participate in political campaign advocacy.” See *Citizens United v. Fed. Election Comm’n*, 130 S. Ct. 876 (2010) and Johnson (2011, 2–6), for more on the “association of [natural citizens].”

5. (Carroll et al. 2012, Introduction, 15, 415).
6. (Novak 1982).
7. (Drucker 1994, 53–80).
8. (Rifkin 1996, 44–45).
9. (Tocqueville et al. 1945).
10. “The origins of American industrialization and private enterprise and the division between the public and private sectors, as shown in this chapter, are all grounded in a substantive theory of human rights. Also critical to the story are the importance of labor, the labor theory of value, which translates into the work ethic explained by Weber. At the same time there is the ongoing presence and third ‘voice’ of the public square so keenly observed and articulated by de Tocqueville” (Carroll et al. 2012, 61).
11. (Novak 1982, 56).
12. “The inarticulate practical wisdom embedded in the political system and in the moral-cultural system has profoundly affected the workings of the economic system” (Novak 1982, 56). It should be acknowledged that not all interventions into the economic sector by the other two sectors have been improvements. There has been much debate recently, for example, about the role of Fannie Mae in the home mortgage crisis.
13. (Novak 1982, 57).
14. This list could be greatly expanded: from the Ludlow Massacre and the Italian Hall Disaster (1913) to the National Labor Relations Act (1935) and the Taft-Hartley Act (1947); from the utopian business communities in the post-Civil War period to the company towns of the late nineteenth century to employee stock ownership plans in the 1920s to more robust employee benefits in the last third of the twentieth century; from the National Consumers League (1898) to the Better Business Bureau (1912) and the Federal Trade Commission (1914) to the Consumer Product Safety Commission (1972); from the creation of the Food and Drug Administration (1906) to the Environmental Protection Agency (1970); from the Federal Reserve System (1914) to the creation of the Securities Exchange Commission (1933) to the passage of the Dodd-Frank Act (2010); from discrimination against immigrants and the trade wars that often accompanied global competition, to the North American Free Trade Agreement (NAFTA, 1994) and the General Agreement on Tariffs and Trade (GATT, 1995).
15. The caption continues and appears as follows: This cartoon depicts President Theodore Roosevelt chastising two men—“Dishonest Corporations” (left) and

- “Union Tyranny” (second from left, with “Bribe” and “Graft” extending from his pockets)—who are trampling “Law” (the female figure) (Carroll et al. 2012, Plate 27).
16. In a later book, Novak makes this point even more clearly: “The fundamental reason behind the capacity for self-reform in democratic capitalism lies in the independence of its moral-cultural order and its political order alike. Both operate effectively upon its economic system. Each of these three systems represents a different aspect of reality, and each of them is moved by certain organic laws that, when violated, exact considerable costs. Thus the system as a whole comes under three quite different reality checks. This tension places the system regularly in crisis, each becoming an opportunity for fresh restructuring” (1993, 58).
 17. (Drucker 1978, Eastern edition, 12).
 18. “By 1914 almost 80 percent of workers were employed by corporations, who produced 80 percent of the value of manufactured goods” (Carroll et al. 2012, 118; US Census Bureau 1920; Ripley 1929). In 2002, in his book, *Organizing America: Wealth, Power, and the Origins of Corporate Capitalism*, Charles Perrow wrote about the percentage of people working in organizations: “In 1820, about 20 percent of the population worked for wages and salaries; by 1900 it was 50 percent; today it is well over 90 percent. . .” (227).
 19. I formalized this analogical perspective in an article with John Matthews in the *Harvard Business Review*, “Can a Corporation Have a Conscience?” (January 1982) and eventually labeled it the “Principle of Moral Projection” (Goodpaster 2005, 363–364).
 20. “This landmark decision gave corporate bodies, those chartered, or, later, incorporated, the same rights as individuals to buy, sell, own, and disperse property. The decision was qualified in the conclusion with the statement that “[a] corporation is an artificial being, invisible, intangible, and existing only in the contemplation of law”” (Carroll et al. 2012, 43; *Trustees of Dartmouth College v. Woodward*, 17 U.S. at 636, quoted in Johnson 2011, 5).
 21. Lyman Johnson, in his commissioned essay for the *CRAE* history project, observed: “After all, it is *corporate* responsibility that has emerged as a topic of ongoing social concern and scholarly study. This required that the corporation be recognized as a meaningful social and legal actor, distinguishable from its constituents” (12).
 22. In her article, “Ethics without the Sermon,” Laura L. Nash discusses “twelve questions to ask when making a business decision” and the process involved in reviewing them (1981, 88–89).
 23. Johnson adds: “Conversely, this very legal discretion leads many to doubt that such freedom will be used responsibly. It is to constrain corporate conduct—not unleash it—that historically has led these persons to advocate corporate regulation of various kinds” (2011, 31).
 24. See Philip Selznick, *Leadership in Administration: A Sociological Interpretation*: “As an organization acquires a self, a distinctive identity, it becomes an *institution*. This involves the taking on of *values*, ways of acting and believing that are

- deemed important for their own sake. From then on, self-maintenance becomes more than bare organizational survival; it becomes a struggle to preserve the uniqueness of the group in the face of new problems and altered circumstances” [emphasis mine] (1957, 21). Also, see Hugh Hecló’s book, *On Thinking Institutionally* (2008).
25. This passage continues: “This individualization of the meaning of ‘conscience’ .. signals a polarity at the core of our moral awareness: On the one hand, conscience is our subjective touchstone for ethical decision making. On the other hand, an appeal to conscience in moral argument (or dialogue) usually lays claim to *common* ground, a warrant for our ethical convictions that reaches *beyond* the merely subjective. Insofar as conscience must respond in actual decision making situations, it has a certain private authority, both in relation to non-moral decision guides and in relation to the consciences of others. We can refer to this as the *autonomy dimension* of conscience. But because conscience can be ‘undeveloped,’ ‘neglected,’ or ‘out of touch,’ philosophers have looked to it for a broader kind of authority, less private and more rooted in human nature or reason. We can refer to this as the *discernment dimension* of conscience” (Goodpaster 2008, 407–408).
 26. (Brooks 2011).
 27. See Goodpaster’s “Goods That Are Truly Good and Services That Truly Serve: Reflections on ‘*Caritas in Veritate*’” in the *Journal of Business Ethics* (2011).
 28. Professor John B. Matthews, my mentor at Harvard Business School, wrote a classic case study, “Tennessee Coal and Iron,” in which President John F. Kennedy implored Mr. Arthur Wiebel, COO of a division of US Steel Corporation in Birmingham, Alabama, to take initiatives *in his company’s workplace* to advance civil rights, to be a power of example to other firms by embracing the spirit, not just the letter, of the laws (1963, 233).
 29. Insight into this process of discovering our moral common ground was evident nearly 100 years ago, when University of Chicago economist J. M. Clark called for an “economics of responsibility” from business practitioners: “The ideas of obligation which embody the actual relations of man to man in the [twentieth] century are radically different from the ideas which dominated the nineteenth. .. Some have failed to recognize what the change means and have resisted it uncomprehendingly. .. Some have gone to the other extreme and have lost their old sense of personal accountability. .. [But] many. .. are honestly seeking to know what their obligations are in this new era, that they may meet them on their own initiative. More knowledge is wanted, that men may guide themselves. The modern prayer is not so much for strength as for wisdom. .. [We] need something more; something which is still in its infancy. We need an *economics of responsibility*, developed and embodied in our working business ethics [emphasis added]” (Clark 1916, 209–229, in Carroll et al. 2012, 13).
 30. I have argued recently, however, that the emergence of stakeholder thinking, while necessary, is not sufficient in our quest for corporate responsibility. See Goodpaster’s “Business Ethics: Two Moral Provisos” in *Business Ethics Quarterly* (2010, 740–742).

31. Lee Kwan Yew, Singapore, was a critic of US emphasis on individual civil liberties (Zakaria 1994, 109–126).
32. “If the skimpy existent mechanisms of corporate governance cannot themselves accommodate a modern society’s evolving expectations of corporate power—whether control lies in investor or manager hands, or is held jointly—then it is to be expected that renewed efforts to bring non-investor voices (and concerns) into corporate governance will begin again, or that even more extensive legal regulation addressing various kinds of such interests will be forthcoming. Nowhere is it clearer than in the very heart of the corporation—i.e., the corporate governance realm—that law plays a central role in the story of corporate responsibility” (Johnson 2011, 27).
33. (Hicks 2011, 852–854).
34. An Ethics Resource Center Report provides this example by R. E. Berenbeim: “The specifics of the Guidelines aside, the most important story that emerges from the FSGO’s 20 year history is that the USSC’s carrot and stick approach has catalyzed vigorous efforts by companies to promote ethical performance and reduce organizational misconduct” (Ethics Resource Center 2012, 28; Berenbeim 2005). The *Ethics Officers Association* (EOA), now called the *Ethics and Compliance Officers Association* (ECO), had its origin, of course, at Bentley University.
35. A group from the Class of 2009 Graduates of Harvard Business School, created the MBA Oath, “building upon these essential efforts [from the Hippocratic Oath to Thunderbird’s Oath of Honor, and the Columbia Business School Honor Code] to create a community of MBAs with a high standard for ethical and professional behavior” (MBA Oath: Responsible Value Creation, n.d.).
36. In their article, “Management as a Profession?” Rakesh Khurana, Nitin Nohria, and Daniel Penrice state, “Our speculations about a genuine professionalization of management as a remedy for the crisis of legitimacy now facing American business may strike some as radical. But assuming, once again, that increased regulation is not the whole or the best answer to the problem at hand, we believe that our idea of making management into a bona fide profession has the virtue of asking a group that has seriously abused the public’s trust to make a serious commitment to restoring it” (2005). Also see Michael Novak’s book, *Business as a Calling: Work and the Examined Life* (1996); and the new Vatican document, the *Vocation of the Business Leader: A Reflection*, by the Pontifical Council for Justice and Peace (2012).
37. Regarding social entrepreneurship, a group of “hybrid companies and proprietorships that label themselves ‘social entrepreneurs’”—include “individuals and organizations [that] may be not-for profit, public, for-profit, or hybrid ventures. What is distinctive. . . is that their core mission is to add value not merely monetarily, but also by making a positive social, cultural, or environmental impact” (Carroll et al. 2012, 392). Looking at the B-Corporation: “A new type of legally sanctioned corporation, the ‘Benefit Corporation’ or B-Corporation is taking shape. According to the organization’s website, B-Corporation promotes

- the power of business to solve social and environmental problems” (Carroll et al. 2012, 393).
38. (Carroll et al. 2012, 422; CEPC 2011).
39. See *Poverty through Profitable Partnerships: Globalization, Markets, and Economic Well-Being* by Patricia Werhane, Scott Kelly, Laurab Hartman, and Dennis Moberg (2010); and *Obstacles to Ethical Decision-Making: Mental Models, Milgram and the Problem of Obedience* by Patricia Werhane, Laura Hartman, Crina Archer, Elain Englehardt, and Michael Pritchard (2013).
40. “This may be the only way to preserve the corporation as an institution under private direction for public benefit” (Carroll 2012, 423).
41. Emphasis added. (Carroll et al. 2012, 423).
42. (Carroll et al. 2012, 424).

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Appendix 2c: Human Dignity and the Common Good: The Institutional Insight

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Abstract In this article, I develop the idea of the “institutional insight” as a pathway to two foundational values for applied ethics: *human dignity* and the *common good*. I explore—but do not offer a definitive analysis of—these two values that I believe are critical to the progress of business ethics (indeed to the progress of applied ethics generally). In several previous articles (Goodpaster 1991, 2009, 2012, 2013), I have alluded to this theme, but here I hope to show that *human dignity* and the *common good* underlie both (1) management’s fiduciary duty to shareholders, and (2) management’s obligations to “stakeholders.” Indeed, it may be that the frequently observed tension between the latter two normative paradigms can be resolved only by engaging in the comprehensive moral thinking afforded by the institutional insight.

Why were we so reluctant to try the lower path, the ambiguous trail? Perhaps because we did not have a leader who could reveal the greater purpose of the trip to us.

—Bowen McCoy, *The Parable of the Sadhu*

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The *Parable of the Sadhu* is a story and a *Harvard Business Review* article that has become an icon in the teaching of business ethics over the past 30 years. Author Bowen McCoy describes a mountain climbing expedition in the Himalayas during which his decision making may have cost the life of a Hindu holy man (Sadhu) who was found along the way. The quotation above is from the end of the article and represents McCoy’s lament about his own leadership.¹

In this article, I offer an interpretation of what McCoy calls revealing “the greater purpose of the trip” as a central responsibility of corporate leadership. To do this, I will develop the idea of the “institutional insight” as a pathway to the two foundational values for applied ethics: *human dignity* and the *common good*.

Two Moral Provisos

In 2010, the Editor-in-Chief of *Business Ethics Quarterly*, on the occasion of the twentieth anniversary of the journal, asked past and present Editorial Board Members and Associate Editors for “Anniversary Reflections” on the present and future course of the field of Business Ethics. My contribution was entitled: “Business

“Human Dignity and the Common Good: The Institutional Insight,” *Business and Society Review*, (March, 2017), pp. 27–50.

Ethics: Two Moral Provisos”² and in it I argued that there were *two* “provisos” in business ethics rather than the *single* proviso that many assumed, namely,

The Shareholder Proviso. Corporate responsibility rests upon a fiduciary obligation to stockholders, shareholders, or owners, but this responsibility is *provisional*. It is limited by other obligations: to employees, to customers, to suppliers, to local communities—and even to the environment.

My argument was that *stakeholder* thinking was *also* subject to a moral proviso:

The Stakeholder Proviso. Responsibilities to stakeholders are provisional as well, calling for ethical boundaries. Stakeholder thinking may or may not be morally necessary, but it is not morally sufficient.

The point of the latter argument was that the pursuit of *stakeholder* satisfaction is no more immune to moral critique than the pursuit of *shareholder* satisfaction.

Much as the “Shareholder Proviso” warned us about reducing ethical decisions to fiduciary duties, the “Stakeholder Proviso” warns of another kind of reduction and invites more *comprehensive* moral thinking.³

I discussed the idea of *comprehensive* moral thinking as a more basic touchstone for normative business ethics, and I would now like to pursue this idea further.

Searching Beneath the Provisos

There can be no question that fiduciary duties to shareholders account for an important subset of corporate responsibilities, indeed that these responsibilities are part of the nature of business *as an institution* in which shareholders are beneficiaries, to be sure, but also (and more importantly) *vulnerable* investors.

Alexei Marcoux argues quite persuasively that the root of the fiduciary obligation of managers to shareholders lies, as with other fiduciary relationships in law (to clients) and medicine (to patients) in the *vulnerability* of those to whom the obligation is owed. In his words, “To be a fiduciary for someone is to be *partial* to that someone’s interests and to promote them within a certain domain, but the stakeholder theory demands *impartiality* among and between the admittedly competing interests of stakeholders. Therefore, the stakeholder theory demands that managers be *fiduciaries to no one*.”⁴

The strength of Marcoux’s article resides not only in its argumentation against most stakeholder theories, but in its identification of a nonconsequentialist grounding for the fiduciary obligation to shareholders, by analogy with the grounding of other fiduciary obligations (e.g., in medicine and law). It is not so much that maximizing the interests of shareholders is the central moral imperative, as that the interests of shareholders are *at risk* and they are vulnerable due to limitations of information and control. Defended in this way, the shareholder view (often attributed to Milton Friedman) appeals to a *deeper* moral foundation than critics typically acknowledge. And if we ask about the meaning of “deeper” in this context, I think it is fair to interpret it as “more fundamental” for deriving fiduciary duties (and their exceptions) than simply appealing to convention.

Regarding the second proviso, there are many moral constraints (often regulated by law) that relate to the wellbeing of employees, nondiscrimination, consumer product safety, and to the treatment of local communities and the environment—the typical parties named in stakeholder accounts of corporate responsibility. Indeed, R. Edward Freeman sees the *shareholder* fiduciary view as in need of generalization to all stakeholders.⁵ He offers what I once described as a *multi-fiduciary* account of corporate responsibility.⁶ This was the view that Marcoux (above) found problematic, even incoherent.

Joseph Heath argues, however, that appeals to fiduciary obligations *additional* to shareholder thinking are neither morally necessary nor morally desirable. To the contrary, a more deontological “market failures” model gets at the obligations implicit in stakeholder thinking much more effectively than stakeholder thinking itself. As Heath puts it, “I think that the concept of market failure provides a much more satisfactory framework for understanding the growth of regulation and thus the increased legal entrenchment of the social responsibilities of business than that of stakeholder claim recognition.”⁷

The strength of Heath’s line of argument resides not simply in his critique of stakeholder theories that would multiply claims on managerial attention, but in his appreciation that there can be moral constraints on business decision making that stem from deeper sources – such as failures in a market system that is intended to serve human freedom and wellbeing.

I believe that the tension between the primacy of fiduciary duties to shareholders and the primacy of various stakeholder or market failure constructs, can only be resolved by seeing them as derivative constructs from a more fundamental *source* of ethical responsibilities in business.

We understand how the shareholder *fiduciary* framework ultimately appeals to the *vulnerability* of the providers of capital (not unlike patients and clients to doctors and lawyers, respectively). And *beneath* the ethical obligation to the vulnerable lies respect for the dignity of the weaker party. I am tempted to say respect for the dignity of the *poor*, despite the irony of some investors with wealth being called *poor*. Not all investors, of course, are wealthy given the role that investments play in retirement savings and employee stock ownership plans. Perhaps it would be better to describe shareholders as “exposed” when it comes to most of the ways in which their investments are managed.

We also understand how both the *stakeholder* framework and the *market failures* framework ultimately appeal to the importance of groups in society affected by business decision making, regardless of whether those others are in a position to “push back.” Stakeholders are not only “those who may *affect*” but also “those *who may be affected by*” the actions of organizations. Beneath ethical obligations to stakeholders (or those affected by market failures) lies a concern for the good of the wider *community*. Community, of course, can and does manifest itself on many levels—in a family, a village, a voluntary association, a city state, a nation state, or what we call the *global* community. And it may be that the ethical responsibilities that we learn in one area of our “community of communities” will provide guidance

for our ethical responsibilities in other areas. The principal point is that there must be a *social*, not just a *partial*, dimension to business decision making.

So already we can see that identifying business responsibilities under the headings of “shareholder fiduciary duties” and “concern for stakeholders” reveals *deeper* moral convictions. It is in the realm of such deeper moral convictions that I believe we can appreciate what I have called “comprehensive moral thinking.” And it is only in this realm that corporate responsibility can be fully understood. I agree with Tom Donaldson and Jim Walsh when they observe in a recent article:

Win or lose the stockholder vs. stakeholder debate, the debate itself seems to be off point. We need a theory of business and business success if we are to understand and guide business activity.⁸

As a first step in developing the idea of “comprehensive moral thinking”—from which the more conventional models of business norms are derived—it is essential that we reflect on the nature and role that *institutions* play in our social system.

Institutions and the Institutional Insight

Hugh Heclo, a professor of government and public affairs at George Mason University, in a remarkable book entitled *On Thinking Institutionally* (Paradigm Publishers 2008) offers us a rich interpretation of institutions and institutional thinking that bears on the subject at hand.

Institutions have played a critical role in human history. Indeed, it is difficult to imagine the unfolding of human history *without* the proliferation of institutional forms, beginning with families, of course, but continuing with schools, voluntary associations, governments and economic organizations of various sizes. In Heclo’s words, “Amid the perpetual perishing that marks our individual existences, institutions are weathered presences.”⁹ Institutions are ways to achieve a measure of permanence and continuity for what we value despite our mortality. We might almost say in a phrase reminiscent of Aristotle that “man is an institution-making animal.”

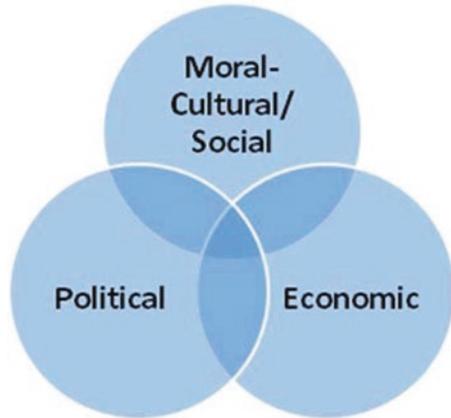
Alexis deTocqueville marveled in the mid-nineteenth Century at the American cultural tendency to multiply “voluntary associations” in response to various social needs—associations belonging to neither the public sector nor the private sector:

Americans of all ages, all conditions, and all dispositions constantly form *associations*. They have not only commercial and manufacturing companies, in which all take part, *but associations of a thousand other kinds*—religious, moral, serious, futile, general or restricted, enormous or diminutive.¹⁰

Later we will have more to say about this observation of deTocqueville, for it identifies an important role played by voluntary associations in the pursuit of human dignity and the common good, the role of “mediating institutions.”

Michael Novak, in his book, *The Spirit of Democratic Capitalism* (1982), echoed deTocqueville when he offered a description of American society as an interactive

Fig. A4.1 Tripartite Model of Society used by Novak and Drucker



combination of three broad institutional bundles or “sectors”: the economic, the political, and the moral-cultural. (See Fig. A4.1 above.) In Novak’s words:

Democratic capitalism is not a “free enterprise system” alone. It cannot thrive apart from the moral culture that nourishes the virtues and values on which its existence depends. It cannot thrive apart from a democratic polity committed, on the one hand, to limited government and, on the other hand, to many legitimate activities without which a prosperous economy is impossible.¹¹

According to Novak, institutions in the *economic* sector account largely for the wealth of a nation (its production of goods and services). *Political* institutions account for democratic governance nationally, at the state or provincial level, and locally. Institutions in the *moral-cultural* sector shape and articulate the moral values of the community through the building blocks of civil society, including families, schools, churches, the media (press and social media), and various other nonprofit associations.

The important point for our purposes is that business organizations, as elements of the *economic* sector, and governmental agencies, as elements of the *political* sector, do not function in a vacuum. They function in an atmosphere of “practical wisdom” supplied by institutions in the third, *moral-cultural* or *social* sector.¹²

Peter Drucker, in an influential article in *The Atlantic Monthly* (1994),¹³ echoed Novak’s model: “The knowledge society has to be a society of three sectors: a public sector of government, a private sector of business, and a social sector.” (p. 16) He goes on to ask a question that is directly relevant to the theme of this article:

But in the society of organizations each of the new institutions is concerned only with its own purpose and mission. It does not claim *power* over anything else. But it also does not assume *responsibility* for anything else. *Who, then, is concerned with the common good?* (p. 18, emphasis added)

Toward the end of his article, Drucker suggests what appears to be a somewhat paradoxical answer to his own question:

[We] have to think through how to balance two apparently contradictory requirements. Organizations must competently perform the one social function for the sake of which they exist—the school to teach, the hospital to cure the sick, and the business to produce goods, services, or the capital to provide for the risks of the future. They can do so only if they *single-mindedly* concentrate on their specialized mission. But there is also society's need for these organizations to take social responsibility—to work on the problems and challenges of the community. (p. 21)

Drucker seems to be saying that organizations must reach *beyond* or *beneath* the specific missions and purposes that call them into existence. They must also demonstrate an awareness of and a practical commitment to social responsibility. The paradox seems to be that *single-mindedness* is both necessary and insufficient for institutional leadership. Leaders must “zoom in” (single-mindedness) but also “zoom out” if they are going to sustain their institutions with any hope for social cohesion and the common good.¹⁴

Philip Selznick, observed a century after deTocqueville that we should distinguish among associations between *organizations* and *institutions*:

As an organization acquires a self, a distinctive identity, it becomes an *institution*. This involves the taking on of values, ways of acting and believing that are deemed important for their own sake. From then on, self-maintenance becomes more than bare organizational survival; it becomes a struggle to preserve the uniqueness of the group in the face of new problems and altered circumstances.¹⁵

Selznick makes it clear that not all organizations qualify as *institutions*, and that only those that do qualify can make a claim on us to be preserved—“to avoid liquidation or transformation on purely technical or economic grounds.”¹⁶ The institutions to which Selznick is referring are, for the most part, to be found either in the economic sector or the moral-cultural sector.

To sum up, the first step in going deeper with respect to the stockholder-stakeholder tension is to reflect on the nature and purpose of *institutions* in our history. Institutions are more than simply tools for accomplishing certain discrete tasks. They are organized (often in bundles) to preserve or advance ways of acting or believing deemed “important for their own sake.” They are “weathered presences,” structures that have come before us and will succeed us in the pursuit of human flourishing. Later we will see that human flourishing is best understood in terms of the joint ideals of respecting *human dignity* and pursuing the *common good*.

The Institutional Insight

As we reflect on the *roles* of institutions in our lives, from families to churches to schools to media to voluntary associations of other kinds, and finally to businesses and various governmental structures, it is important to keep two truths in mind at the same time. First, we are reminded by Hecló that institutions by their nature have a *normative* dimension:

... by virtue of participating in an institutional form of life, there are more and less appropriate ways of doing things. These obligations are a kind of *internal morality* that flows from the purposive point of the institution itself.¹⁷

To be sure, the normative nature of institutions must be understood as creating what W. D. Ross called *prima facie* obligations in relation to our participation in other institutions, for example, the norms of family, work, and community volunteering.

But in addition to the *prima facie* character of the “internal morality” of institutions in relation to one another, there is a deeper morality to which *all* institutions must be subject. To quote Hecló again:

Since people are not created for the good of institutions but institutions for the purposes of people, any call to the intrinsic worth of an institution is a lie if it does not ultimately recognize and serve *the moral and ontological primacy of human persons and their well-being*. To repeat, that means institutions exist for people, and for serving their good. People do not exist for institutions.¹⁸

Tom Donaldson and Jim Walsh, in their 2015 article “Toward a Theory of Business,” seem to have a similar distinction in mind:

[A] firm holds two interrelated purposes—one a focal purpose, a purpose that reflects its work in society and two, a contextual purpose, a purpose that reflects its work for society.¹⁹

In the language of Gestalt Psychology, we might compare an institution’s internal morality to the “figure” and its comprehensive morality to the “ground.”

It is natural to ask at this point whether it is possible to maintain a healthy focus on one’s institutional mission (purpose)—while *at the same time* appreciating that in the final analysis, one’s institution is also (and ultimately) aimed at supporting human dignity and the common good? Can a leader see her/his institution as “special, but no different” in relation to other institutions as it pursues its mission (purpose)?

I believe the answer is yes, and I will call the *realization* of this dual rationale for any institution—its presenting mission and its ultimate purpose—the *Institutional Insight*. Not every institutional leader or institutional participant grasps the institutional insight, and those who do *not* grasp it run the risk of dysfunctional decision making.

The *Institutional Insight*, then, is the realization that one’s own institution—*like all institutions*—is part of a larger enterprise of forwarding the wellbeing of humankind. This means a *vision* and a concurrent *peripheral vision about purposes* on the part of leadership.

An impediment to the institutional insight is a kind of fixation on the foreground that I have referred to as *teleopathy*, the unbalanced pursuit of purpose in individuals or institutions.²⁰ The U.S. Department of Defense has identified a similar hazard in the training of fighter pilots:

Channelized Attention is a factor when the individual [read: institution] is focusing all conscious attention on a limited number of environmental cues to the exclusion of others of a subjectively equal or higher or more immediate priority, leading to an unsafe situation. May be described as a *tight focus of attention that leads to the exclusion of comprehensive situational information*.²¹

A response to this hazard, in the context of pilot training, is to require that pilots be accompanied by a “wingman” who can look for and warn of channelized attention when it becomes relevant.

The Moral Insight and Dual Awareness

The use of the term “insight” in this discussion is reminiscent of the work of nineteenth century Harvard philosopher Josiah Royce, who believed that all of ethics was grounded in what he called the *moral insight* (a precursor to the “moral point of view”).²² Royce described the *moral insight* this way:

The moral insight is *the realization of one’s neighbor*, in the full sense of the word *realization*; the resolution to treat him unselfishly. But this resolution expresses and belongs to the moment of insight. Passion may cloud the insight after no very long time.... We see the reality of our neighbor, that is, we determine to treat him as we do ourselves. But then we go back to daily action, and we feel the heat of hereditary passions, and *we straightway forget what we have seen*. Our neighbor becomes *obscured*. He is once more a *foreign power*. He is *unreal*... Moments of insight, with their accompanying resolutions; long stretches of delusion and selfishness: That is our life.²³

There are many aspects of Royce’s idea of the *moral insight* that merit our attention, but for present purposes, let me highlight his view that morality for individuals depends for its practical significance on a kind of *dual awareness*—self-awareness plus “the realization of one’s neighbor.” This *dual awareness* complicates personal decision making (which might otherwise be more straightforwardly self-interested), not unlike the way in which the *institutional insight* can complicate corporate decision making. Royce observes how the *moral insight* is fragile, how it can be clouded by a kind of “forgetting” that obscures the other (our neighbor). What I am calling the *institutional insight* is similar in this regard. The comprehensive perspective that it provides to business leaders, concurrent with their mission-driven perspective (“internal morality”), can be lost (but also regained) as the decision-making framework of the corporation develops over time. The “forgetting” seems to be a side effect of teleopathy, that is, fixation or channelized attention. Most of us can call to mind a contemporary or historical example of a “business statesman.” These leaders often seem to embody the institutional insight and the capacity for dual awareness.

The *institutional insight*, then, contrasts with Royce’s *moral insight* in that it applies not so much to the moral life of persons, as to the cultural life of organizations or institutions. But it is similar in the sense that it can be lost and regained—as well as supported or unsupported by “resolutions” on the part of senior leadership. Let us now turn to an important concept that will help us to appreciate the relationships between and among the institutional insight, human dignity, and the common good, namely, “mediating institutions.”

Mediating Institutions

Once we understand the importance of the *dual awareness* that an institutional perspective requires for “backgrounding” the decisions of an organization (whatever its “sector”), it is natural to wonder about how to *elicit* or *educate* this dual awareness, both in current leaders and in future leaders who may be in business schools today. If it is to be practical, comprehensive moral thinking calls for a real-world *pedagogy*.

DeTocqueville understood the *formative* power of voluntary associations:

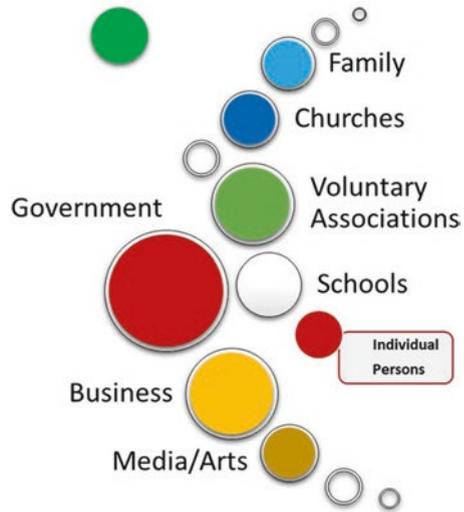
Feelings and opinions are recruited, *the heart is enlarged*, and the human mind is developed only by *the reciprocal influence of men upon each other*. I have shown that these influences are almost null in democratic countries; they must therefore be artificially created, and this can only be accomplished by associations.²⁴

Novak too, in discussing his triad of political, economic, and moral-cultural institutions, emphasized the importance of maintaining the independent value of the moral-cultural institutions in his third societal sector (see Fig. A4.2).²⁵ For these *mediating institutions*, besides being valuable in their own right, provide critical links to the development of our moral sense:

In voluntary associations, individuals learn to compromise, persuade, and sublimate narrow self-interest for the greater good of the group. In other words, mediating institutions teach that one’s welfare is tied to the welfare of one’s community. Without such training, the impetus will be for individuals to pursue self-interest without regard to others. This theory ... makes smaller organizations the focus of the *expansion* of self-interest...²⁶

Mediating institutions foster and reinforce the social motivations that are essential to the institutional insight. *Ontologically*, mediating institutions disperse a

Fig. A4.2 Mediating Institutions



society's institutional power across multiple centers, limiting the power of government as the overarching institution in people's lives.²⁷ *Functionally*, however, mediating institutions, because of their typically smaller scale, can serve as "learning laboratories" for the character traits needed in the pursuit of human dignity and the common good."²⁸

Each mediating institution (the family, the school, the church, voluntary associations, etc.) provides "a framework in which one has no choice but to negotiate with others in the organization so as to understand one's identity within the context of the demands and aspirations of the members of the organization. *One learns interdependence and moral values.*"²⁹

Is Business a Mediating Institution?

We are now in a position to ask whether business corporations can be understood as mediating institutions or whether, like national governments, they are part of a different, more impersonal "market sector." The short answer is "Some are and some are not." Some corporations (e.g. multinationals) are so large and impersonal that it is hard to imagine them as "learning laboratories" of any kind. But others have cultures or subcultures that are different. In Timothy Fort's view, the key to understanding business as a mediating institution is that employees:

... remain human beings to whom social relationships are important. Emphasizing that importance in a forum where individuals initially may be strangers therefore provides an excellent opportunity ... to dialogue and form new communities where they realize that individual well-being is tied to communal well-being.³⁰

Some business corporations, then, can and do function along the lines of mediating institutions, while others—typically those of larger scale—are simply too large to be learning laboratories for eliciting what deTocqueville called "self-interest rightly understood," for example, understood in the context of a common, greater good, as opposed to narrow self-interest.³¹

We should add that in addition to large corporations whose cultures lend themselves to smaller scale social learning units, there are also small and mid-sized enterprises that comprise over 80% of businesses in the world's economic sector. Most of these businesses can function as mediating institutions of the "social learning laboratory" scale.

Comprehensive Moral Thinking

Returning now to the original challenge in this article—*Thinking Beneath the Provisos* toward "comprehensive moral thinking"—we are now in a position to clarify this idea. The word "comprehensive" in this context means that the leadership team in question:

- Has achieved the *Institutional Insight* and appreciates the *dual awareness* that it asks of them.
- Can see, therefore, that *all* institutions in *all* sectors are means to ends, not ends in themselves; and that business corporations are one set of institutions among many.
- Understands that the challenges faced by humankind do not fall neatly into “sectors,” so that the need for *collaboration* among institutions from different sectors may in some circumstances become apparent, for example, private–public partnerships, businesses working with NGOs or mediating institutions like families, schools, and voluntary associations.
- Recognizes that social ideals like *human dignity* and the *common good* may ask more of us than either shareholder fiduciary duties or the promotion of stakeholder interests.

Companies are increasingly called upon to direct their ethical attention outside their conventional spans of influence and control. The imperative to collaborate with other institutions stems from the increasing complexity of the problems facing our global society, namely, the 2008 mortgage crisis, environmental protection, economic globalization, the needs of those at the “bottom of the pyramid,” and many more.

Even if certain problems cannot be solved *solely* by corporate initiatives, such problems may still call on the consciences of business leaders to *try* to collaborate unless and until it becomes clear that the other institutions needed for solving these problems are *unwilling* or *unable* to collaborate. The future of the field of business ethics will depend on significant attention to all four of the elements of comprehensive moral thinking.

Human Dignity and the Common Good

Now let us turn to the two fundamental values that I have suggested as guides for institutions doing comprehensive moral thinking: human dignity and the common good. Why *two* fundamental values instead of one? And why *these* two fundamental values?

In general, it is attractive to reduce the number of basic principles in ethics as much as possible to minimize the risk of their conflicting with one another, thereby failing to guide action. This attractiveness, however, needs to take into account the possibility that fundamental moral imperatives in this arena are simply not reducible to a single principle (as with utilitarianism and Kantianism).

Seventeenth century philosopher Jean Jacques Rousseau framed the challenge of the moral point of view this way as he reflected on the terms of a “social compact”:

The problem is to find a form of association which will defend and protect with the whole common force the person and goods of each associate, and *in which each, while uniting himself with all, may still obey himself alone, and remain as free as before.*³²

Rousseau understood the polarity of *each* person being accorded dignity as a free human being—while at the same time *all* are defended and protected as a unified group.

Respected philosophers Alan Gewirth³³ and William Frankena (quoted earlier),³⁴ are well-known for their thorough analysis of contending theories in normative ethics. Both of these philosophers concluded, independently, that two principles are necessary and sufficient to provide the groundwork for moral responsibility. In Gewirth's case, the principles are protecting the *freedom* and *well-being* of those affected by the decisions of moral agents. In Frankena's case, the two principles for moral agents are *equality* and *beneficence*. Beneficence, for Frankena, like the principle of well-being for Gewirth, aims at the highest quality of life and the least harm for all—a principle that is reflected in most accounts of the *common good*.

Gewirth's principle of freedom and Frankena's principle of equality, while perhaps not identical, are focused on the *dignity* of individual human beings. Gewirth identifies an individual's "capacity for action" as the key to her/his dignity, and *coercing* another does not respect that capacity. Frankena understands equality in the following way, clearly connecting it to human dignity:

[People] ought to be treated equally ... in the sense that we ought *prima facie* to make proportionally the same contribution to the goodness of their lives, once a certain minimum has been achieved by all. This is what is meant by *the equal intrinsic dignity or value of the individual* that is such an important concept in our culture.³⁵

These observations do not, of course, constitute a *proof* that human dignity and the common good are the only pillars on which an adequate normative ethics for business as an institution can be built, but they do strongly suggest that the history of ethics and twentieth century normative theory support two principles, one of which takes the dignity and liberty of the *individual* as its touchstone and the other of which takes the promotion of good and the avoidance of harm to *all* as its touchstone. The latter principle invites us to search for the *common good*, at least as a moral ideal.

Dignity Beneath Fiduciary Obligations

We saw in the context of Alexei Marcoux's analysis of the fiduciary relationship of corporate leaders to shareholders that what he called the "deeper" justification of moral obligation in this realm resided in the *vulnerability* (regarding information and control) of the dependent party (stockholder, patient, client). This deeper justification amounts to

- (a) an acknowledgement of the *derivative* status of fiduciary obligations, derivative from more fundamental principles about asymmetries in human relationships, and
- (b) an acknowledgement that the basic principle behind our duty to protect the vulnerable is the *dignity* of both the vulnerable party involved and the less vulnerable fiduciary.

Human dignity functions in human and institutional relationships not only in obligations to the *trusting* party, but also in our expectations of the *trusted* party.

The Common Good Beneath Stakeholder Thinking

We saw in the context of stakeholder analysis (and its “market failure” critics) that the deeper moral principle came from a wider social concern—a *common* good. And as we have just seen in our discussion of the *institutional insight* and *mediating institutions*, the idea of the common good is multi-layered. That is, there are “common goods” associated with all institutions (family, church, school, voluntary associations, cities, states, nations, and more than ever the global community). We have seen too that participation in smaller scale institutions can help develop the social virtues needed to participate in larger scale institutions. But when we use the phrase “the common good” in its most *general* sense, we seem to be referring to the flourishing of mediating institutions within themselves *and* in relation to one another—the good of a community of communities.³⁶ As Hecló puts it: “By its nature, institutional thinking tends to cultivate belonging and a common life.”³⁷

The point is that these two fundamental principles (respect for human dignity and pursuit of the common good) are not arbitrary. They reflect two critical aspects of our nature as moral agents (and as leaders of institutions). We care about *individual freedom and dignity*, and we have a *social* nature as well. We can develop deTocqueville’s “self-interest rightly understood”—and eventually a full commitment to a common good—not as a *sacrifice*, but as a *fulfillment*.³⁸ In this spirit, theologian David Hollenbach, S. J. argues that the dignity of persons and the common good of the community, while distinct, are complementary: “[T]he dignity of persons can be realized only in community, and genuine community can exist only where the dignity of persons is secured.”³⁹

Each of us personally finds the basis for comprehensive moral thinking in her/his own “deepest being.” Business leaders who share the *institutional insight* make this kind of thinking part of their decision making.⁴⁰ Once the fundamental principles of comprehensive thinking are identified, we are in a position to derive from them more specific (secondary) principles or institutional arrangements for guiding behavior. In the context of the “two provisos” with which we began this discussion, the derivative nature of both fiduciary thinking and stakeholder/market failure thinking in relation to the principles of human dignity and the common good, respectively, helps us to appreciate the challenges of practical reasoning in business.

Nobel Laureate T. S. Eliot, in one of his *Choruses from the Rock* (1934), observed that humankind is “forever dreaming of systems so perfect that no one will need to be good.” The power of this poetic phrase can be appreciated in the present context because the “systems so perfect” include the systems of market competition as well as the law and regulatory machinery of government. Corporate leaders need to step back—adopt the institutional insight—and to look more comprehensively: to see that such systems are meant to *serve*, not to *supplant*, the pursuit of human dignity and the common good.

Summary and Conclusion

In this article, we departed from the conventional tension in normative business ethics between *shareholder* fiduciary thinking and different versions of *stakeholder* thinking. After finding both alternatives wanting, I suggested that corporations needed to embrace *comprehensive* moral thinking.

Comprehensive moral thinking asks business leaders with the *institutional insight* to discern opportunities for collaboration and to respond affirmatively to invitations to collaborate. It invites businesses to look at their roles not solely in insular economic terms, but also in social or civic terms. Companies and industries on this view have stockholders and stakeholders, to be sure, but they are also called to participate in realistic ways with *other* institutions in building a better world. To quote Peter Drucker once more:

The emergence of a strong, independent, capable social sector—neither public nor private sector—is thus a central need of the society of organizations. But by itself it is not enough—the organizations of both the public and the private sector must share in the work.⁴¹

Our institution-building must always maintain a “line of sight” to a deeper understanding of human fulfillment and human relationships—to human dignity and the common good.⁴²

Coming full circle, now, to McCoy’s lament in the “Parable of the Sadhu,” we need to educate leaders who are capable of revealing to their organizations “the greater purpose of the trip.”

Notes

1. McCoy, Bowen, “The parable of the sadhu,” *Harvard Business Review* (September–October 1983 and as an HBR classic May–June 1997).
2. *Business Ethics Quarterly*, Vol. 20, No. 4 (October 2010), 741–42.
3. I illustrated some of the practical and theoretical implications of comprehensive moral thinking in my chapter “Corporate Responsibility and Its Constituents,” in the *Oxford Handbook of Business Ethics* (Oxford: Oxford University Press, 2009), 126–57.
4. Marcoux, “A fiduciary argument against stakeholder theory,” *Business Ethics Quarterly* (January, 2003), 19. (emphasis added)
5. Edward Freeman, “A stakeholder theory of the modern corporation,” in *The Corporation and its Stakeholders*, ed. Max B. E. Clarkson (Toronto: University of Toronto Press, 1998), 126.
6. Goodpaster, K., “Business ethics and stakeholder analysis,” *Business Ethics Quarterly*, 1, 1 (January 1991).
7. Joseph Heath, “Business ethics without stakeholders,” *Business Ethics Quarterly* (October 2006).
8. T. Donaldson, and J. P. Walsh. 2015. “Toward a theory of business.” *Research in Organizational Behavior* 29(35): 181–207.
9. Hecló, *On Thinking Institutionally* (Paradigm Publishers 2006), 127.
10. Alexis de Toqueville, 2 *Democracy in America* 114 (1945).

11. Novak, (Simon & Schuster, 1982), 56.
12. Novak added, "Each of the three systems has modified the others." (p. 57).
13. Peter Drucker, "The age of social transformation," *The Atlantic Monthly*, (November 1994). Drucker wrote of a new age in which knowledge was dominant (rather than agriculture or manufacturing) adding that this meant a "society of organizations" whose "central and distinctive organ is management."
14. Indeed, our *economic* institutions cannot *afford* leaders who are unaware of the paradox of single-mindedness. More on this later.
15. Philip Selznick, *Leadership in Administration: A Sociological Interpretation* (New York: Harper & Row, 1957), 21.
16. Selznick, *ibid.* writes: "[O]rganizations become infused with value as they come to symbolize the community's aspirations, its sense of identity. Some organizations perform this function more readily and fully than others. An organization that does take on this symbolic meaning has some claim on the community to avoid liquidation or transformation on purely technical or economic grounds."
17. Hecló, *On Thinking Institutionally* (2006), 85.
18. Hecló, *On Thinking Institutionally* (2006), 154 emphasis added. Hecló adds: "Since institutions exist for people, they are to be judged along a moral continuum of good and bad according to what is needed for human beings to flourish as human beings. In order to deserve the designation of good, institutions ought to be doing what is good for us as human beings." p. 153.
19. Donaldson and Walsh go on to say in the spirit of Hecló: "[T]he firm's contextual purpose cannot be ignored. *A firm is a human creation, one designed by humans and for humans... No firm should forget that the final justification of its activities from a social perspective lies in its contribution to collective value.*" "Toward a theory of business," *Research in Organizational Behavior* 29(35): 181–207.
20. The principal symptoms of *teleopathy* are fixation, rationalization, and detachment. Avoiding *teleopathy* as an occupational hazard of business life is no small challenge. See Goodpaster, *Conscience and Corporate Culture* (Wiley-Blackwell 1991), Chapter 1 as well as the *teleopathy* entry in the Wiley-Blackwell Encyclopedia of Management, Vol. 2, Business Ethics.
21. Department of Defense PC102. Emphasis added.
22. Royce's ethical views were no doubt influenced by his Christian faith, but also by his understanding of Immanuel Kant. One of Kant's *categorical imperative* formulations is: "Act in such a way that you treat humanity, whether in your own person or in the person of any other, never merely as a means to an end, but always at the same time as an end." William Frankena comments on Royce and William James that: "Royce calls [the] more perfect recognition of our neighbors 'the moral insight' and James says that its practical consequence is 'the well-known democratic respect for the sacredness of individuality.' It is hard to see how either a benevolent (loving) or a just (equalitarian) disposition could come to fruition without it ... Doing this is part of what is involved in fully tak-

- ing the moral point of view.” Frankena, *Ethics*, 2nd ed. (Prentice-Hall 1973), 69–70.
23. Josiah Royce, *The Religious Aspect of Philosophy* (originally published in 1865; reprinted in 1965 with permission of Harper & Row, by Peter Smith Gloucester, MA, 155–56. Emphasis added. Royce’s idea of the moral insight lies at the foundation of the “Golden Rule,” the oldest and most widely shared ethical precept known to us.
 24. Alexis DeTocqueville, *Democracy in America* (1840). Further: “If men are to remain civilized, or to become so, the art of associating together must grow and improve in the same ratio in which the equality of conditions is increased.”
 25. Some might argue that norms and principles deriving from these institutions are conservative obstacles to modern liberal values of liberty and equality, values that are ultimately enforced by political sector institutions.
 26. Timothy Fort, “The first man and the company man: The common good, transcendence, and mediating institutions.” *American Business Law Journal* (May 1999). Fort observes further that mediating institutions help us to cultivate and grow moral awareness: “[N]otions of transcendence, expressed in traditional religions or others, must operate through some kind of specific community whereby particular individuals are socialized to understand that there is something to which they are accountable and something with which they are interdependent. The learning laboratories for this lesson are mediating institutions.”
 27. Fort, *ibid.*: “The multiplicity of mediating institutions insures that no particular groups gain oppressive power.”
 28. Fort, *ibid.*
 29. Fort, *ibid.* (Emphasis added.)
 30. Fort, *ibid.*, adds: “Allowing relatively small groups within corporations to form a community would foster the atmosphere in which individuals must face consequences of their actions and thereby form moral identity in a context transcending the categories of identity (race, class, gender) with which they may have otherwise been content.”
 31. Fort, *ibid.* observes: “self-interest-attached-to-a-common-good makes for a different notion of self-interest—what de Toqueville called “self-interest rightly understood.” De Toqueville saw religion as ameliorating the harshness of self-interest.”
 32. Jean Jacques Rousseau, *The Social Contract or Principles of Political Right* (1762), Chapter 6: “The Social Compact.” Emphasis added.
 33. Gewirth, Alan, *Reason and Morality* (Chicago, IL: U. of Chicago Press, 1978).
 34. William Frankena, *Ethics*, 2nd ed. (Prentice-Hall, 1973), 51–3 and 61–78.
 35. *Ibid.*, p. 51. Emphasis added. Frankena goes on to discuss the ultimate compatibility between equality and beneficence: “It seems to me that everyone who takes the moral point of view can agree that the ideal state of affairs is one in which everyone has the best life he or she is capable of. Now, in such a state of affairs, it is clear that the concerns of both the principle of justice or equality and the principle of beneficence will be fulfilled. If so, then we can see that the two principles are in some sense ultimately consistent, and this seems to imply

- that increasing insight may enable us to know more and more how to solve the conflicts that trouble us now when we know so little about realizing the ideal state of affairs in which the principles are at one. Then, while Ross is right in saying that we must finally appeal to ‘perception’, we can at least give an outline of what that perception is supposed to envision.” (p. 53)
36. “The development of peoples depends, above all, on a recognition that the human race is a single family working together in true communion, not simply a group of subjects who happen to live side by side.” Benedict XVI, *Caritas in Veritate*, 53.
 37. Hecllo, *op. cit.*, p. 189: “In the end, the advantages of institutional thinking come down to what is distinctly human. Humans flourish through attachments to authoritative communities, not as totally unencumbered selves.”
 38. See Norman, Richard, *The Moral Philosophers* (Oxford University Press, 1983), where he writes: ... “[T]he sacrificing of one’s own interests need not be a sacrificing of oneself to something *external*. My commitment to my friends or my children, to a person whom I love or a social movement in which I believe, may be a *part of my own deepest being*, so that when I devote myself to them, my overriding experience is not that of *sacrificing* myself but of *fulfilling* myself.” p. 249.
 39. David Hollenbach, S. J., “The common good revisited,” *Theological Studies* 50 (1989).
 40. The relativist may wonder whether when different individuals and different corporate leaders “go deeper” they will find moral common ground. For more on this topic, see Goodpaster, “Tenacity: The American pursuit of corporate responsibility,” *Business and Society Review* 118, 4(2013): 577–605.
 41. Peter Drucker, “The age of social transformation,” *The Atlantic Monthly* (November 1994), 53–80. Emphasis mine.
 42. As Hollenbach, (1989), observes: “The freedom and dignity of persons are achieved in communal relationship with other persons, not in isolation. Thus, respect for this freedom and dignity calls for the many forms of relationship in which persons can participate: friendships, families, voluntary associations, civil society, and the human community as a whole.”

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