



*Edited by*  
Guglielmo Faldetta  
Edoardo Mollona  
Massimiliano Matteo Pellegrini

---

# Philosophy and Business Ethics

## Organizations, CSR and Moral Practice

---

palgrave  
macmillan

# Philosophy and Business Ethics

Guglielmo Falchetta · Edoardo Mollona ·  
Massimiliano Matteo Pellegrini  
Editors

# Philosophy and Business Ethics

Organizations, CSR and Moral  
Practice

palgrave  
macmillan

*Editors*

Guglielmo Faldetta  
Department of Economics and Law  
Kore University of Enna  
Enna, Italy

Edoardo Mollona  
Department of Computer Science  
and Engineering (DISI)  
University of Bologna  
Bologna, Italy

Massimiliano Matteo Pellegrini  
Department of Management and law  
University of Rome Tor Vergata  
Rome, Italy

ISBN 978-3-030-97105-2      ISBN 978-3-030-97106-9 (eBook)  
<https://doi.org/10.1007/978-3-030-97106-9>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer Nature Switzerland AG 2022

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Palgrave Macmillan imprint is published by the registered company Springer Nature Switzerland AG

The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

# Contents

<b>1</b>	<b>Investigating the Philosophical Foundations of Management and Business</b>	<b>1</b>
	<i>Giuglielmo Faldetta, Edoardo Mollona, and Massimiliano Matteo Pellegrini</i>	
<b>Part I Philosophical Foundations and Normative Approaches for Business Management</b>		
<b>2</b>	<b>What Should Business Ethics Be? Aims, Methodology, Substance</b>	<b>13</b>
	<i>Brian Berkey</i>	
<b>3</b>	<b>Philosophical Challenges in Development of Ethical Perspective in Business</b>	<b>41</b>
	<i>Dušan Kučera</i>	
<b>4</b>	<b>Redefining Stakeholder Censuses and Typologies: A New Approach</b>	<b>75</b>
	<i>Miguel Ángel Serrano de Pablo and José Luis Fernández-Fernández</i>	

<b>5</b>	<b>Empirical Research in Virtue Ethics: In Search of a Paradigm</b>	107
	<i>Patricia Grant and Peter McGhee</i>	
<b>6</b>	<b>Aristotelian Flourishing for a Virtuous Business Vision: The Philosophical Wisdom as a Strategic Tool for an Effective Change in the Management</b>	133
	<i>Francesca Zimatore and Luca Greco</i>	
<b>7</b>	<b>Catholic Social Teaching as a Foundation for Business Ethics</b>	169
	<i>Domènec Melé</i>	
<b>8</b>	<b>Ideas of Organization and Ideas of Justice</b>	197
	<i>Massimo Neri</i>	
<b>9</b>	<b>How to Ground Corporate Governance Practice on African Ethics</b>	233
	<i>Diana-Abasi Ibanga</i>	
<b>Part II Philosophical Explanations for Systemic, Organizational, and Social Mechanisms</b>		
<b>10</b>	<b>Care Ethics in the Era of Artificial Intelligence</b>	255
	<i>Carolina Villegas-Galaviz and José-Luis Fernández-Fernández</i>	
<b>11</b>	<b>Three Rival Versions of Work and Technology: Smith, Marx, and MacIntyre in Discussion</b>	275
	<i>Javier Pinto-Garay, Germán Scalzo, and Ignacio Ferrero</i>	
<b>12</b>	<b>Relational Ontology for an Ethics of Work Relationships</b>	301
	<i>Anna Marrucci, Cristiano Ciappei, Lamberto Zollo, and Riccardo Rialti</i>	

<b>13</b>	<b>Towards a Scale of Islamic Work Ethic: Validation from Middle Eastern Countries</b>	<b>327</b>
	<i>Mohammed Aboramadan, Khalid Dahleez, Mosab I. Tabash, Wasim Alhabib, Mohamad Ayesb Almhairat, Kawtar Ouchane, and Caterina Farao</i>	
<b>14</b>	<b>Extending Amartya Sen's Paretian Liberal Paradox to a Firm's Hierarchy</b>	<b>357</b>
	<i>Massimiliano Vatiere</i>	
<b>15</b>	<b>Reinforcing or Slackening the Spiral of Deviance: The Role of the Personal Norm of Reciprocity</b>	<b>375</b>
	<i>Deborah Gervasi and Guglielmo Faldetta</i>	
<b>16</b>	<b>The Cancer of Corruption: A Philosophical and Ethical Perspective</b>	<b>397</b>
	<i>Flor Silvestre Gerardou, Blanca Viridiana Guizar Moran, Royston Meriton, and Anthony Brown</i>	
<b>Part III Philosophical Explanations for Political Action of the Organization</b>		
<b>17</b>	<b>The Pathology of Corporate Power</b>	<b>435</b>
	<i>Jeffrey Bone</i>	
<b>18</b>	<b>Organizing Resistance: DiY as Ethical and Political Praxis</b>	<b>455</b>
	<i>Luigi Maria Sicca, Maria Auriemma, and Domenico Napolitano</i>	
<b>19</b>	<b>The Aristotelian Commutative Justice and The Management of the Firm's Stakeholder Relations</b>	<b>487</b>
	<i>Roberta Troisi and Luigi Enrico Golzio</i>	
<b>20</b>	<b>Restorative Justice and Sustainable Development: A Preview of Holistic and Systemic Contextual Change</b>	<b>513</b>
	<i>Nikos Valance</i>	

- 21 Uncovering the Dialogical Dimension of Corporate Responsibility: Towards a Transcendental Approach to Economics, with an Application to the Circular Economy** 535  
*Giancarlo Ianulardo, Aldo Stella, and Roberta De Angelis*
- 22 Power, Authority, and Leadership: A Proposal for Organizational Theory in the Post-Bureaucratic Era** 569  
*Lucía Ciardi and Germán Scalzo*



# List of Figures

Fig. 3.1	Four dimensions of corporate responsibility	46
Fig. 3.2	Separation and fragmentation of scientific perspective (Own adaptation)	53
Fig. 3.3	Simple relation model of life and economy	65
Fig. 9.1	Conversational space model (CSM)	246
Fig. 12.1	Plato's Ontology ( <i>Source Authors' elaboration</i> )	306
Fig. 12.2	Aristotle's Ontology ( <i>Source Authors' elaboration</i> )	308
Fig. 12.3	Triadic relationship ( <i>Source Authors' elaboration</i> )	313
Fig. 12.4	Relational Goods ( <i>Source Authors' elaboration</i> )	318
Fig. 12.5	Conceptual model ( <i>Source Authors' elaboration</i> )	322
Fig. 15.1	The relationship between Psychological Contract Violation (PCV), Incivility, and Organizational Workplace Deviance (WD-O)	387

## List of Tables

Table 4.1	Stakeholder typology: <i>stokeholders, stakeholders, extended stakeholders, stareholders and stateholders</i>	92
Table 5.1	Four paradigms for analysing social theory adapted from Burrell and Morgan (1979, p. 23)	111
Table 5.2	Four research paradigms adapted from Guba and Lincoln (1994, p. 109)	112
Table 5.3	Crotty's paradigms adapted from Crotty (1998, p. 4)	113
Table 5.4	Brand's paradigm synthesis for business ethics research adapted from Brand (2009, p. 447)	114
Table 8.1	Ideas of organization and ideas of justice	226
Table 11.1	Work-technology relationship and Smith's organizational solution	282
Table 11.2	Work-technology relationship and Marx's organizational solution	285
Table 11.3	Work-technology relationship and MacIntyre's organizational solution	294
Table 12.1	A summary of literature	314
Table 13.1	Items, sources, and Quranic or Sunna recitation	333
Table 13.2	Respondents' profiles	336
Table 13.3	EFA for samples A and B	338

Table 13.4	Sample B: Means, SD, Inter-item correlations, Item-total correlation, and Cronbach Alpha if item removed in Diagonal	340
Table 13.5	Item-Total correlation	341
Table 13.6	Confirmatory factor analysis (Sample B)	342
Table 13.7	Means, SDs, and correlation analysis (Sample B)	345
Table 22.1	A summary of power and authority within the three paradigms	591



# 1

## Investigating the Philosophical Foundations of Management and Business

Guglielmo Faldetta, Edoardo Mollona,  
and Massimiliano Matteo Pellegrini

In the actual scientific debate among management and organizational scholars, the interest in business ethics and social issues for management is widespread, but there is still a lack in the normative aspect and the philosophical foundations of management. Academics and practitioners

---

G. Faldetta (✉)

Department of Economics and Law, Kore University of Enna, Enna, Italy  
e-mail: [guglielmo.faldetta@unikore.it](mailto:guglielmo.faldetta@unikore.it)

E. Mollona

Department of Computer Science and Engineering (DISI), University of Bologna, Bologna, Italy  
e-mail: [edoardo.mollona@unibo.it](mailto:edoardo.mollona@unibo.it)

M. M. Pellegrini

Department of Management and Law, University of Rome Tor Vergata, Rome, Italy  
e-mail: [massimiliano.pellegrini@uniroma2.it](mailto:massimiliano.pellegrini@uniroma2.it)

have often discussed the moral aspect of management and business actions, but they often miss a deeper philosophical reflection.

This book is aimed at investigating the philosophical foundations of management and business, both in theory and in practice. It consists of twenty-two chapters that use different philosophical paradigms and theories to better explaining, and hopefully impacting, business management issues.

The book is structured in three parts.

The chapters included in the first part “Philosophical foundations and normative approaches for business management” mobilize different theories to provide a normative and philosophical basis for business management. In this part, different approaches are used to create synergies between philosophical studies and managerial disciplines.

In particular, Chapter 2, “What should business ethics be? Aims, methodology, substance”, by Brian Berkey, proposes to use traditional philosophical approaches to address some central questions in business ethics. In this chapter, the author defends traditional philosophical approaches against the criticism that they are insufficiently practical, speculates on the appropriate methodology for pursuing work in business ethics, and offers a brief characterization of how we should think about the substance of business ethics.

Chapter 3, “Philosophical challenges in development of ethical perspective in business”, by Dušan Kučera, describes the fundamental philosophical challenges for the application of business ethics in management. By highlighting the need to change the Western intellectual paradigm of capitalism, the author describes the limits of the neoliberal philosophy of economic thinking and the utilitarianism framework. To offer some philosophical solutions, and looking for values and philosophical principles that are not conditional and relative, the chapter proposes a managerial transcendence menu, value anchoring in comprehensive philosophical orientation for future business challenges and ethical dilemmas.

Chapter 4, “Redefining stakeholder censuses and typologies: A new approach”, by Miguel Ángel Serrano de Pablo and José Luis Fernández-Fernández, wonders how can a typology of stakeholders be established to truly illuminate the pathways of action for companies. According to

the authors, the simple perspective regarding their classification arises out of aspects related to business ethics and the philosophical nature of the need to establish relations with stakeholders beyond those necessary for business survival. The chapter proposes a way to establish the taxonomic axes to do the exercise so companies can approach the issue with better outlooks. In addition, the authors provide criteria for inclusion using a taxonomy that may be able to reflect the weight of each stakeholder.

Chapter 5, “Empirical research in virtue ethics: In search of a paradigm”, by Patricia Grant and Peter McGhee, calls for rigorous empirical investigation in business ethics through a careful elaboration of, alignment of, and justification for, ontological, epistemological, and methodological standpoints. The authors propose a Neo-Aristotelian virtue ethics approach, which assumes that the metaphysical reality of human nature is an intrinsic part of the subjective experience and practice of virtue. An example of a study based on this approach is used to highlight the limitations of existing research paradigms. The authors as well propose an additional paradigm that assumes an interconnected continuum of mind-independent metaphysical, physical, and social dimensions, which shape and are shaped by the person’s inner world.

Chapter 6, “Aristotelian flourishing for a virtuous business vision. The philosophical wisdom as a strategic tool for an effective change in the management”, by Francesca Zimatore and Luca Greco, combines academic study with business experience, reflecting on the possibility to reconnect business and managerial practices to ethical action following the philosophical tradition. This chapter shows the renewed role that philosophy assumes within corporate dynamics and in the global socio-economic context, particularly referring to the Aristotelian Ethics as a paradigmatic starting point for any ethical reflection that still wants to be valid today. The authors highlight the importance of the practical philosopher for organizations, as a consultant who does not offer philosophical and dusty contents by taking the chair or “pre-packaged” theories, but offers philosophical skills, connected to conceptual analysis, deduction, and phenomenological description.

Chapter 7, “Catholic social teaching as a foundation for business ethics”, by Domènec Melé, proposes to use Catholic Social Teaching

(CST) as a foundation for business ethics. The author builds on specific epistemology and anthropology that ground on Aristotelian-Thomistic thought and modern personalism. This ethics differs from relativism, rationalism, and emotivism. CST can be categorized as a “person-centered ethics” and includes some important elements as acting with personal and social love in truth, which encompasses the recognition of human dignity and universal fraternity, the fostering of integral human development, assuming transcendent moral norms, and taking the common good as a source of social legitimacy.

Chapter 8, “Ideas of organizations and ideas of justice”, by Massimo Neri, proposes a reflection on justice within organizations. After the description of the “conceptions of organization”, the author proposes an original reading of the theoretical contributions on justice, which uses the aforementioned knowledge alternatives as a frame of reference. The comparison between these different visions of organizational justice is a fundamental premise to face research and managerial implications and to deal with the new challenges that an issue as ancient as justice continues to bring to the fore of today’s organizational phenomena.

Chapter 9, “How to ground corporate governance practice on African ethics”, by Diana-Abasi Ibanga, takes issue with the Western approach to corporate governance adopted by companies in Africa that is incompatible with cultural contexts in this continent thereby stressing the need for Africanizing corporate governance practice. The author proposes a general outline of African ethics to show how its application to the concept of corporate governance might transform the conceptual status of firms operating in Africa. In this light, the personhood status of the firm is re-evaluated in the context of African ethics to show how it can evolve from an individualistic person, as was configured in Western jurisprudence, to a communal person, this latter compatible with African contexts. Finally, the author presents a Conversational Space Model to support grounding corporate governance practice in African ethics in practical ways.

The second part “Philosophical explanations for systemic, organizational, and social mechanisms” contains contributions that, adopting several philosophical interpretations, explain the functioning of a company, either in its technical or social dimension. Related to the

technical system, ethical issues arise from a plethora of conditions like business models, knowledge management systems, and the consequences of the digital revolution and the new technologies like artificial intelligence. These technical innovations have huge consequences for working conditions and treatments. Related to the social system instead ethics is pervasive in each social behavior, comprising negative behaviors. From this point of view, this part offers different philosophical paradigms and theories to analyze the working relationships and the foundation of the social contract within a firm.

Considering the philosophical foundation of the technological aspect expressed by any firm, in Chapter 10, “Care ethics in the era of Artificial Intelligence”, Carolina Villegas Galaviz and Jose Luis Fernández Fernández discuss the consequences of the advent of AI for socio-technological systems. While this paradigm opens up possibilities for many enhancements, such as objectification and speed, it also implies significant challenges, not least those of an ethical nature. The chapter proposes the ethics of care as a fundamental moral paradigm to firmly ground and guide the use of AI in management, especially in relation to its ability to consider stakeholders’ instances.

Chapter 11, “Three rival versions of work and technology: Smith, Marx, and MacIntyre in discussion”, written by Javier Pinto, Germán Scalzo, and Ignacio Ferrero, discusses a philosophical interpretation of the relation that should exist between technology and human work. The chapter takes into consideration three perspectives; two openly intellectual antagonist views such as that of Adam Smith and Karl Marx which both failed to provide a sustainable and realistic account of the meaning of work. In light of the thought of MacIntyre, a recomposing approach is reached understanding the way technology might negatively affect work, but also recognizing opportunities for the excellence of modern firms.

Instead, the following chapters pertain to the social dimension of firms especially in relation to their employees. Indeed, in Chapter 12, “Relational ontology for an ethics of work relationships”, the authors Anna Marrucci, Cristiano Ciappei, Lamberto Zollo, and Riccardo Rialti analyze and develop the concept of relational ontology in response to modern challenges posed to the stability of individuals’ well-being. Firms can promote interpersonal relationships that should be considered as sui



generis realities and not as mere instrumental interactions among a firm's employees. By reinterpreting the thought of ancient and contemporary philosophers such as Plato, Aristotle, and Edgar Morin, it is possible to build a clear definition for relational goods, which are those goods that can promote empathy and reciprocity, enabling individual and societal growth.

Chapter 13, "Toward a scale of Islamic work ethics: Validation from Middle Eastern countries", written by Mohammed Aboramadan, Khalid Dahleez, Mosab I. Tabash, Wasim Alhabib, Mohamad Ayesb Almhairat, Kawtar Ouchane, and Caterina Farao, aims at developing a valid scale of Islamic work ethics in the Middle Eastern region. Building on an extensive review on the topic, 15 items are formulated and assessed by a large sample of employees working in several countries of the Arab region (e.g., data were from Jordan, Oman, Palestine Qatar, and UAE). The results suggested a 12-item unidimensional scale; this represents one of the first Islamic work ethic scales developed and confirmed using data collected from several countries in the region.

However, also negative aspects should be considered when human relationships within a firm are involved. Chapter 14, "Extending Amartya Sen's Paretian liberal paradox to a firm's hierarchy" by Massimiliano Vatiere, compares how Sen's perspective may clash with an economic efficiency criterion, the final objective of a firm. Such efficiency assured through the hierarchy of a firm may and does invade the private sphere of individuals outside the firm, including in workers' homes, political activities, and even the choice of sexual partners. Those circumstances show that a risk of conflict exists between the reasons of the efficiency and Sen's idea of liberalism; thus, even if the firm's hierarchical nature may improve the efficiency, it may conflict with liberal values.

Chapter 15, "Reinforcing or slackening the spiral of deviance: The role of the personal norm of reciprocity" written by Deborah Gervasi and Guglielmo Faldetta, analyzes detrimental organizational phenomena through the lens of the norm of reciprocity. Based on the importance of philosophical and theoretical paradigms, the chapter considers three levels of negative organizational behavior: psychological contract violation, incivility, and organizational workplace deviance. Specifically, the

psychological contract violation could bring to the start of the incivility spiral that, in turn, could escalate to workplace deviance and the personal belief in reciprocity could influence the relationship between these three phenomena and the spiral propagation.

Finally, Chapter 16, “The cancer of corruption: A philosophical and ethical perspective”, written by Flor Gerardou, Anthony Brown, Blanca Guizar, and Roy Meriton, addresses the philosophical and ethical perspective of corruption, in its many forms, as it is embedded in most societies’ fabrics, justified, and rationalized. The chapter examines ethical pluralisms that open up the opportunity for corruption and its counterbalance as a global ethics that avoids imposing a Greek and Western lens, conjoins shared norms, and simultaneously preserves the irreducible differences between cultures and peoples.

In the third part “Philosophical explanations for political action of the organization”, the chapters adopt different philosophical paradigms and theories to investigate the political activity of organizations. We refer to political activity, in a broad sense, as the activities that organizations pursue to maintain and intervene upon their power relationships with a variety of stakeholders, but also, in a narrower meaning, as the activities that organizations put in place to affect policy-making processes.

In Chapter 17, “The pathology of corporate power”, Jeff Bone takes issue with the hypertrophic corporate political power. The author mobilizes a thought experiment and portrays an imaginary future to explore what consequences this specific scenario would produce if it had to materialize. Specifically, the chapter describes a dystopic scenario in which Zuckerberg, the owner of Facebook, becomes the president of the USA and implements several law-making initiatives explicitly revealing a conflict of interest. Exposed to such a disquieting perspective, the reader is forced to wonder about the limits of the current regulation of political activity.

The goal of Chapter 18, “Organizing resistance: DiY as ethical and political praxis”, written by Luigi Maria Sicca, Domenico Napolitano, and Maria Auriemma, is to describe the *DiY* (*Do it Yourself*) movement, a political and philosophical movement that has been applied in a vast array of contexts, including political activism, with particular focus on

the concept of “independence”. In providing a detailed analysis of organizational aspects of DiY culture, the authors particularly focus on the artistic declination of the movement and mobilize a participant observation; they study the activity of a group of artists based in Naples. The authors argue that, due to DiY’s reliance on methods derived from anarchy, true independence allows no separation between theory and practice, manifesting instead as an immanent thought. Capitalizing on this concept of independence, the authors derive considerations that are relevant for the ethics of organizing.

The notion of justice is at the core of Chapters 19 and 20.

In Chapter 19, “The Aristotelian commutative justice and the management of the firm’s stakeholder relations”, Roberta Troisi, Luigi Enrico Golzio, and Marco Biagi mobilize the concept of commutative justice, as opposed to distributive justice, to contribute to normative stakeholder theory. Namely, the authors draw attention to the lack of criteria for the distribution of the benefits among stakeholders and propose a relational explanation that grounds on the philosophical notion of an “exchange as an ethical action”. Following this line of reasoning, they emphasize the rationale of commutative justice, rather than the more widely used distributive justice, for the distribution of benefits among stakeholders.

On the other hand, Nikos Valance, in Chapter 20, “Restorative justice and sustainable development: A preview of holistic and systemic contextual change”, analyzes the relationships between two world views, Restorative Justice (RJ) and Sustainable Development (SD). In the opinion of the author, both these worldviews have some features in common. Both have arisen in response to the need to address structural inequities and inefficiencies in our systems of justice and economic development. In addition, both worldviews have at their core similar paradigms shifts, i.e., away from individualism and commodification of resources (including labor) to one of recognizing interdependence and valuing community. Moving from the assumption, the author tackles to challenging questions. The first question is whether RJ and SD are symbiotic, implying that one cannot be truly complete or successful without the other. Whether the increasing prevalence of SD provides for

further adoption of RJ is the second question. In addressing the question, Nikos Valance as well evaluates potential public policy responses and institutions to orchestrate the transition eventually brought about by the paradigm shifts.

Giancarlo Ianulardo, Aldo Stella, and Roberta De Angelis, in their work (Chapter 21, “Uncovering the dialogical dimension of corporate responsibility: Towards a transcendental approach to economics with an application to the circular economy”), address the lack of a proper philosophical reflection on the concept of responsibility. Based on this assumption, the chapter engages in a journey into the analysis of the concept of responsibility exploring the work of Weber, Jonas, Apple, and Levinas. Along this line, the authors propose a transcendental notion of responsibility as a “response” to a “quest” for an authentic realization of individuals that implies the interaction between a dialogical and a normative dimension. Taking the perspective offered by this transcendental conceptualization of responsibility, the authors assess the circular economy model by re-conceptualizing both the concept of waste and resources and the notion of stewardship toward the ecosystem.

Finally, in Chapter 22, “Power, authority and leadership: A proposal for organizational theory in the post-bureaucratic era”, Lucia Ciardi and German Scalzo explore organizations’ political dimension with a conceptual, philosophical-political, and historical investigation of the development of the relationship between power and authority. The authors propose a multidisciplinary analysis and, in particular, capitalize on the work of Juan Antonio Pérez López to interpret the impact on management and leadership of the imminent post-bureaucratic era and the crisis of modernity along with the bureaucratic model that accompanies it. The chapter concludes by describing how the coexistence of power and authority in the figure of the leader is a characteristic feature of healthy organizations that are focused on human development.

# **Part I**

## **Philosophical Foundations and Normative Approaches for Business Management**



# 2

## What Should Business Ethics Be? Aims, Methodology, Substance

Brian Berkey

### Introduction

The term “business ethics” is now used to refer to various types of work done within and across a wide range of academic disciplines. Much of this work is purely empirical: scholars examine the impact of corporate policies that are widely regarded to be ethical or “socially responsible” on the profitability of firms that adopt those policies; they attempt to determine what features of corporate environments tend to promote behavior that is widely regarded to be ethical among employees, and what features of such environments tend to lead to behavior that is generally thought to be unethical; and they assess which firms tend to be viewed by members of the public as ethical, and which as unethical, and attempt to determine what explains these public perceptions.

---

B. Berkey (✉)

University of Pennsylvania, Philadelphia, PA, USA

e-mail: [bberkey@wharton.upenn.edu](mailto:bberkey@wharton.upenn.edu)

This kind of work is important, and much of it is essential to the overall enterprise of business ethics, which surely has as one of its aims providing the necessary bases for agents in business to make ethical choices.<sup>1</sup> Since making ethical choices often requires accurately predicting what the most important effects of different available options would be, empirical work that contributes to our ability to do this is indispensable. Any adequate view of the scope of business ethics, however, must include work on *normative* questions about the proper conduct of business by firms and the individuals who work within them.<sup>2</sup> Normative questions are unavoidably *philosophical*, since answering them requires taking a position, at least implicitly, on which values and principles *ought* to guide choice and behavior.<sup>3</sup> No amount or type of empirical research can tell us which values ought to guide our choices, or to which principles our behavior ought to conform. Answers to these questions must come from, and be supported by, philosophical reflection and argument.

Despite the fact that few would deny that some central questions in business ethics are normative, there has been, and remains, much skepticism about the value of traditional philosophical approaches to answering these questions. One common variant of this skepticism has its roots in the thought that scholarship in business ethics must have as one of its aims providing “practical” guidance to managers and others making important decisions in real-world business contexts. It is suggested by skeptics that, for a number of reasons, philosophical approaches, and

---

<sup>1</sup> There is a broader question that can be asked about whether it makes sense to consider all of the work that is currently referred to as “business ethics” as part of a single, unified field of scholarly inquiry. I take no position on this question here.

<sup>2</sup> There is, in my view, good reason to count a much broader range of normative questions among those that fall within the scope of business ethics, including, for example, questions about the obligations of consumers (Hussain 2012; Ferguson and Ostmann 2018; Lawford-Smith 2018; Barry and MacDonald 2019; Hassoun 2019; Berkey 2021c; Kingston 2021), questions about the appropriate structure and limits of markets within a society (Satz 2010; Sandel 2012; Brennan and Jaworski 2016), and questions about international trade justice (James 2012; Risse and Wollner 2019).

<sup>3</sup> Individuals can, of course, take positions on these questions without engaging in philosophical inquiry—they can, for example, defer to religious texts or leaders, or views that are widely accepted in their culture. Openness to philosophical inquiry, broadly understood, however, is essential for the kind of debate about the complex and important issues that work in business ethics, and ethics more generally, should help us address.

in particular those that treat business ethics as largely continuous with moral and political philosophy more broadly, cannot provide guidance that is appropriately practical.

Any defense of this criticism of philosophical approaches in business ethics must include an account of the conditions that must be met in order for the guidance offered by an argument, principle, or theory to be sufficiently practical, as well as grounds for thinking that the philosophical approaches being criticized tend to yield results that fail to meet those conditions. It is, however, often unclear exactly what skeptics take the relevant conditions to be, and therefore unclear precisely why we should think that the views that they target should be rejected. A common theme is that those who employ traditional philosophical approaches tend to endorse claims, principles, and theories that are unrealistic and utopian, as well as too condemnatory of common and widely accepted features of business practice, such as deception<sup>4</sup> or the profit motive. At a fairly general level, the suggestion seems to be that any view that implies that the actual motives and practices of typical businesspeople tend to be ethically troubling should be considered insufficiently practical. More specifically, the suggestion is that such views cannot provide the kind of practical guidance to businesspeople that scholarship in business ethics must aim to provide. And since, according to proponents of this line of argument, work in business ethics ought to be constrained by the requirement to offer practical guidance, traditional philosophical approaches to business ethics should be regarded as objectionable in virtue of their aims, methodology, and/or substance.

I have three central aims in the remainder of this chapter. The first is to defend traditional philosophical approaches to business ethics<sup>5</sup> against the criticism that they are insufficiently practical. I do this, in section “[The Aims of Business Ethics](#)”, by arguing that there are two main ways that the requirement that scholarship in business ethics offer practical guidance can be understood. On the first, the requirement

---

<sup>4</sup> See, for example, Carr (1968). For critical discussion, see Sullivan (1984), Carson (1993, 2005), Strudler (1995, 2005), Allhoff (2003), and Varelius (2006).

<sup>5</sup> In the remainder of this chapter, I use the term “business ethics” to refer only to the subset of scholarship that is typically referred to by that label that addresses normative questions about the proper conduct of agents in business contexts.



should, I claim, be rejected, since it is not an appropriate constraint on acceptable answers to any normative question. And on the second, the arguments, principles, and theories that are produced by employing traditional philosophical approaches will, at least in general, satisfy it. Because of this, we should accept that scholarship in business ethics, like scholarship in moral and political philosophy more generally, and in other areas of applied ethics, should take among its central aims offering arguments, principles, and theories that represent appropriate normative ideals to govern the behavior and practices at issue.

My second aim is to defend the view that the appropriate methodology for pursuing work in business ethics is largely continuous with the appropriate methodology in moral and political philosophy more broadly. I do this, in section “Methodology in Business Ethics”, largely via a critique of approaches that treat business ethics as fundamentally a kind of “professional ethics,” and on which the principles that ought to guide the behavior of actors in business are grounded primarily, if not exclusively, in the values that are central to the profession and provide the justification for its role in society. Proponents of these approaches sometimes suggest that they represent a plausible middle-ground between, on the one hand, potentially unrealistic and impractical philosophical approaches that treat business ethics as largely continuous with moral and political philosophy more generally, and, on the other, the approaches favored by more thorough-going skeptics of business ethics, which offer too little space for normatively justified criticism of much actual behavior in business. I argue, however, that because of the immense impact of business activities on a vast range of morally important values, it is less plausible to approach questions in business ethics as purely, or even primarily, a matter of professional ethics than it is to approach questions in, for example, medical or legal ethics in that way. More generally, I argue that the methodology characteristic of the professional ethics approach inevitably screens out values that are in fact relevant to the moral status of conduct in business. Employing that methodology, then, will unavoidably generate principles and theories that cannot account for all of the obligations of firms and the individuals working within them.

My final aim is to offer a brief characterization of how we should think about the substance of business ethics, in light of my arguments about its proper aims and methodology. I do this, in section “The Substance of Business Ethics”, by highlighting some of the central ways in which my arguments suggest that the substance of business ethics ought to be informed by theoretical work in moral and political philosophy, and noting some important implications of this view.

## The Aims of Business Ethics

As I have noted, a number of those who are skeptical of philosophical approaches to business ethics have claimed that scholarship in business ethics must have as one of its central aims offering practical guidance to managers and other actors in business contexts. And they have suggested that employing philosophical approaches tends to generate arguments, principles, and theories that do not provide guidance that meets the requirement of practicality. In order to assess this charge, it is essential to consider precisely how critics might understand the requirement that the guidance provided by scholarship in business ethics be practical.

### Stark’s Practicality Requirement

In order to determine what critics might have in mind, it will be helpful to examine the well-known critique of philosophical approaches in business ethics offered by Andrew Stark (1993a). According to Stark, business ethics at the time that he was writing was largely dominated by those employing philosophical approaches. And this was regrettable because, on his view, moral philosophy as it is traditionally practiced has little of practical value to offer to managers and others working in the business world. As he puts it, “the discipline of business ethics has yet to provide much concrete help to managers” in areas that ought to be its focus, such as, for example, identifying ethical courses of action in difficult real-world cases, or helping managers to do what they already know

is right in cases in which competitive and organizational pressures tend to encourage unethical behavior (1993a, p. 38).<sup>6</sup>

The central reason that Stark thinks that philosophical approaches offer little of practical value to managers is that the views that tend to be defended by those employing such approaches typically imply that complying with many moral obligations in business will come at the cost of the agent's self-interest, the profits of her firm, or both. Arguments that suggest that managers have such obligations fail to provide appropriately practical guidance, Stark suggests, in effect because their implications will tend to be viewed as radical, and managers will predictably refuse to act in accordance with them. The obligations that business ethicists defend, "however morally respectable, run so contrary to existing managerial roles and responsibilities that they become untenable" (Stark 1993a, p. 43). If they are to succeed in influencing managers, "they must advance their proposals with a heightened sensitivity to practitioners' understanding of their professional-principal responsibilities" (Stark 1993a, p. 46).

As Joseph Heath rightly points out (2004, pp. 71–72), Stark's discussion runs together, on the one hand, the pursuit by managers of their personal self-interest and, on the other, their pursuit of profit maximization on behalf of their firms (or, perhaps more precisely, on behalf of shareholders). This is important because the charge that philosophical approaches to business ethics should be rejected as insufficiently practical can be articulated by suggesting that purported moral obligations to sacrifice one of these in business must be rejected, but it cannot be

---

<sup>6</sup> It is worth noting that while the first of these suggestions regarding what business ethicists ought to aim to do in their work clearly lies within the domain of normative scholarship, the second just as clearly does not. Insofar as his aim is to critique the way that normative scholars have approached their work in business ethics, then, the second suggestion is clearly out of place, since normative scholars are generally not trained to produce work that has as its aim motivating people to behave in ways that they know, independently, are morally required. In addition, this would be an unusual aim to have in producing scholarly work in any field of inquiry. It seems instead to be a more suitable aim to adopt if one is, for example, acting as a consultant to a corporation and in a position to shape the decisions of managers. Indeed, to some extent Stark's critique can be understood as suggesting that much scholarship in business ethics is problematic because it does not, and perhaps cannot, play a central role in satisfying the aims that an ethics consultant might reasonably adopt. As I will argue, however, there are strong reasons to reject the view that normative scholarship, whether in business ethics or any other domain, should be constrained by aims of this kind.

claimed that obligations to sacrifice either must be rejected. This is, of course, because they can conflict—sometimes the course of action that will best promote a manager’s personal self-interest is not the same as the course of action that would be most profitable for her firm.

On the whole, Stark is, it seems to me, most plausibly interpreted as primarily claiming that views that require non-trivial sacrifices of potential firm profits should be rejected as failing to provide sufficiently practical guidance to managers.<sup>7</sup> Nonetheless, there are at least some grounds for interpreting him as, at least at times, appealing to managers’ self-interest as grounds for skepticism about the practicality of the views that he critiques. For example, he speaks largely favorably about views according to which the reason that managers should be ethical can be characterized in terms of “enlightened self-interest” (Stark 1993a, p. 39),<sup>8</sup> and suggests that views that require managers to be motivated by altruism are problematic (p. 40).<sup>9</sup> Relatedly, he suggests that business ethicists whose academic background is in moral philosophy have tended to produce work that fails to address the “real-world moral problems of management” because their discipline “tends to place a high value on precisely those kinds of experiences and activities where self-interest does not rule” (p. 40).

Since managers are not identical with the firms for which they work, there is at least some awkwardness in interpreting the claim that managers should be ethical for reasons of enlightened *self*-interest to mean that they should be ethical because it is in the interests of their firms.<sup>10</sup> In addition, Stark favorably quotes Joanne Ciulla’s claim that

---

<sup>7</sup> Joseph Monast (1994) also interprets Stark in this way, though he is not always entirely careful to distinguish profitability from personal self-interest either.

<sup>8</sup> He notes, for example, that several scholars have claimed that the primary (and appropriate) goal of ethical management is to prevent the enactment of regulations that would constrain firms’ business activities (presumably in ways that would limit their profitability while protecting or promoting other values).

<sup>9</sup> Stark does not deny that individuals, including managers and others acting in business contexts, are sometimes motivated by altruism (1993a, pp. 43, 46). But he does at least at times suggest that approaches in business ethics that do not take a significant degree of self-interested motivation as given, and as a constraint on what individuals can be obligated to do, must be rejected (pp. 40, 43, 46).

<sup>10</sup> Despite this, in the same section Stark does characterize the view that he is describing as concerned with the effects of ethical behavior on firms’ “bottom line,” and quotes another

“the really creative part of business ethics is discovering ways to do what is morally right and socially responsible without ruining your career and company,” and shortly after states that “the key task for business ethicists is...to participate with managers in designing new corporate structures, incentive systems, and decision-making processes that are more accommodating of the whole employee, recognizing his or her altruistic and self-interested motivations” (1993a, p. 46). Perhaps most significantly, in a reply (Stark 1993b) to a critical response to his initial article (Duska 1993), Stark describes his critique as motivated in part by the fact that, in his view, “the reality of self-interest in managerial psychology is not given adequate importance” (p. 12) in the business ethics scholarship that he critiques.

## Practicality and Managerial Self-Interest

Because Stark does at times seem to suggest that philosophical approaches are insufficiently practical in virtue of requiring too much sacrifice of managers’ self-interest, it is worth considering whether this charge might be plausible before moving on to consider the alternative version of the charge that is grounded in the claim that views that require non-trivial sacrifices of profitability fail to provide sufficiently practical guidance. The first thing to notice is that there do not seem to be any grounds on which the claim that an ethical argument, principle, or theory that implies that an individual is obligated to make significant sacrifices of her self-interest should be rejected as insufficiently practical can be limited to business contexts, or even to professional contexts more generally. Instead, it would seem to constitute a rather general basis for skepticism about any normative argument, principle, or theory that implies that individuals can, at least at times, be obligated to make significant sacrifices with respect to their personal self-interest. If this is right, then a significant degree of self-interested motivation would

---

scholar who claims that there will tend not to be any conflict between the courses of action that would be chosen by those concerned about social responsibility and “long-range profit considerations” (1993a, p. 39).

have to be accepted as given, and as a constraint on normative scholarship, including in theoretical work in moral and political philosophy that does not aim to directly address questions of professional ethics.

Stark, however, clearly accepts that scholarship in moral theory is not subject to the requirement to offer sufficiently practical guidance. Instead, he claims that there is an important distinction between moral theory and work in applied and professional ethics, and that only the latter must satisfy it—“[s]urely, business ethicists are not pure moral theorists who needn’t worry about the practicality of their prescriptions” (1993a, p. 43). In addition, it would, in any event, be extremely implausible to think that all normative scholarship must avoid endorsing views about our obligations that at least sometimes require that individuals accept significant sacrifices of their self-interest. One of the central debates in moral philosophy in recent decades is about how demanding morality is, that is, how much sacrifice of one’s own interests it requires or can require.<sup>11</sup> While most participants in this debate reject the most demanding views, virtually all accept that morality can, at least at times, require substantial sacrifices of one’s personal interests. Accepting that normative scholarship is insufficiently practical if it implies that there are obligations to make significant sacrifices of one’s self-interest would imply that nearly all work in this central debate is fundamentally misconceived, and that the central questions that are at issue in the debate should in fact be treated by all normative scholars as, in effect, settled in favor of the views on the least demanding end of the spectrum. This would limit what ought to count as proper normative scholarship much more than Stark intends, and more than anyone, including critics of philosophical approaches in business ethics, should find acceptable.

Furthermore, even if there were a plausible basis for applying the requirement only to scholarship in professional ethics, it is clearly unacceptable to think that scholars working in other areas of professional ethics must avoid endorsing views that require individuals to forego their personal interests to a significant extent when acting in their professional capacities. As Heath notes, the very idea that a doctor’s self-interested

---

<sup>11</sup> Just a few of the many important contributions to this debate are Singer (1972), Williams (1973, 1981), Wolf (1982), Scheffler (1992), Unger (1996), Ashford (2000), Murphy (2000), Miller (2004), and Buss (2006). I contribute to the debate in Berkey (2016).

motivations could provide grounds for skepticism about an otherwise plausible claim about her obligations is simply absurd—“[s]uppose the patient doesn’t really need an operation, but the doctor could make a lot of money by performing it anyway. What to do, what to do?” (2004, p. 71). Examples of this kind can easily be multiplied across a range of professional contexts: A lawyer predicts that if she ensures that her current client loses his case, she will be able to secure lucrative employment with his counterparty in the future; an elected official predicts that if he ensures the passage of a bilateral trade deal with another country that will predictably harm his constituents, he will be able to secure a high-paying position with a powerful firm in the other country upon leaving office. The arguments, principles, and theories defended in these other areas of professional ethics all reflect the core ethical commitment, shared with nearly all moral theory, that complying with moral obligations will at least sometimes, and perhaps often, require sacrifices in terms of one’s own interests.<sup>12</sup>

## Practicality and Profit Maximization

The claim that philosophical approaches in business ethics should be rejected because they generate prescriptions that are in conflict, to an unacceptable degree, with managers’ self-interest, then, should clearly be rejected. It should be entirely unsurprising and uncontroversial that the obligations of managers, like the obligations of doctors, lawyers, elected officials, and individuals acting in non-professional capacities, will sometimes conflict with the pursuit of their own self-interest. As Heath rightly points out, this possibility follows straightforwardly from the idea that there are obligations grounded in the other consideration to which Stark appeals, namely profit-maximization. Just as doctors, when they are acting in their professional capacity, are generally thought to

---

<sup>12</sup> This is especially important to note in relation to Stark’s discussion, since he claims that other areas of professional ethics, such as medical and legal ethics, have done significantly better than business ethics when it comes to offering practical guidance to the relevant professionals (1993a, pp. 38, 44; 1993b, p. 12).

be obligated to act in the best interests of their patients, to the exclusion of consideration of their own interests, if managers are obligated to maximize profits this is because they are obligated to act in the interests of shareholders, to the exclusion of their own interests, when they are acting in their professional capacity.<sup>13</sup> The fact that managerial action that maximizes returns to shareholders can conflict with the manager's personal interests, and that this has significant potential implications for managerial obligations, is noted in a particularly striking way by Jeffrey Moriarty, who argues that CEOs are obligated to ensure that they are themselves paid no more than what is required to motivate them to work to profit-maximizing effect (2009).<sup>14</sup> As this example makes clear, profit-maximization and managers' self-interest can come apart in rather significant ways. Accepting that managerial self-interest constrains the kind of guidance from business ethicists that is sufficiently practical, then, would threaten the case for an obligation to maximize profits in the same way, and perhaps even to a similar extent, that it would threaten many of the obligations defended by those whose approaches Stark criticizes.

Defenders of Stark's practicality requirement, then, should not appeal to managers' supposed self-interested motivations in order to reject philosophical approaches as failing to offer sufficiently practical guidance. As I noted above, overall Stark himself emphasizes the role of the pursuit of profit more than managers' self-interested motivations (despite also often running these together) in making his case that philosophical approaches fail to provide sufficiently practical guidance. He claims, for example,

---

<sup>13</sup> Heath claims that properly structured incentive systems will tend to align managers' personal interests and the interests of shareholders, but rightly notes that this alignment of interests, where it exists, is "accidental and irrelevant from the moral point of view. In the case of a conflict, the obligations simply trump the relevant set of interests" (2004, p. 72). In other words, if managers are obligated to shareholders to maximize profits, this obligation does not depend on its also being the case that maximizing profits best serves the manager's personal interests. A manager who blames an improperly designed incentive system for actions that he took that served his own interests well but were disastrous for shareholders has certainly not provided a compelling justification for his conduct, even if it is true that the incentive structure was poorly designed.

<sup>14</sup> For a critique of Moriarty's argument that nonetheless acknowledges that managers do have obligations to refrain from many self-interest advancing actions (e.g., stacking the board with members who will overcompensate them), see Kolb (2011). Moriarty replies in his (2011).



that business ethicists tend to objectionably “devalue such traditional business interests as making a profit or succeeding in the marketplace in favor of supposedly more important ethical demands” (1993, p. 40). In addition, he suggests that the primary reason that many of the recommendations of business ethicists are insufficiently practical is that they require managers to weigh the interests of others against the interests of “their traditional principals,” namely shareholders (p. 44). These recommendations, he claims, “simply go against the grain of the traditional professional-principal relationship” (p. 46), and therefore are “not particularly useful to managers” (p. 44).

Despite Stark’s arguments, there are strong reasons to reject the claim that views that require non-trivial sacrifices of firm profitability fail to provide sufficiently practical guidance. First, we can note that while the claim that views that require too much sacrifice of an agent’s self-interest are insufficiently practical can at least be grounded in a coherent (if rather implausible) account of human motivational psychology, the claim that it is objectionably impractical to advocate that managers give significant weight to the interests of non-shareholders who stand to be affected by their decisions cannot be grounded in any general claims about motivational psychology. It is not patently absurd (though I think it is false) to suggest that humans are, in some sense, hard-wired to pursue their own self-interest in a way and to an extent that makes it unreasonable to expect them to be persuaded by, and to change their behavior in response to, even otherwise compelling philosophical arguments in favor of obligations to make sacrifices for the sake of others’ interests. If this were true, then there would be a significant sense in which philosophical defenses of ethical obligations to make significant sacrifices of one’s own interests would be of limited practical value, and would offer guidance that might be claimed to be insufficiently practical given the relevant (hard-wired) psychological facts.

But it cannot plausibly be claimed that individuals who happen to be managers of firms are somehow psychologically hard-wired to pursue profits on behalf of their firms and their shareholders, in a way and to an extent that would make it unreasonable to think that they could become motivated to consider in a significant way the interests of others in their decision-making as well, and to weigh those interests against

the interests of shareholders. To the extent that managers have a strong disposition to aim at maximizing profits, this is the result not of hard-wired and largely unchangeable psychological facts, but of contingent and changeable social and professional norms, and the (also changeable) beliefs that sustain those norms. What business ethicists who advocate views that Stark considers insufficiently practical claim is simply that some of business's prevailing norms, perhaps including those according to which profit maximization is the central value that managers ought to pursue, are not ethically defensible. And this is the kind of claim that it must always be possible for scholars working on normative questions, including questions in applied and professional ethics, to entertain. Indeed, if claims of this kind were ruled out on the ground that they provide objectionably impractical guidance, it is not clear that there would be much of interest that scholars in business ethics could contribute—their role would seem, at best, to be reduced to the largely empirical task of determining whether, and if so how, particular firms' pursuit of profits can avoid conflict with other morally important values. If it turns out that it cannot, then it would seem that we must simply accept that managers will prioritize profits, and that their doing so, while perhaps not always morally admirable, is at least not wrong.<sup>15</sup>

There are two central reasons to reject the view that the widespread commitment of managers to prioritizing profit can make it the case that normative work in business ethics that argues that this commitment ought to be significantly qualified or replaced provides objectionably impractical guidance. The first is simply that the norms of professions are changeable, and do in fact change, sometimes at least in part in response to normative challenges to existing norms. And the means by which they change at least sometimes involve individuals within a profession choosing to act contrary to prevailing norms because they are convinced

---

<sup>15</sup> For roughly, this interpretation of Stark, see Monast (1994, pp. 506–508).

that doing so is morally required.<sup>16</sup> One way that those employing philosophical approaches to business ethics can generate arguments that offer practical guidance, then, is by considering what moral reasons there might be for favoring norms that differ from the currently dominant ones, and offering arguments aimed at persuading managers to act in ways that can help to move the profession in the direction of replacing the current norms with the ones supported by the arguments. Changes in the norms of a profession, when they do occur, generally do so gradually, with a number of factors contributing. But surely normative arguments can be one of the relevant contributing factors, even if initially they only persuade a small number of professionals, and perhaps affect the behavior of even fewer. Because of this, it is implausible to claim that arguments in defense of changing the norms of a profession cannot provide relevant and valuable practical guidance.

The second, and more important reason to reject the view that the place of the norm of prioritizing profit in contemporary business makes the guidance of normative views inconsistent with it objectionably impractical is that it would undermine even extremely widely accepted moral limits on the pursuit of profit. To see why this is the case, consider Stark's critical response to Richard De George's claim that "[i]f in some instance it turns out that what is ethical leads to a company's demise...so be it" (quoted in Stark 1993, p. 40). Stark claims that "managers would be hard-pressed not to view such prescriptions as restatements of the

---

<sup>16</sup> Consider, as just one example, elected officials in the United States prior to 1865 who considered the interests of slaves to be relevant to what they ought to do when acting in their professional capacity. These officials rejected and acted contrary to prevailing norms regarding who counted as constituents whose interests they had a professional duty to represent, and contributed to an effort to replace those norms with morally superior ones. However few such officials there actually were who were motivated by the relevant moral considerations, and however unlikely it might have been that most would act on the recommendation generated by the moral argument, it is deeply implausible (to say the least) that any argument in favor of the view that elected officials have an obligation to consider the interests of slaves could have been justifiably rejected as failing to provide sufficiently practical guidance, since it was too deeply in tension with most officials' existing understanding of their professional responsibilities. I assume, of course, that Stark and other critics of philosophical approaches in business ethics would not endorse this claim. It is not clear, however, that they can reject it if they accept that arguments and views in business ethics are insufficiently practical if, and because, they imply obligations to act contrary to most managers' existing understanding of their professional responsibilities.

problem, rather than as workable solutions” (p. 40), which suggests that he thinks that De George’s claim is an example of guidance produced by employing a philosophical approach that is insufficiently practical. It is, however, very easy to imagine cases in which virtually everyone would agree that a manager is morally required to act in a way that will lead to her firm’s failure. Imagine, for example, that a manager learns that her firm’s pacemakers are defective, and it is clear that if it does not continue selling them, it will be forced to shut down.<sup>17</sup> Even if the manager had good reason to think that the defects would not be discovered, or that the firm could weather the legal costs and survive if they were, it is deeply implausible (to put it mildly) that it could be morally acceptable to continue selling the pacemakers. And surely many managers would in fact choose to stop selling them, even knowing that this would lead to the closure of the firm.

Because of this, it is not even the case that views in business ethics according to which managers must sometimes act in ways that will result in the failure of their firms offer guidance that managers will simply not follow. In some cases, they would act in accordance with this guidance (and in some cases they might even be persuaded to act in accordance with it in virtue of being confronted with moral arguments, after initially being tempted to attempt to preserve their firms). So even if we accepted that arguments, principles, and theories in business ethics must offer sufficiently practical guidance, and accepted that in order to meet this requirement scholarship in business ethics must offer guidance that managers might actually be persuaded to comply with, many of the views that Stark aims to criticize would not be ruled out.

## Assessing the Practicality Requirement

More importantly, however, if it were the case that virtually all managers would choose to continue selling the pacemakers, so that ethical arguments that imply that they ought not do this would fail to provide sufficiently practical guidance according to the criterion that I just

---

<sup>17</sup> I take this case from Duska (1993, p. 9). For a similar case, used to make a similar point, see Monast (1994, p. 507).

described, surely what this would show is that we must either reject the requirement that scholarship in business ethics provide sufficiently practical guidance, or else interpret that requirement in another way. This is because it must be a legitimate aim of scholarship in any area of normative inquiry to argue that behaviors and patterns of decision-making that are common and may even typically go largely unchallenged are in fact ethically unacceptable. The claim that managers should act in ways that will lead to their firms' failure in cases like that involving the defective pacemakers either offers sufficiently practical guidance in virtue of the fact that managers *could* follow this guidance, even if they in fact will not, or else the requirement to provide sufficiently practical guidance must be rejected, since the claim that a manager ought not continue to sell the pacemakers is surely correct.

In my view, we should accept the first option here: normative scholarship should provide practical guidance, but all that is required in order to meet this requirement is presenting arguments, principles, or theories whose prescriptions individuals could comply with if they choose to. And this simply amounts to accepting the widely endorsed precept that "ought implies can". Defenders of Stark might claim that his argument can be understood as grounded at least largely in the thought that, perhaps because they fail to take sufficiently seriously the competitive realities that structure decision-making in business, those who employ philosophical approaches in business ethics often endorse views that managers simply could not comply with, even if they tried. This claim, however, is simply not supported upon examination of most of the arguments, principles, and theories defended in normative business ethics scholarship. To take just one example, in the debate about whether sweatshop employers are guilty of wrongful exploitation even if their employees voluntarily accept their positions and are benefited by their employment, those who argue that they often are virtually always qualify their view by insisting that this is the case only if the employers could have employed their workers on more favorable terms (Meyers 2004, p. 329; Young 2004; Mayer 2007; Snyder 2008, pp. 390, 398, 400–401, 404; Ferguson 2016; Kates 2019, p. 44; Berkey 2021a).

The most plausible interpretation of the requirement that scholarship in business ethics provide sufficiently practical guidance, then, is satisfied

by virtually all of the philosophical work that Stark sets out to criticize. Because of this, we should conclude that he and others are wrong to reject philosophical approaches in business ethics on the ground that employing them fails to generate arguments, principles, or theories that offer sufficiently practical guidance. In the relevant sense, these arguments, principles, and theories generally do offer practical guidance, because they offer prescriptions that individuals could comply with if they chose to. The fact, if it is a fact, that most people will predictably not comply with the guidance offered by a view is not itself a reason to reject that view—this is no less the case in business ethics than it is in moral theory more generally.

There is nothing objectionable, then, about work in business ethics that aims to defend normative ideals for the practice of business that are supported by philosophical reflection, even if there are reasons to expect that few managers will in fact comply with the guidance offered by those ideals. Indeed, this kind of work provides the only kind of guidance that normative scholarship can reasonably aim to provide, insofar as it is scholarship, aimed at determining the truth about fundamental questions, as opposed to material produced with the direct aim of affecting behavior. While the latter aim may be appropriate for those engaged in, for example, certain kinds of consulting work, it is not appropriate for scholarly inquiry.

## Methodology in Business Ethics

While many scholars working in business ethics accept my claim that the central aim of scholarship in the field ought to be to defend normative ideals for the practice of business, there are significant disagreements about the appropriate methodology to employ in order to accomplish this. One prominent approach is grounded in the idea that business ethics should be understood as a kind of professional ethics, akin to the way that medical and legal ethics are often understood. According to this approach, the way to determine the content of the principles that ought to guide the behavior of actors in business is, roughly, to first

determine what values provide the central justification for the profession's role in society. These values, on many versions of this "professional ethics" approach, are at least the primary, and perhaps the only values that are relevant to the obligations of professionals when they are acting in their professional capacity. The idea, then, is that by identifying the values that are central to the justification of a profession, we limit the range of values that must be taken into account when determining the obligations of professionals within the relevant field, and thereby the range of values that they must take into account when deciding what to do. Other values, which are relevant in other domains of moral decision-making (such as when individuals are acting outside of their professional capacity), are, in effect, "screened out" by the professional ethics approach.

Thomas Donaldson and James Walsh suggest this kind of approach by posing the question "[l]aw is to justice, as medicine to health, as business is to \_\_\_\_\_?" (2015, pp. 181, 187). The motivating idea is, at least roughly, that each of these professions has a purpose, and that by identifying this purpose we thereby determine the values that ought, ultimately, to guide the conduct of professionals within the relevant field. For example, since the purpose of medicine is to protect and promote health, the norms that guide the conduct of medical professionals ought to be such that their being systematically complied with tends to result in the protection and promotion of the health of patients. A norm that requires medical professionals to act in their patients' best interests, subject to respect for their autonomy, plausibly satisfies this criterion.

Donaldson and Walsh note that it is important to recognize that the purpose of a profession is a normative matter—the relevant question is what central goal or goals a profession ought to promote, rather than what goal or goals actual individuals working within the profession might have or believe they ought to have. In addition, we must distinguish the normative purpose of a profession as a whole from the goals that individual professionals might be justified in adopting because their doing so constitutes an effective indirect means to the promotion of the profession's normative purpose (Donaldson and Walsh 2015, pp. 187, 198). For example, the normative purpose of the legal profession is, plausibly, justice. But it is widely thought that a defense attorney is obligated to

provide her client the best possible defense, even if she is certain that the client is guilty and that justice would, in the particular case at hand, be best served by a conviction.<sup>18</sup> The norm according to which defense attorneys ought not aim directly at justice, but instead ought to provide the strongest possible defense for their clients in every case, is justified by the fact that their doing this will tend to promote justice more than their attempting to promote it directly would (primarily because it ensures, to the greatest extent possible, that innocent people are not convicted and punished). Similarly, it might be that the normative purpose of business, whatever it is, is best promoted by managers adopting as their direct aim the promotion of a goal that is not a plausible candidate for the normative purpose of business, such as maximizing profits, ensuring efficiency, or succeeding in economic competition (Donaldson and Walsh 2015, pp. 187–188).

Donaldson and Walsh's tentative suggestion is that the normative purpose of business is to optimize collective value, subject to the constraint of treating everyone affected with dignity (2015, p. 188–189, 193, 195–197, 201). On their view, then, “law is to justice, as medicine is to health, as business is to optimized collective value” (p. 202). They define “collective value” as, roughly, the aggregate net benefits produced by business activity for those who are affected. Their view, then, is that business activity ought to be oriented, through the norms that agents such as managers adhere to in their professional conduct, such that business activity, as a whole, produces as much benefit for those affected as possible, without anyone's dignity being undermined.

While there is much that is appealing about this picture, in my view the way that Donaldson and Walsh fill out the analogy to law and medicine is revealing, and suggests that the professional ethics approach to business ethics is in fact mistaken. In the cases of law and medicine, a distinctive and at least largely isolable category of individual and/or

---

<sup>18</sup> It is worth noting here that in the context of criminal law, it is widely accepted that prosecutors ought to aim much more directly at justice in their professional conduct than defense attorneys. This is because it is widely accepted that it is significantly more important, morally speaking, to avoid convicting and punishing innocent individuals than it is to ensure that the guilty are convicted and punished. If this is correct, then prosecutors adopting a policy of prosecuting every case that they believe that they can win as vigorously as possible will tend to generate an unacceptable number of convictions of the innocent.



social interests is identified as constituting the normative purpose of each profession.<sup>19</sup> The normative purpose of medicine, for example, is to protect and promote individuals' health-related interests, and not any of their other morally important interests. The view that the normative purpose of business is to optimize collective value, however, does not, at least initially, appear to isolate a distinctive subset of individual and/or social interests as the ones that it is business's distinctive purpose to promote. Instead, it would seem that all interests, including, for example, individuals' health-related interests, are among those that it is business's role to promote.<sup>20</sup> If this is correct, then Donaldson and Walsh's view would imply that the normative purpose of business is to optimize individuals' morally relevant interests quite generally, subject to the dignity constraint. And this claim looks much more like one that we might expect to follow from a quite general moral theory than one that might be developed by employing the professional ethics approach.<sup>21</sup> There is very little, if any, screening out of otherwise morally relevant values within their view.

I suspect that the reason that Donaldson and Walsh arrive at this type of view is that they at least implicitly recognize that there is an important difference, at least of degree, if not of kind, between law and medicine on the one hand, and business on the other. The actions of professionals in law and medicine typically have very large effects on a fairly limited range of individuals and interests, and only much smaller and

---

<sup>19</sup> Identifying the normative purpose of the legal profession as simply "justice" may not be sufficiently precise, since it might be argued that it is not part of the role of lawyers, in their professional capacity, to advance the cause of, for example, distributive justice as this notion is typically understood by political philosophers (see, for example, Rawls 1999). Nonetheless, it seems to me that even if this is correct, the claim that the normative purpose of the legal profession is to promote justice can plausibly be given a more precise formulation on which it would refer to a narrower range of individual and social interests.

<sup>20</sup> In addition, this seems to be a plausible view. After all, pharmaceutical firms that produce drugs that significantly improve individuals' health seem clearly, at least in that respect, to be doing something consistent with the normative purpose of business.

<sup>21</sup> Of course, there are plausibly morally relevant values apart from individuals' interests. But it is worth noting that Donaldson and Walsh want their view to be consistent with a requirement that agents in business consider the interests of non-human animals, and perhaps even the value of non-sentient components of the natural world (2015, pp. 198–199).

less predictable effects on others. The professional conduct of practicing doctors, for example, has very significant impacts on their patients, and on their health-related interests in particular, while typically having much less significant and often unpredictable effects on the interests of others. Because of this, it seems plausible that practicing doctors ought, generally speaking, to aim primarily at promoting the health-related interests of their patients.<sup>22</sup> The decisions of managers in business, on the other hand, and in particular of those in large firms, have widespread and significant effects on large numbers of people, and on a wide range of different types of interests, in many cases over a substantial span of time (so that even those not born when a decision is made can be significantly affected—consider, for example, the effects of corporate greenhouse gas emissions on future generations). Because the potential effects of business activity are so extensive, and regularly impact such a wide range of individuals and types of morally important interests, it is not plausible that the obligations of business professionals are limited to promoting only a particular subset of these interests. Donaldson and Walsh's view does not have this implausible implication, but I submit that this is only because their account of the normative purpose of business is not actually analogous, in the way that they suggest, to the accounts of the normative purposes of law and medicine to which they refer. Their view, then, is not of the type that the professional ethics approach is designed to produce. Instead, it is the type of view one would expect to be produced by employing the familiar methods of moral and political philosophy. The professional ethics framing of their discussion, then, is ultimately misleading, primarily because their use of it does not result in

---

<sup>22</sup> It is worth noting that in cases in which doctors do make choices, in their professional capacities, that stand to affect a much wider range of individuals and interests, most people will accept that it can be wrong for them to ignore these individuals and interests and aim only at promoting the health of their patients. For example, imagine that by providing a treatment that one of her patients needs in order to avoid losing the use of one of her legs, a doctor would release a pollutant that would cause several innocent bystanders to lose the use of one of their legs. It seems clear that the doctor ought not provide the treatment, despite the fact that this entails failing to best promote the health-related interests of her patient. The norm according to which doctors ought to aim exclusively at promoting the health-related interests of their patients seems plausible, then, only because cases of this kind do not arise often. These cases highlight, however, that this norm cannot be fundamental, and at most happens to provide reasonable guidance in typical cases.

the screening out of values that typically characterizes the approach and makes it distinctive.<sup>23</sup>

## The Substance of Business Ethics

In my view, despite the professional ethics framing on the surface, Donaldson and Walsh arrive, in effect, at a view of the kind that we should accept in business ethics—namely, one on which the reasons that are relevant to determining the obligations of business professionals include all, or at least virtually all, of the reasons that are generally relevant to determining the obligations of other agents, such as individuals and governments (reasons, that is, of ethics generally, and of social justice).<sup>24</sup> Of course, agents acting in a professional capacity in business will often be very differently situated than, for example, government agents or private individuals, and have very different capacities. What they are able to do, which values their actions stand to affect in significant ways, and therefore what they are obligated to do, will, then, typically be very different as well. But if I am correct, this will simply be the result of the fact that the very same fundamental principles will have different implications for action for differently situated agents, and not, as the professional ethics approach suggests, the result of different fundamental principles applying in business contexts in virtue of the purpose of the profession as a whole.

The precise implications of a view of this kind depend on what the correct view is about the range of morally relevant reasons, and about how all of these reasons weigh up against each other in cases of conflict. It seems likely, however, that the correct view will imply that much conduct in business that is widely thought to be permissible is in fact

---

<sup>23</sup> Joseph Heath employs a version of the professional ethics approach in developing his well-known “market failures approach” to business ethics (2004, 2006, 2014). Heath’s view does screen out values that are not captured within his efficiency-based account of the justification of business as a profession. Because of this, I believe that his view cannot capture all of the obligations of business professionals. For a critique of Heath that appeals to the value of justice that, in my view, is correct but insufficiently far-reaching, see Singer (2018). I criticize Heath’s view on the ground that it cannot count the interests of non-human animals in Berkey (2022).

<sup>24</sup> I argue for a view of this kind, focusing on justice in particular, in Berkey (2021b).

wrong. This should be unsurprising, and should on reflection seem plausible. The influence of the central thought underlying the professional ethics approach leads to widespread acceptance of conduct in business that virtually no one would accept as permissible outside of business, because that thought implies that there is only a narrow range of reasons (having to do with, for example, profit-maximizing, satisfying consumer demand, or even promoting the interests of stakeholders somewhat narrowly defined) that are relevant to determining what business professionals ought to do. To take just one example, most people would find it obviously morally unacceptable for private individuals to subject millions of nonhuman animals to conditions amounting to torture, regardless of what benefits they might obtain from doing so. Nevertheless, many people think that executives of firms that operate or source products from factory farms do not do anything wrong, simply because they are acting in their capacities as business professionals and aiming to generate profits and satisfy consumer demand (Berkey, 2022). It is the screening out of reasons such as the reasons not to subject nonhuman animals to these conditions that makes the professional ethics approach inadequate.

It is important to note that while rejecting the professional ethics approach will tend to lead to a more revisionist view about how business ought to be conducted than its proponents may find entirely plausible, at least in part because it implies that a wide range of interests beyond those of shareholders are relevant to a business professional's obligations, it need not imply that the interests of shareholders do not, in practice, play a significant role in determining their obligations. Managers might have reasons to give substantial weight to the interests of shareholders in virtue of considerations that are morally relevant quite generally. Alan Strudler argues, for example, that managers have significant reasons to pursue (though not necessarily to maximize) profits on behalf of shareholders because shareholders are particularly vulnerable to the effects of managerial action (2017, pp. 111, 121–125). He suggests that this can be understood as an instance of a general moral requirement, defended by Robert Goodin, to act in a way that “protect[s] the interests of those who are particularly vulnerable to [one’s] actions” (1985, p. 114). If this is right, then managers will generally have significant reasons to promote the interests of shareholders. But since shareholders are not the

only parties who might be vulnerable to the effects of managerial action, these reasons will sometimes be outweighed by other vulnerability-based reasons. In addition, they might also at times be outweighed by morally relevant reasons of other kinds.

## Conclusion

In light of my arguments in the previous sections, the picture of what business ethics should be that emerges is the following. First, scholars working on normative questions should, like scholars working in other areas of normative inquiry, aim primarily to develop and defend arguments, principles, and theories that represent ideals that ought to guide action in the relevant domain. Their work should not be constrained by any requirement that the guidance offered be “practical,” beyond that it satisfies the requirement that agents could comply with it if they chose to. Second, scholars in business ethics should employ the methods familiar in moral and political philosophy more broadly, and should reject the professional ethics approach. In other words, rather than beginning by attempting to determine what the normative purpose of business is, they ought to, for example, consider the implications of generally plausible principles for relevant cases within business, and where these conflict with intuitive verdicts about those cases, seek to adjust either the content of the principles or their judgments about the cases so that they are, on reflection, both consistent and plausible.<sup>25</sup> Finally, substantive views in business ethics should be such that reasons that are thought, on reflection, to be relevant in ethics and/or political philosophy generally, should not be “screened out” as irrelevant to the obligations of business professionals.

**Acknowledgements** I am grateful to Richard Shell, Alan Strudler, and two anonymous reviewers for helpful written comments.

---

<sup>25</sup> This is, roughly, the method of “reflective equilibrium” described initially by John Rawls (1999, pp. 18–18, 40–45), and widely employed in moral and political philosophy.

## References

- Allhoff, Fritz. 2003. "Business Bluffing Reconsidered." *Journal of Business Ethics* 45: 283–289.
- Ashford, Elizabeth. 2000. "Utilitarianism, Integrity, and Partiality." *Journal of Philosophy* 97: 421–439.
- Barry, Christian and Kate MacDonald. 2019. "Ethical Consumerism: A Defense of Market Vigilantism." *Philosophy & Public Affairs* 46: 293–322.
- Berkey, Brian. 2016. "The Demandingness of Morality: Toward a Reflective Equilibrium." *Philosophical Studies* 173: 3015–3035.
- Berkey, Brian. 2021a. "Sweatshops, Structural Injustice, and the Wrong of Exploitation: Why Multinational Corporations Have Positive Duties to the Global Poor." *Journal of Business Ethics* 169: 43–56.
- Berkey, Brian. 2021b. "Rawlsian Institutionalism and Business Ethics: Does it Matter Whether Corporations are Part of the Basic Structure of Society?" *Business Ethics Quarterly* 31: 179–209.
- Berkey, Brian. 2021c. "Ethical Consumerism Democratic Values and Justice." *Philosophy & Public Affairs* 49(3): 237–274. <https://doi.org/10.1111/papa.12191>
- Berkey, Brian. 2022. "Prospects for an Animal-Friendly Business Ethics." In *Animals and Business Ethics*. Ed. Natalie Evans. Springer.
- Brennan, Jason and Peter M. Jaworski. 2016. *Markets Without Limits: Moral Virtues and Commercial Interests*. New York: Routledge.
- Buss, Sarah. 2006. "Needs (Someone Else's), Projects (My Own), and Reasons." *Journal of Philosophy* 103: 373–402.
- Carr, Albert Z. 1968. "Is Business Bluffing Ethical." *Harvard Business Review* (January/February): 143–153.
- Carson, Thomas. 1993. "Second Thoughts About Bluffing." *Business Ethics Quarterly* 3: 317–341.
- Carson, Thomas L. 2005. "The Morality of Bluffing: A Reply to Allhoff." *Journal of Business Ethics* 56: 399–403.
- Donaldson, Thomas and James P. Walsh. 2015. "Toward a Theory of Business." *Research in Organizational Behavior* 35: 181–207.
- Duska, Ronald. 1993. "A Rejoinder to Andrew Stark." *Society for Business Ethics Newsletter* 4: 9–11.
- Ferguson, Benjamin. 2016. "The Paradox of Exploitation." *Erkenntnis* 81: 951–972.

- Ferguson, Benjamin and Florian Ostmann. 2018. "Sweatshops and Consumer Choices." *Economics and Philosophy* 34: 295–315.
- Goodin, Robert E. 1985. *Protecting the Vulnerable: A Reanalysis of Our Social Responsibilities*. Chicago: University of Chicago Press.
- Hassoun, Nicole. 2019. "Consumption and Social Change." *Economics and Philosophy* 35: 29–47.
- Heath, Joseph. 2004. "A Market Failures Approach to Business Ethics." In *The Invisible Hand and the Common Good*. Ed. Bernard Hodgson. Berlin: Springer.
- Heath, Joseph. 2006. "Business Ethics Without Stakeholders." *Business Ethics Quarterly* 16: 533–557.
- Heath, Joseph. 2014. *Morality, Competition, and the Firm: The Market Failures Approach to Business Ethics*. New York: Oxford University Press.
- Hussain, Waheed. 2012. "Is Ethical Consumerism an Impermissible Form of Vigilantism?" *Philosophy & Public Affairs* 40: 111–143.
- James, Aaron. 2012. *Fairness in Practice: A Social Contract for a Global Economy*. New York: Oxford University Press.
- Kates, Michael. 2019. "Sweatshops, Exploitation, and the Case for a Fair Wage." *Journal of Political Philosophy* 27: 26–47.
- Kingston, Ewan. 2021. "Shopping with a Conscience? The Epistemic Case for Relinquishment Over Conscientious Consumption." *Business Ethics Quarterly* 31: 242–274.
- Kolb, Robert. 2011. "Must CEOs Be Saints? Contra Moriarty on CEO Abstemiousness." *Business Ethics Quarterly* 21: 679–686.
- Lawford-Smith, Holly. 2018. "Does Purchasing Make Consumers Complicit in Global Labour Injustice?" *Res Publica* 24: 319–338.
- Mayer, Robert. 2007. "Sweatshops, Exploitation, and Moral Responsibility." *Journal of Social Philosophy* 38: 605–619.
- Meyers, Chris. 2004. "Wrongful Beneficence: Exploitation and Third World Sweatshops." *Journal of Social Philosophy* 35: 319–333.
- Miller, Richard W. 2004. "Beneficence, Duty, and Distance." *Philosophy & Public Affairs* 32: 357–383.
- Monast, Joseph H. 1994. "What Is (and Isn't) the Matter with 'What's the Matter...'" *Business Ethics Quarterly* 4: 499–512.
- Moriarty, Jeffrey. 2009. "How Much Compensation Can CEOs Permissibly Accept?" *Business Ethics Quarterly* 19: 235–250.
- Moriarty, Jeffrey. 2011. "The Sky's the Limit: A Reply to Kolb." *Business Ethics Quarterly* 21: 686–691.

- Murphy, Liam B. 2000. *Moral Demands in Nonideal Theory*. New York: Oxford University Press.
- Rawls, John. 1999. *A Theory of Justice, Revised Edition*. Cambridge: Harvard University Press.
- Risse, Mathias and Gabriel Wollner. 2019. *On Trade Justice: A Philosophical Plea for a Global New Deal*. New York: Oxford University Press.
- Sandel, Michael J. 2012. *What Money Can't Buy: The Moral Limits of Markets*. New York: Farrar, Straus, and Giroux.
- Satz, Debra. 2010. *Why Some Things Should Not Be For Sale: The Moral Limits of Markets*. New York: Oxford University Press.
- Scheffler, Samuel. 1992. *Human Morality*. Oxford: Oxford University Press.
- Singer, Abraham. 2018. "Justice Failure: Efficiency and Equality in Business Ethics." *Journal of Business Ethics* 149: 97–115.
- Singer, Peter. 1972. "Famine, Affluence, and Morality." *Philosophy & Public Affairs* 1: 29–43.
- Snyder, Jeremy. 2008. "Needs Exploitation." *Ethical Theory and Moral Practice* 11: 398–405.
- Stark, Andrew. 1993a. "What's the Matter with Business Ethics?" *Harvard Business Review* (May/June): 38–48.
- Stark, Andrew. 1993b. "Response to a Rejoinder." *Society for Business Ethics Newsletter* 4: 12–15.
- Strudler, Alan. 1995. "On the Ethics of Deception in Negotiation." *Business Ethics Quarterly* 5: 805–822.
- Strudler, Alan. 2005. "Deception Unraveled." *Journal of Philosophy* 102: 458–473.
- Strudler, Alan. 2017. "What to Do with Corporate Wealth." *Journal of Political Philosophy* 25: 108–126.
- Sullivan, Roger J. 1984. "A Response to 'Is Business Bluffing Ethical?'" *Business and Professional Ethics Journal* 3: 1–18.
- Unger, Peter. 1996. *Living High and Letting Die: Our Illusion of Innocence*. New York: Oxford University Press.
- Varelius, Jukka. 2006. "Allhoff on Business Bluffing." *Journal of Business Ethics* 65: 163–171.
- Williams, Bernard. 1973. "A Critique of Utilitarianism." In *Utilitarianism: For and Against*. Eds. J.J.C. Smart and Bernard Williams. Cambridge: Cambridge University Press.
- Williams, Bernard. 1981. "Persons, Character, and Morality." In *Moral Luck*. Cambridge: Cambridge University Press.
- Wolf, Susan. 1982. "Moral Saints." *Journal of Philosophy* 79: 419–439.



Young, Iris Marion. 2004. Responsibility and Global Labor Justice. *Journal of Political Philosophy* 12(4): 365–388. <https://doi.org/10.1111/j.1467-9760.2004.00205.x>



# 3

## Philosophical Challenges in Development of Ethical Perspective in Business

Dušan Kučera 

### Introduction

During our university lectures at economic schools, we continually raise the question of whether and how ethics relates to business. Another problem is how business relates to social science. Furthermore, naturally, the final question is whether we need business philosophy. Every semester I watch how difficult it is for students of economics and management to discuss these issues. It has always been evident to philosophers that ethics is a philosophical field and that economics is a social field that needs a philosophy of values. Philosophical question marks over business ethics are born more among economists and managers. Therefore, this chapter is dedicated to students and also to teachers who are struggling with the

---

D. Kučera (✉)

Centre for Business Ethics and Sustainability Management, Prague University of Economics and Business, Prague, Czech Republic

e-mail: [dusan.kucera@vse.cz](mailto:dusan.kucera@vse.cz)

topic. In the end, we hope that the issue will also attract economists and managers from practice.

The majority of our students' views correspond to our topic's fair representation in the professional literature. The relationship between philosophy and business ethics follows a relatively narrow circle of authors. These certainly include Jacob Dahl Rendtorff (2020), with a provocative perspective following the phenomenon of "*evil and blindness in business*." Mathias Schüz (2019), who worked as a manager and later as a business ethics professor after studying philosophy and quantum physics, comes up with an original philosophical framework for practical management applications. Thomas Rusche (1992) wrote a book: "*Philosophische versus ökonomische Imperative einer Unternehmensethik*" and documents that German professional literature has been many years characterized by its sensitivity to the tension between philosophical and economic reality. They try to invite business people to the topic even with very modest titles, just so as not to discourage them from ethical considerations. That's why we read the title: "*Minimal morality in the modern economy*," looking for any modern business ethics (Wieland 1900). Attractive and useful is the particular and depersonalized topic of George Simmel (2004), "*The philosophy of money*." Almost 100 years ago, the author tried to describe money as a social tool. Besides, referring to earlier German studies from De George (2006) on the role of philosophy in business ethics. The following articles pointed to the failure of ethics without a formulated philosophical thesis on the value system and morality (Thielemann and Weibler 2007).

Then, we can recommend the book of Claus Dierksmeier (2016): "*The philosophical foundations of humanistic management*" or a comprehensive work from Luiz Carlos Bombassaro (2002) on philosophical support of business ethics. We should also remember the book written by a Catholic theologian and philosopher Hans Küng (2012) published after his expulsion from Catholic universities about the concept of "*World Ethos for the policy and economy*" with the question of why economics needs morality. From German literature, which is typical of its attention to detail and pedagogical implications, we can recommend also beneficial German titles: *Praktische Philosophie und Unternehmensethik—Weisheit und Wirtschaft: Konstruktiver Dialog oder Kategorienfehler?* (Schmidt

2008), *Philosophische Grundlagen der Wirtschafts- und Unternehmensethik* (Schumann et al. 2011) and also *Wirtschafts- und Unternehmensethik zwischen normativer Ökonomik und angewandter Philosophie. Zum Stand der Ethik im Curriculum der Wirtschaftswissenschaften für Wirtschafts- und Unternehmensethik* (Lenger and Taaffe 2014). After a basic personal research overview of professional literature, the offer of resources for our topic of philosophy of ethics is sufficient. It covers both purely theoretical and practical approaches with possible applications.

The presented chapter aims to identify critical philosophical challenges for business ethics from the author's philosophical point of view, who has worked in international companies' management for almost 15 years. We choose a methodological approach that first formulates basic philosophical questions essential for ethical thinking, decision-making, and in business conduct. Content is focused on business participants, corporate managers, or employees of state institutions who are responsible for managing funds. Regarding style, we choose a language that is also understandable to readers who do not contact the formal philosophical language yet are looking for the right way, strategy, and goal and value justification for their behavior. Finally, this chapter intends that the participant of our book discussion will find understandable philosophical points that would help him in the practical solution of his work or managerial problems. We believe that well-understood philosophical principles are the basis for the appropriate application in contemporary society, although we expect simple and pragmatic solutions rather than in-depth philosophical analyses. The foundation will naturally be a philosophical discussion, which we have been following for centuries. However, essential is several years of practical managerial experience of the author, who has dealt with how to clearly and convincingly justify his decisions and presented talks to his colleagues in international companies or institutions. A successful practice is based on a mutual theoretical understanding of their situation and practical procedures toward a common goal. The reward of honest philosophical and ethical efforts is that valuable work or projects will be performed to benefit the work team and customers, users, or the wider society.

The entry question is, why are we opening up the topic of philosophy within business ethics? What is the reason for such a title? Do

we do so first to fill specific gaps in executive and financially oriented education and economic literature? We respond here to the growing scandals and crimes of individual managers or international corporations. In addition to the fact that “*lying leaders*” (Schüz et al. 2006) harm themselves and their companies, the negative consequences of managerial and business crimes have long-term adverse effects on society as a whole and often on the natural environment. The role of philosophy must also be discussed because the requirements of international accreditation commissions (AACSB, EQUIS) place great emphasis on schools’ ethical level and the education of a young generation of economists, financiers, and entrepreneurs. Accreditation documents require clear evidence of ethical, responsible, sustainable thinking, and practice integrated into the school mission and each school department. The forms require a “*clear understanding*” of its role as a “*globally responsible citizen*” (EQUIS 2019, p. 72). All the points would not be possible without a clear philosophy of business ethics.

With this chapter, we respond to management’s demand, which is coming under pressure from legislative tightening for international trade and banks, especially after the 2008 global financial crisis. Amendments to European laws expect responsible and comprehensive “*managerial care*” for today and future generations (Andreisová and Kučera 2017). The problems arise when we ask where they should draw their philosophical motives to meet high moral expectations because the legal claim goes beyond regular rational speculation, considering the majority’s empirical behavior and personal feelings. European laws even expect “*best practicality*” about future generations. Since the new European business laws came into force (2014), compliance programs and risk management have also been developed in companies. Ethics codes and disciplinary committees (Deloitte, KPMG, PricewaterhouseCoopers, and international banks) are introduced in American and European international companies, companies, and institutions. Such a shift toward greater fairness, sustainability, and ethics is also taking place in post-communist countries, albeit with some delay and lack of experience in the field and without sufficient philosophical rooting (Hardy 2014). Naturally, legal caution and corporate prevention monitor the associated savings in financial fines threatened by state audit offices. There is a problem when

corruption and illegal conduct also arise in the ranks of state control and government officials themselves, directors, ministers or prime ministers, or even presidents.

Another reason for using philosophical approaches and the selected dictionary is the marketing pursuit of a good reputation. The last reason is undoubtedly the long-term efforts of the CSR project, the international effort of UN PRME (Principles For Responsible Management Education), and the program called Sustainable Development Goals (SDGs) under the Agenda 2030 (Norman 2017). The very terms that business uses today (“responsibility,” “principles,” “sustainability”) are philosophical and need philosophical interpretation.

## Position of Ethics in the Business Environment

The philosophical motive for the topic of this chapter is that philosophical questions concern everyone. Nobody can avoid them, not even business people. Business ethics is also a natural part of the philosophical search for a value system and its implementation into practice. Today, ethical thinking is gradually becoming an integral part of business schools and universities of economics as part of the philosophical search for solutions to ethical dilemmas. We assume that the mentioned interest is not only a marketing step of schools or a pragmatic response of universities to accreditation requirements. Ethical thinking comes first from the philosophical framework of ethical dilemmas encountered daily by managers and other work team members. Therefore, an individual basis of philosophical thinking should be a natural part of managerial, economic, and philosophical education. The same is the case in business law and business administration. Moreover, if critical philosophical thinking is and should remain a prerequisite for business ethics, we are immediately offered more—and that is philosophical questions:

- a. What role does philosophy play in formulating the basis of thought and a value framework for a business’s basic strategy and objectives?
- b. How does philosophy affect all dimensions of business—i.e., economic, social, and environmental?

- c. What philosophy will we use when our business is directed toward long-term strategists, sustainability, and interest in future generations?
- d. What philosophical basis do we use in monitoring an absolute claim to our work's quality in all related business areas?
- e. What is the philosophical benefit for management in sub-business areas such as purchase, sale, financial transactions, investments, HR, insurance, quality, guarantee, and business legal framework?
- f. What philosophical reasons do we have for defining what is still moral in business, and what is not anymore?

We see that we must also be interested in solving private business or managerial problems with philosophy. Philosophy invites us to focus not only on the current moral hazards and scandals of companies but also on the dangers of unethical and immoral behavior for future generations, society's future development, and the ecosystem's stability. Similarly, philosophy must touch on managerial anthropology—the traditional role of the individual in the business environment (Kavaliauskas 2011). The summarization of the ethical approach shows the traditional combination: *Planet-Profit-People*. For clarity, Mathias Schüz (2019) recommends an extended philosophical dimension of ethical responsibility in business in three dimensions (Economic dimension—Ecological dimension—Social dimension.) It is the so-called *Triple corporate responsibility*. We are expanding the concept with the fourth dimension of the future (Fig. 3.1).

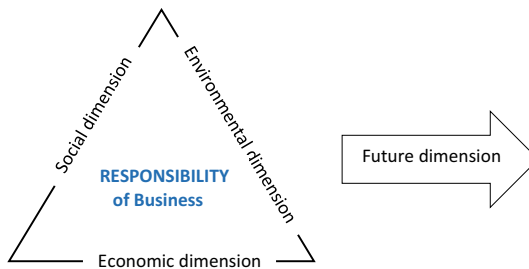


Fig. 3.1 Four dimensions of corporate responsibility

The economic dimension includes the ethical perspective with responsibility toward shareholders regarding corporate prosperity and sustainability. The social dimension refers to the level of relations with employees and other stakeholders. The ecological dimension means sensitivity to nature and everything living. The dimension of time is oriented toward the future generations, which should not be disadvantaged. Philosophical support for ethical thinking can also save the future of capitalism itself (Gasparski 2017).

### Low Interest in Ethics in Neoliberal Economics

Ethical responsibility is described in the professional literature about the full range of stakeholders. Many space books and seminars are devoted to the company's relationships between employees, the role of executives, and trust between partners and customers. The big theme today globally is ecology. Every day we see that our capitalist society's most significant problems are not the business itself, but precisely its uncertain framework and changing conditions. However, all these ethical thoughts and practical orientation lines are richly discussed and administratively supported a particular challenge the businesses face. We cannot overlook the doubts of neoliberal economists like Milton Friedman (1970) and the critical reactions of Mikelle A. Calhoun (2015) against trying to break business from the philosophical discussion of value orientation, concentrating on purely economic indicators, market mechanisms, financial gain of shareholders, and pragmatic business goals. For decades, there was a vague position at business schools about whether philosophy and the historical development of philosophical thinking had anything to say to managers and businesses. Some students ask whether it was a mistake to open philosophical questions in business ethics lectures these days. They wondered why it would be good to introduce them to a complete fundamental understanding of philosophical development when applied to the University of Economics and Business. Similarly, tensions between politics and business ethics were created because politicians believed that economic growth was so significant that society's primary accepted criterion had to comply with it. Although we know ethical challenges in all



countries, we have specific experience in CEE countries and post-Soviet countries relativizing ethical standards.

Example, in the Czech Republic (author's country), it was the father of privatization and later the president of the country, (Klaus 2006), who proclaimed the theory of “*free market*” or “*market without attributes*.” Václav Němec (2008) called him as “*apostle of freedom*.” Neoliberal economists in post-communist countries have also never agreed on the philosophy of the privatization process. The concept of privatization did not include an adequate legal and moral basis. The word “ethics” did not occur in the privatization context (Weigl, Klaus, Splinter, Dyba, Jakl, Loužek 2013). Naturally, we have been and still have witnessed many privatization scandals and managerial misconduct from the 1990s to the present. Even the President of the Czech Republic recently declared that if some companies go bankrupt because of Coronavirus, at least the “*market will be cleared up*” (Jandourek 2020). The exclusion of moral dimension and short-term economic and political goals did not provide sufficient space for long-term strategic goals or sustainability of entrepreneurship in society's frame. The ethical-moral dimension would reconnect the modern separation of business from social responsibility into one holistic approach of responsibility for everything.

Another reason for proponents of a radical neoliberal approach in economics was a misunderstanding of Adam Smith's concept of an “*invisible hand*” (Smith 2018) that relied more on “*market*” than on personal targeted responsibility based on every day and comprehensive moral accountability. Another reason for the neoliberal concept was Friedrich von Hayek's theme (1996) about “*spontaneous order*.” The “*spontaneity*” without a consistent philosophy of social order and ethics promised impossible. Many countries accepted the neoliberal philosophy of business and rejected the so-called *Soziale Marktwirtschaft* promoted in Germany (Horn 2010). We may assume that business development's negative ethical consequences were due to a lack of philosophical background in executive education.

## Gradual Overcoming of Neoliberal Thinking in Economics

Modern philosophy is characterized by the separation of universal and natural sciences. A modern society focused on technological progress and social sciences was generally understood as subjective and secondary. The fragmentation of the scientific disciplines has marked the character of modern science. Separation and fragmentation have also led to some social sciences reduction in the utilitarian social or environmental impacts of industry. Nevertheless, we see that liberal society or economics has also introduced new ideas about so-called political economics, the link with social development, and the need for a value perspective (Myrdal 1958; Wal et al. 2006). Sociologists and economists realized that economics was indeed a social field and, therefore, subject to philosophical thinking.

Perhaps the most substantial incentive for economists was Karel Marx, with his criticism of capitalism based on a particular social philosophy and ethical aspects. Marx's philosophy subsequently had significant distortions in applied Marxism and socialism. However, there are severe arguments in his critical file on the separation, enslavement, and man's mechanization in philosophy. Erich Fromm (2013) carried out a remarkable analysis of Marx's anthropology (humanism) and sociology (naturalism). He pointed to Marx's texts' original meaning, emphasizing the period criticism of actual social conditions, which is good to know because they influenced other centuries of European economic history. Fromm pointed to many subsequent misinterpretations, which were credited with the later development of Marxism. It happened both in the West and in the East in actual socialist countries under Soviet philosophy and power.

The philosophical opponent of Marx was Max Weber. His superb work is published in the early twentieth century: "*Wirtschaft und Gesellschaft – Grundriß der verstehenden Soziologie*" (Weber 2002). Unlike Marx mechanistic philosophy of class struggle, Weber was convinced of the general "*spirit of capitalism.*" His philosophy was based on the fact that most people behave rationally based on the social and legal order. At the end of his life, Weber came to explore the specific influence of

Protestant ethics on shaping the “*spirit of capitalism*.” He referred to three other economists who held the so-called German “*historical school*” and substantially influenced Weber (E. Troeltsch, W. Sombart and G. Schmoller). His philosophical and sociological works follow the altruistic conception of David Hume and Adam Smith. It means that he rejected the already widespread eudaemonist of Western society. Weber emphasized the typically ethical factor of the future of the population, whose situation he took seriously (socio-anthropological emphasis), in which he did not care how people would “*feel*,” but how they would really “*be*.” It is essential for our topic that Weber did not consider “*technical, economic problems*” to be particularly important. Its value measure is “*social justice*,” which demonstrates its understanding of economics and enriches it with a chapter on “*human qualities*.” The essential starting points are:

- a. the role of holistic anthropology in the economy,
- b. emphasis on altruism (the importance of values for the common good),
- c. the importance of the future,
- d. the importance of targeted economic activity fulfilling its broader meaning.

Weber presented a book from Karl Menger (1883) from the Austrian school environment: “*Investigations into the Method of the Social Sciences with special reference to Economics*” for the position of ethics in business. Menger’s philosophy was used by Weber, so he accepted the belief that economics and business could not be examined as “*natural science*” without sufficient estimation of its philosophical, social, and spiritual level. For Weber, economics is naturally a social science that must also monitor a human and social value system that is philosophical while dependent on empirical experience. Weber agreed with Menger that (ibidem p. 8) he understood economics in the context of all sciences and the unity of the highest principles (*Zusammenhang aller Wissenschaften und die Einheit ihrer höchsten Prinzipien*). These principles can be

followed by anyone because it is equipped with the so-called *Willensfreiheit des Menschen* and acts purposefully rationally (“*zweck-rational*”) and with a value orientation (“*wertrational*”).

So Weber necessarily had to comment on Marx because they both were engaged in a similar research field, believing that sociology is a complex science. However, their philosophical assumptions were ultimately different. While Marx was based on the decisive role and state power, which he wanted to change through aggressive revolution, Weber overcame the individuals with the “*spirit*,” i.e., with ideological (philosophical) motives. In particular, Weber returned to Neo-Kantianism (we will discuss Kant later). Weber asked logical questions: what would happen when communism gets domination? How could Marx guarantee that the “*dictatorship of the proletariat*” will not degenerate into new setbacks, new interest groups, and new alienation will not arise? The lack of philosophy and anthropology was ultimately demonstrated in the Bolshevik Revolution’s practical implementation. The various consequences of socialist dictatorship are terrible.

We follow a similar line between philosophy and economics among the proponents of the so-called *Austrian School*, who focused on non-economic factors. Ludwig von Mises (1881–1973) and his comprehensive treatise on human action in the economic environment “*Human Action*.” This philosophical concept strongly influenced the Nobel laureate Friedrich von Hayek (1899–1992). We have already stated above that Hayek’s work (1996) on economics, the role of spontaneous order, and humanism is also based on moral philosophy. Another bearer of a similar philosophy in the history of economic thought can be captured in Keynesianism because John Maynard Keynes (1886–1946) distanced himself from exclusive reliance only on the “*free market*.” In his writings, we encounter the term “*animal spirit*,” which refers to natural human abilities to think positively, act constructively, and be spontaneously optimistic (Keynes 2018). Manifestations of this spirit can even be measurable from the point of view of customer trust and customer behavior.

Together with Hayek won the Nobel Prize also Gunnar Myrdal. We must remind his thesis that economics is not a field measurable only mathematically and statistically. Myrdal was a typical thinker who

drew economics back into the overall philosophical and social context. First, it was “*The political element in the Development of Economic Theory*” (Myrdal 1990). In the United States, example, he demonstrated humanistic American values and behavior toward the black population. He has demonstrated that facts in themselves create some valuable concepts. Similar considerations about the positioning of business ethics concerning management and political philosophy described John Kaler (2000). Myrdal rejected the idea that there were no scientific facts in isolation and without the necessary value inclusion. He described economics’ social dimension in the book “*Value in social theory*” (1958). The scientific approach in social sciences he described in the book “*Objectivity in social research*” (1969). From a philosophical point of view, Myrdal’s works are essential to our subject. Social phenomena and situations must first be analyzed, and critical factors are then thoroughly described in context, interpreted with the due justification of their position, and finally evaluated according to proclaimed values. Such practices naturally have a significant impact on business. Businesses cannot expect fast, simple, and so-called “*objective*” data from social science. Such objective facts in sociology and economics do not exist because they always have their point of view (biases). Without these steps, we cannot even talk about responsible science and business ethics. Philosophical implications will be further discussed in the following paragraphs.

## **Position of Philosophy in the Business Environment**

No philosopher could have overlooked that there have been several painful separations of business in history. First, universal sciences were separated from special sciences (natural and cultural/social) in modern history, as the Viennese philosopher Arno Anzenbacher (2002) points out. Economic sciences have also been placed in fragmentary reduction as part of cultural and social sciences that have been practically separated or delayed from philosophy (Fig. 3.2).

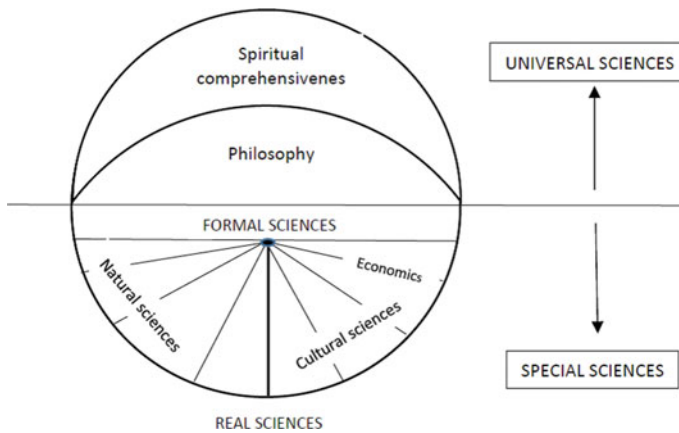


Fig. 3.2 Separation and fragmentation of scientific perspective (Own adaptation)

## Separation of Universal and Unique Sciences

First of all, we notice the separation of the universal concept of science and creating a group of so-called real sciences, which include natural and cultural sciences. These include economics. This separation occurred gradually. In ancient times, when Socrates was killed and replaced by sophists. In the Renaissance, Galilei took over, replacing realism with nominalism, metaphysics by nature. We know from the history of philosophy that it was Galilei who broke the development of the philosophy that was born in Front Asia for three centuries (Rádl 1947). Galilei formally left the topic of ethics and morality and began to devote himself in his time to physical events and the study of nature. An interest in natural science exactness replaced interest in metaphysics and ethics. Modern times thus found the philosophy of René Descartes, John Locke, David Hume, and Adam Smith at the forefront as the founders of modern economics. The separation of universal sciences and special sciences started Descartes by concentrating scientific thinking on individual thinking. He divided science into thinking and practical sciences, i.e., rational (*res cogitans*) and the area of the external environment, which is dynamic (*res extensa*). While he believed in the unity of the

world (as a Catholic, he believed that the connection of human knowledge lies in God), his formulations enabled a division that we now call “*Cartesian dualism*,” which predetermined scientific directions to the next centuries inclusive economics.

## Abandoning Universal Sciences and Concentrating on Real Sciences

By abandoning universal science, modern philosophy focuses on natural sciences and methods. Let us not forget that after the French Revolution, the church and Christian perspectives are pushed aside. The king was replaced by an emperor who puts the crown himself; as a metaphysical thinking representative, the Pope only looks away (Bordes 2005). Since the Renaissance, a new belief in technological progress has developed a mechanical view of the world and society. After all, Galilei began to strive for mathematical accuracy. He was followed by Kepler, Newton, and us in economics, known as John Lock as the founder of empiricism, whose methods we still commonly use in economics. The emphasis on reality in economics affects us more than philosophical references to ideals and metaphysical values. John Lock, for example, legalized slavery. Thanks to empiricism, we have taken on the domination of physical perspective and interest in mechanic systems.

Even in social sciences, we have heard how our society and the economy are supposed to “*function*.” We are talking about the market as an “*economic mechanism*” today. Economics and business reality certainly influenced Thomas Hobbes (2017) views, who, as a contemporary of Descartes, outlined the interconnection of state and economic power in the form of *Leviathan*. Hobbes’s violent and totalitarian conception of power took place instead of the value order of human society. The participant of the company was his enemy and competitor (*homo homini lupus est*). As a result, his thinking has found a smooth response in the history of economics and capitalism (*bellum omnium contra omnes*). Understanding the market as a battleground for strong and weak companies (Tim 2012) culminates with two groups: the stronger ones who are

winning and the weaker ones who are losing. Simple mechanistic concept of business.

Charles Darwin has contributed to the erosion of ethics and personal responsibility with the theory of biological evolution, where the stronger destroys the weaker (Claeys 2000). Followers of Darwin joined the biological theory with social Darwinism. Herbert Spencer, with his supporters, perceived the events in society with mechanical glasses (Diane 2006). The practical application of “*leviathan*” caused disastrous consequences. Social Darwinism in many countries adopted absolute government systems such as Nazism, fascism, imperialism (totalitarian power associated with industry), and deformed Marxism in the form of real socialism (Dickens 2000). Unfortunately, many scandals and ethical distortions of ethical claims also occur in Western society.

### Fragmentation and Reduction of Real Sciences

Many other influences have marked a one-sided understanding of economic schools as the law of competition depending on who is more prominent, healthier, prosperous, faster, powerful, and more influential. All these quantities have become more important than the qualitative, independent direction of ethical thinking. This revolution in philosophy had an impact on practical applications in society and companies (Gregory 2000). After separating universal (ethical) approaches in science from real—natural sciences, we must mention their fragmentation. We know it as specializations that have increasingly accurate borders. Separation, fragmentation eventually leads to the reduction of special sciences to other specializations. Thus, complexity and versatility are also lost in economics, divided into many sub-disciplines and subjects. Master’s and doctoral thesis analyze individual perspectives and companies. Economic schools use empirical scientific methods and measure everything that can be measured. The reduced framework of economics to efficiency and the financial benefit is used in other particular fields. Therefore, we also measure the value range and try to process it statistically.

As an example, let us take the expert discussion we currently have about the economic use of anything, physics, chemistry, genetics,



electronics, neuroscience, computer science for automation, robotics, autonomous systems, and artificial intelligence. In the end, we live in a philosophical paradigm that everything should be “*useful*.” For centuries, society has followed a modern belief in scientific progress and technological development, so its functionality, efficiency, and speed have overshadowed the philosophical and ethical context. That is why today, we need to open a particular debate on machine ethics because technology can be efficient, quickly processes several algorithms, and economically profitable. However, it also threatens human freedom, naturalness, the growing danger of manipulation, and even threatens states’ national security (Kučera 2019; Anderson and Anderson 2011). Expert analysis and discussion on these topics are and should be made in the philosophical context.

## **The Role of Philosophy in Understanding the Empiric Limits of Business**

Philosophy, therefore, asks the science itself what is scientific about it. The answer is perhaps again just by freeing ourselves from natural science and using universal science. Once again, philosophical questions must be dealt with philosophically. Economics is not able to help us. After all, one cannot expect, for example, an economist to tell us anything about economics from an economic point of view. It is not easy to expect a business person to tell us anything about business from a business perspective. We must ask philosophy that uses metaphysical thinking, transcendence, vertical dimensions of values, and temporal consequences for the future. Statistics alone do not allow this. It can create models based on past, present, and estimates of future developments. To do this, however, it uses philosophical identification of critical factors that must describe, interpret, and evaluate (Myrdal 1969). This difficult philosophical task also applies to empirical sciences, which must find a higher bridge to metaphysical positions in science (Boucher 2019). The reason is that economics is not the subject of an economic experiment. We understand its meaning and importance only from a position

outside economics—from society, culture, philosophy of values, regardless of its expected practical use. The importance of business schools can also not stand on any order or political expectation. Only the philosophy of science can testify to economics as economics, which is always based on a particular philosophical concept and approach (biases). As a Nobel Laureate in Economics, Gunnar Myrdal has put forward several arguments about why economics cannot be an ultimately “*value-free*” science.

Therefore, the business needs philosophy to understand what business is, what it depends on, what it is based on, what it relates to, how to understand it, how to describe, interpret, and ultimately evaluate it. Only a philosophical perspective can reflect on the complex and long-term consequences of business and its empirical studies. We, therefore, need non-empirical philosophical methods to understand and evaluate the business situation. Philosophy reminds economists that empirically established status is not the solution, but a challenge, which we philosophically suggest. If we followed only physical and economic numbers, the number of things (products, money), or the speed of processes, we would never get to the essence of business, its meaning, values, and consequences for society (Gonzalez 2013). Kant taught us that we must distinguish between purpose and means. Philosophically, it is clear that business is a means, not a goal. The economic operation itself is certainly not the purpose of human life.

On the contrary, it is only intended to produce desirable objects, services, and financial security for life and other work. The aim of economics is quality of life, home, family, social application, finding the meaning of its existence. The amount of consumerism is secondary, variable, finite. Companies, goods, and money are not philosophic quantity. However, managers and entrepreneurs, employees, and customers do. They look daily as human beings for a sense and motive for their activities at home, at work and in society. Moreover, if they find it by their philosophy, they can also be helpful for business.

## The Philosophical Understanding of the Meaning of Economy

One of the main challenges of business ethics in terms of philosophy is that business must remember that economics is not the “*queen of sciences*.” For example, the fathers of Czech privatization founded a unique Institute (Institute of Václav Klaus) in which they spread the idea that economics was the queen of sciences (Tříška 2012). Others thought mathematics was the queen of science (Bell 1996). In ancient times, however, it was metaphysics (Aristotle). His influence lasted until the Middle Age, which Thomas von Aquino completed. For Kant, she was the queen of the sciences of philosophy, certainly not economics (Haack 2008). However, the characteristic of modern thinking is typical of the fact that philosophy has lost its high status. The methodical search for the truth of “*sub specie aeternitatis*” began to fade and faded at the end of the Middle Ages. The whole philosophy was replaced by individuals’ interests and the random earthly interests of rulers and bankers.

Many economists and managers took on Renaissance thinking and focused on natural facts, mathematics, astronomy, and physics. Economics was at that time primarily pragmatic—for example, grand construction and financing of wars. In Europe and subsequently, there was a reversal through the Protestant Reformation in the United States, which revolutionized the business environment. If the French Revolution separated the Church’s power from the state’s power, the Reformation strengthened individuality and independent human conscience from state and Church. Conscience should remain focused on vertical, universal, and secular events of independent values and critical thinking. However, in addition to the reformation influences (Luther, Calvin), Niccollo Macchiavelli influenced practical business. As far as we know his writings, we can say that he became a certain father of the loosening of ethics in modern society and, of course, also a teacher of many politicians and businessmen. It is paradoxical because after reading about Macchiavelli (1469–1527), he had no philosophical or religious education. However, he was a reasonable observer. He was not based on what should be (as classical philosophy seeks), but he was a realist on what is. He watched the world go by, why some are successful, and others

are not. The highest value in his book “*The Prince*” (2008) was politics, war, and economic success, consolidating power. Machiavelli himself and proponents of so-called Machiavellism in business do not have moral ambitions or value ideals. They are eager to seize the opportunity to gain and consolidate power at the expense of weaker, less wealthy, and less aggressive competitors. Europe has been met with systematic nesc. In light of Machiavellism, morality has become only a private matter. According to Machiavelli, the success itself should sufficiently silence any remorse.

Similarly, Leonardo da Vinci (1452–1519) did not solve any moral problem. Renaissance leaders did not hand over any big ethical dilemmas to the next generations; they just served everybody who better paid (Rádl 1947). Today’s pragmatists, opportunists, and many world-successful entrepreneurs or managers are offered healthy inspiration here. Brief references to the history of philosophy help us understand some of the essential roots of current business ethical problems. Without philosophy, they are somewhat downplayed, relativized, and not solved within the framework of a critical value mission. Ethics committees (the author has several years of experience in ethics committees of institutions with international teams) have a tough job facing similar approaches from the Renaissance (or from the times of Epicureanism, skepticism, and nihilism). The fruit of Renaissance thinking has been applied in modern philosophy because instead of following Augustine’s philosophy, Thomas in Aquino, for example, takes the lead the thinking of T. Hobbes, F. Bacon, and R. Descartes, or the social Darwinism. In Central and East Europe, Marx and Lenin’s philosophy was based on bloody class struggle and social utopia about a satisfied society through the authoritative distribution of production.

Philosophically, the current concept of business and capitalism is influenced in Western society by three basic directions:

- a. Rationalism (speculative logic for success)
- b. Empirics (coming out of experience)
- c. Romanticism (emphasis on personal feelings and emotions)

Representatives include R. Descartes, J. Lock., F. Schelling. Of course, in master's studies, students should know the basics of modern philosophy because they are reflected in the rationale for business ethical dilemmas. The natural, rational argument is efficiency, profit, growth, success, competition, rational and mathematical management games.

The second argument is an experience (empirics)—majority behavior. It is the statistics that give many entrepreneurs a proof alibi. Businessmen can ask natural questions: Why should we feel guilty? What is wrong with doing it like everyone else?

The third argument is about individual goals, subjective feelings, and emotions. People do what they like, what brings them some satisfaction. Emotions are a vital marketing tool today.

Moreover, all these points are part of the current business and management values. A utilitarian ethical school helps them. However, as scandals multiply, many companies have begun introducing the Code of ethics to build at least some rules that employees and partners can rely on. However, we still lack essential philosophical wisdom and knowledge of at least the most essential philosophical prerequisites for business ethics.

Philosophy claims a universal, general range of thought and action that is not limited by anything. We cannot limit philosophy to interest in the present or its combination with the past. Statistics supplies such information. Philosophy naturally asks for what statistics cannot supply—consequences for future generations (Jeurissen and Keijzers 2004).

Modern economics and finance are influenced by materialism, evolutionary thinking, and faith in progress. Positivism believed in the endless evolution of science and technology. Today we meet at Business Schools and economic universities with all these philosophical clues that have played an essential role in the past centuries. Historically, the use of slavery by colonial powers, justified precisely by superficial and pragmatic economic rationalism and empiricism, still has an impact. Even in the post-war development of the Western capitalist tradition, these extremes had to be laboriously replaced by a responsible personnel strategy based on a fundamental respect for the human being. We should deal with all the critical philosophical influences and clarify our philosophical position and ethical strategy today.

## Philosophical Suggestions for Business Ethics

It is, of course, very instructive to study the philosophical background of any field. Our task, however, is to illuminate the philosophy of business ethics.

### Philosophical Fundaments for Business Ethics

Let us open three basic questions:

- a. What is philosophy?
- b. What can philosophy offer for business and management?
- c. What philosophy should we use for the ethical orientation of business?

**Philosophy raises new questions.** In general, we talk about the importance of philosophy to awaken our stereotypical thinking, to which we all naturally tend. For business ethics, it is essential to start waking up and building a new sensitivity to accurate values, even if they are mostly neglected (Michálek 1992). We mean values that should apply everywhere, always, and for everyone. Philosophy has a universal and unconditional focus. Philosophy is a very individual—personal activity. Philosophy is giving birth every day in the situation new questions. We are talking about scathing questions of managers, entrepreneurs, and politicians influencing society's economic development. They want to convince the company teams and society. However, new questions are being raised within Business Ethics: Are we so successful? Are we good because we are economically prosperous? Have we honestly achieved our wealth? Didn't we misuse low-paid workers or public? Are we responsible to people and broader society, or we destabilize it? Are we not destroying (irretrievably) natural resources with our business? Moreover, do our business activities or managerial decisions currently cause any negative consequences that future generations will be disadvantaged? Do we have the right to use and abuse social trust only for our benefit and not think about the further development of society and its culture?

**Philosophy grows out of doubt.** Philosophy is born when we are active, hardworking and creates strategies and plans. Our horizontal focus suddenly intersects with vertical thinking, which is value-oriented. We mean values that transcend our personal, job status, our team, and company. It means that we are in a critical position toward the current positivist philosophy, mainly focused on natural sciences and technology. In economics, it is common to focus on specific numbers, tables, and graphs. Naturally, these come from the present, but rather from the past. However, is the past prescriptive for the present and the future? With the new philosophical perspective occur new doubts. The ethical doubts raised above refer to a philosophy that wants to be universal and independent of current social (fashion) trends.

**Philosophical questions ask for a long-term meaning.** Questions go across all disciplines and look for the essence, value basis of business and managerial activities. Moreover, this may not be popular and welcome in a business environment. Short-term advantages do not guide philosophy for a broader circle of people and future consequences.

**Philosophy uses non-empirical thinking.** The business environment is generally bound by experiences, statistics, reports, measurement results. However, philosophy equips ethical focus with non-empirical methods of thinking that need to be awakened, developed, and practiced (Anzenbacher 2002). Non-empirical thinking is not tied to human or corporate experience. Such thinking requires thinking abstractly, ideas, visions, and a value framework that mostly does not correspond to pragmatic business reality. Philosophy calls for more responsible thinking without superficial (often manifested by marketing) vocabulary and abbreviations or graphic images. Philosophy wants to be mindful so that we can be as sure as possible that we are not wrong and that the answer is correct, responsible, and valid. Philosophy, however, is humble, believing in a truth it does not possess. Philosophy is still looking for something that is not in the company but should be. As a non-experimental method of thinking, philosophy for business ethics offers a new (transcendent) meta-level ethical experience. The university's principle, which is transforming into today's form also in the form of Business Schools, has practically grown on such thinking. However, the philosophical basis of the school goes beyond the narrowly conceived practical tasks. Therefore,

philosophical thinking also has doubtful questions about narrow specializations that forget their broader and deeper contexts or the consequences of their thinking and action.

**Philosophy wants to nurture and educate continually.** In the broadest sense, the Greek *paideia* makes man human as a better being than other living creatures. It is essential today in a business environment where human and social values threaten to be sacrificed to numerical growth and efficiency. *Universitas scholarum et doctorum connects with universitas scientiarum* (Michálek, p. 10). Ethical thinking in the middle of business offers individual integrity (comprehensiveness). However, we do not just mean some summarization of everything, but an absolute unity of the whole in a meaningful and value-based framework. Philosophy equips business ethics by recalling the inner belonging of science in general and economic science in particular. In general, this means that a person will never know everything; he will not be the owner and master of the truth. In economics, this means that we cannot seize anything that would lose its value if used only for business—e.g., social stability, human dignity, and natural diversity. Therefore, philosophy leads to care for the soul (Plato) and to care for society and the natural environment in a long-term perspective. A responsible manager who reads the European laws and is at least philosophically educated has to think about what it means “to take care” of his company and team of co-workers (Andreisová and Kučera 2017).

**Philosophy ultimately determines action.** If students and managers think that philosophy does not belong in a business school because it is too theoretical (even speculative), then we must correct this mistake. Perhaps it is our teachers’ fault that we have not been able to do enough for the economics and management students to explain to them the irreplaceable role of philosophy. Of course, it is a challenging task. It is the more difficult in managerial practice, where people are under different pressures—lack of time, lack of money, low efficiency, and economic stability. That is why we are talking about ethical dilemmas. Every day we have a choice. The practical life of a businessman is not easy. Managers and entrepreneurs have precise tasks and deadlines and often face complicated ethical decisions about ethical and parallel earning money. The



school should prepare them for such situations and offer possible variants, methodologies, philosophies, and ethics schools. Finally, they are practical examples from a real business that demonstrate positive or negative behavior with appropriate consequences.

## Contribution of Philosophy for Social and Human Resources in Business

The essential social and anthropological perspectives of philosophical literature are getting to the forefront of scientific work and deserve further study and looking for new possibilities and potentials for the current economic society. Friedrich Hansmann (2010) assumed the explorational approach to social and humane values in the economy. He concludes that the system area of economy and everyday business can hardly be separated from a living area of man (*Lebensbereich*), including family, culture, and religion. His work aimed to prove that both these areas' mutual influence is much more substantial than those admitted in related areas. Therefore, he considers unnecessary to include these so far neglected areas of human thinking, motivation, and behavior into economy and entrepreneurship (Fig. 3.3).

Today, when a business started acknowledging and exploiting the human potential in companies like “*human resources*,” we must also acknowledge philosophical thesis about our anthropology. Philosophy deals with what is in the interest of man. In metaphysics, man was part of the universe, and his goals were the highest. For millennia, we believed that our destiny was to live by the “*Imago Dei*.” However, some modern philosopher's highest philosophical plane of meaning was disturbed, who opened last centuries with relativism, skepticism, and questioning everything so that he could rebuild a philosophical concept that could not be doubted anymore (Descartes 1993). In his “*Meditations on first philosophy*,” his doubts went so far as to lose fundamental certainties—who am I? Am I just one of those things? Am I just a business tool?

Descartes very soon in his thinking rejected this extreme possibility of vanity and began to build his file on the knowledge that means: “*I exist*.” He based his “*First principle of philosophy*” on the thesis: “*cogito, ergo*

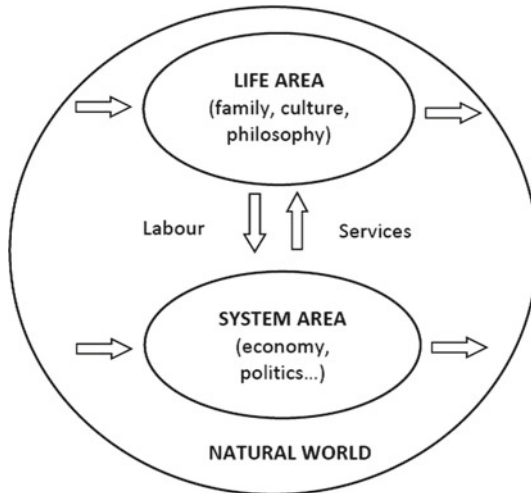


Fig. 3.3 Simple relation model of life and economy

*sum.*” However, note that modern philosophy has opened up with the individual’s concentration a great temptation to modern science. It has also presented human knowledge as a “*thing*” that it wants to evaluate objectively. Objectivity then gained great respect in modern. In humans, however, we need to be more careful. Later philosophical development of anthropology showed that one could not remain just an “*object*” (even “*machine*”) a subject for external observation and measurement without any personal interest. Kant was the first in modern philosophical anthropology to raise man to a “*free-acting reasonable being.*” Kant’s philosophical critics of Descartes’s anthropology have shown that a person is asked who he is as a human being with free will. Kant asks what man can and should (a question of philosophy and ethics) regardless the everyday experiences. In truth, Kant questioned the absolute position of rationalism and empiricism because human questions are based on tradition, culture, concepts, and values preceding rationalism and overcoming empiricism. It is his “*Critique of pure reason*” (Kant 1998) and “*Critics of practical reason*” (Kant 1997) that has culminated in “*The metaphysics of morals*” (Kant 1993). According to his categorical imperative, the

human being faces the challenge: “*Act only in accordance with that maxim through which you can at the same time will that it become a universal law.*”

We can express the philosophical contribution to business ethics by the formulations of Martin Heidegger (2008), which can help us to summarize our chapter:

- a. Only philosophy answers the personal question of managers, entrepreneurs, and employees “*who am I.*” A man is a single and free person who lasts a lifetime. Humanity and the human expression of thought and feeling are essential and must not be reduced in any way in business and used only as a means for economic purposes.
- b. One is always interested in one’s being (Da-sein). Human potential in business is always in possibilities that other dead existences do not have and go beyond “*homo economicus.*”
- c. According to Heidegger, man is limited in his freedom because he enters existence by being “thrown” into reality. For example, we find ourselves in a business that expects some responsibility from us because of our choice. We cannot do what we want or what we always want. We need a philosophical value orientation to solve strategic and everyday ethical dilemmas.
- d. However, if Kant’s philosophy for society is universal, Heidegger is also realistic, and he knows that our position is always “in the world.” It means that we are not entirely separated from others; we may say that we are connected with our surroundings, partners, entrepreneurs, co-workers, and customers. Our philosophy of business ethics must be clearly explained to other participants of the business.
- e. In the book “Being and Time” (2008), we are reminded that man in the world is always connected with a particular historical place. We are part of a time–space that influences our philosophy. Heidegger thought that we could not escape into a personal comfortable (cowardly) anonymity (Michálek 1992). While economic reasons in business offer such anonymous shelters from moral responsibility, philosophy must overcome them.
- f. In particular, the philosophical benefit to business ethics is that one always finds himself “in-between” what was, is, and will be. Philosophy helps ethical thinking understand that a businessman finds

himself in tension between what was, what is, and what should happen in future. We are responsible for the outcome of these ethical challenges. Heidegger uses words like “mission,” which we also use in business strategy. So the philosophical support for business ethics is that we are already supposed to make decisions based on our chosen mission about the present, reshaping the past, and building the future.

That is why we need to understand ourselves, the world, and specific business challenges with a philosophical approach.

## Conclusion

This chapter’s purpose was not a treatise on philosophy in general but to describe the relationship between philosophy and business ethics. We opened a philosophical question about the relationship between:

- a. Ethics and Business,
- b. Philosophy and Business,
- c. Philosophy and Business Ethics.

These relationships are based on the fact that economics is part of social sciences and refers to philosophical preconditions that support practical application in business or organization management (Buckley and Casson 1998). Economics forms a particular system of thought embedded in cultural structures and must consider the social situation, philosophical roots, development, various trends, expectations, or value orientation (customers and partners). Economics is a complex field because it is a vibrant and dynamically evolving society (Arthur 1999). It means that it depends on its inhabitants’ thinking (philosophy) and psyche of all participants in economic behavior. Thinking also depends on the culture and religious traditions (Ergener 2020). In this context, philosophy’s task is to awaken interest in philosophy in students of economics and management as a comprehensive critical approach to asking questions about the meaning, values, ethical assumptions, and consequences of business. Philosophy looks for logical and

relevant answers to these questions. The task remains challenging because economics and business are very sensitive to many individual, social, and environmental factors. That is why we need to awaken a philosophical sensitivity that can capture and consider this comprehensiveness (Arthur 1999; Michálek 1992). It is clear from the essence of philosophy that we have no predetermined method of our philosophies or answers. However, philosophy guarantees constant vigilance and awareness of ever-changing ethical issues in business. However, philosophy also ensures that answers can build on the past's philosophical thinking and determine the fundamental value pillars for the present and the future.

In entrepreneurs and management, we have tried to understand the principles of the overall social order in which we operate economically. Today, we call the economic and financial system “*capitalism*.” Different economic schools deal with different emphasizes. On the one hand, they believe in the “*free market*” (a kind of demand and supply mechanism, a market creature of the price of work with a minor intervention of other social value systems). On the other hand, they emphasize the social or even spiritual role of entrepreneurship, which is fulfilled by a stronger or weaker state's role. In general, the term “*capitalism*” means both: the economic-social order (in classical German literature: *Wirtschafts- und Gesellschaftsordnung*), which is based on the private ownership of the means of production with which the entrepreneur does business freely and which the manager manages and manages. This regulation concerning the management of production or services provided on the market (in society) has a philosophical characteristic.

The birth of classical liberal economics in Adam Smith's work (1723–1790) is essential in our work for the philosophical and ethical orientation of entrepreneurship and business. Smith devoted himself to the theme “*Theory of moral sentiments*” before the publication of his work “*Wealth of Nations*.” He did so in the spirit of the English empirical philosopher David Hume, who sought some ethical and valued social (essentially altruistic) basis to overcome egotistical empiricism. Smith established modern economic science and business as a moral philosopher because he understood it in such a way that economic relationships or even economic laws depend on the way of human thought and will.

Karl Marx later divorced this philosophical basis so that those economic laws (e.g., private ownership) were based on subjective human will. According to Smith, it could begin to be transformed into specific objective forces in society that are no longer inducted from subjective human will. However, Smith also added that, unlike K. Marx, the second essential factor was the correlation between economic activities participants. Therefore, its essential theme is morally ethical and oriented toward the overall value contribution, management responsibility, and business's philosophical meaning. Smith directly asks what is essential: general, social happiness, or personal, individual happiness. His answer is the textbook: Individual happiness contributes to social happiness. It means that from the very beginning, capitalist business is understood as a search for "*personal happiness*" within the social order (Smith 2018). According to the founder of modern liberal economics, individual entrepreneurial efforts are to take place within the "*social boundaries*," which Smith calls "*natural sense*" based on so-called natural moral abilities.

In this sense, let us mention the last ethical impetus for a business that touches up the religious aspects of economy and trade. In identifying and describing the business's philosophical roots, it is possible to dig deeper into understanding the famous and often misunderstood metaphor "*invisible hand*." A retroactive reflection of this, so popular term, has shown that the "*invisible hand of the market*" cannot be impersonal and soulless because it is part of the current philosophical, social, and even spiritual framework (Sedláček 2009). Hans Christoph Binswanger (1998, p. 55) recalls the old stoic background of Smith's reflection, which relied on the "*providence of a wise, powerful and kind God that regulates all things*." The original text was written by Adam Smith (1761) in his "*Theory of moral sentiments*." The "*invisible hand*" gets direct religious (theological) meaning as the market's highest universal instance. Other symbolic interpretations of the invisible hand as a "*metaphoric version of divine intervention*" described by Renate Wieser and Juliane Rohrerhuber (2006). Among the philosophical foundations of modern economics and business also arises if the ethical commitment of business and management is not weakened by relying on some other impersonal power of

fate or the personal liability to which every manager and entrepreneur is called. Both ways have their consequences.

The economy generally is tied to scarcity in the business environment. It is associated with many limits (social, human, natural, economic). That is why economists, investors, managers, and entrepreneurs must continuously think about their strategy, focus, goals, what they want. Business is connected to meaning—what is worth investing in and sacrificing a lot of power and energy in the business plan. The concept of “*oikonomia*” is derived from an appropriate and correct, thoughtful house administration, as Aristotle taught us (Leshem 2013). Moreover, such an administration and management have to follow the ethical challenges and responsibilities in a particular frame of philosophy (Richard, 2006).

## References

- Anderson, M. & Anderson, S. L. (2011). *Machine Ethics*. Cambridge University Press.
- Andreisová, L. & Kučera, D. (2017). Philosophical Assumptions for Understanding Selected Aspects of Civil-Law Liability of Czech Top Management. *Scientia et Societas*, 7(4): 23–39. Newton College, Prague.
- Anzenbacher, A. (2002). *Einführung in die Philosophie*. Herder.
- Arthur, W. B. (1999). Complexity and the economy. *Science*, 284(5411): 107–109.
- Bell, E. T. (1996). *Mathematics: Queen and Servant of Science (Spectrum)*. The Mathematical Association of America.
- Binswanger, H. C. (1998). *Die Glaubensgemeinschaft der Ökonomen*. Essays zur Kultur der Wirtschaft. München.
- Bombassaro, L. C. (2002). *Was ist Unternehmensethik? Eine philosophische Annäherung - Unternehmensethik konkret*. Springer.
- Bordes, P. (2005). *Jacques-Louis David: Empire to Exile*. Yale University Press.
- Boucher, S. C. (2019). An Empiricist Conception of the Relation Between Metaphysics and Science. *Philosophia*, 47: 1355–1378.
- Buckley, P. J. & Casson M. (1998). Economics as an Imperialist Social Science. In: *International Business*. Palgrave Macmillan.

- Calhoun, M. (2015). Profits before People: Perversion of the Friedman Doctrine. *Academy of Management Proceedings* (no. 1, January): 18560–18560.
- Claeys, G. (2000). The ‘Survival of the Fittest’ and the Origins of Social Darwinism. *Journal of the History of Ideas*, 61(2): 223–240.
- De George, R. T. (2006). *Business Ethics*. Pearson/Prentice Hall.
- Descartes, R. (1993). *Meditations on First Philosophy*. Hackett Publishing Company.
- Diane, B. P. (2006). Darwin, Social Darwinism and Eugenics (PDF). In: Hodge, Jonathan & Radick, Gregory (eds.), *The Cambridge companion to Darwin*. Cambridge University Press.
- Dierksmeier, C. (2016). *Reframing Economic Ethics: The Philosophical Foundations of Humanistic Management*. Palgrave Macmillan.
- Dickens, P. (2000). *Social Darwinism: Linking Evolutionary Thought to Social Theory*. Open University Press.
- EQUIS. (2019). *EQUIS Standards & Criteria*. Retrieved September 13, 2020 from [https://efmdglobal.org/wp-content/uploads/EFMD\\_Global-EQUIS\\_Standards\\_and\\_Criteria.pdf](https://efmdglobal.org/wp-content/uploads/EFMD_Global-EQUIS_Standards_and_Criteria.pdf).
- Ergener, R. (2020). *Religion and Economics*. Palgrave Macmillan.
- Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine* (September 13).
- Fromm, E. (2013). *Marx’s Concept of Man: Including ‘Economic and Philosophical Manuscripts’*. Bloomsbury Academic.
- Gasparski, W. (2017). *Ethics and the Future of Capitalism*. Routledge.
- Gonzalez, W. J. (2013). Value Ladenness and the Value-Free Ideal in Scientific Research. In: Luetge C. (ed.), *Handbook of the Philosophical Foundations of Business Ethics*. Springer.
- Gregory, R. (2000). Public Perception of Science. Part 2. *Perception*, 29(12): 1399–1402.
- Haack, S. (2008). The Legitimacy of Metaphysics: Kant’s Legacy to Peirce, and Peirce’s to Philosophy Today. *Philosophical Topics*, 36(1), Pragmatism, 97–110, University of Arkansas Press.
- Hanssmann, F. (2010). *Christliche Werte in Wirtschaft und Gesellschaft*. Lit Verlag.
- Hardy, J. (2014). Transformation and Crisis in Central and Eastern Europe: A Combined and Uneven Development Perspective. *Capital & Class*, 38(1): 143–155.
- Hayek, F. A. (1996). *Individualism and Economic Order*. University of Chicago Press.



- Heidegger, M. (2008). *Being and Time*. Harper Perennial Modern Classics.
- Hobbes, T. (2017). *Leviathan*. Oxford University Press.
- Horn, K. I. (2010). *Die soziale Marktwirtschaft: Alles, was Sie über den Neoliberalismus wissen sollten*. Frankfurter Allgemeine Buch.
- Jandourek, J. (2020). *Zeman: Nes chopní ať zkrachují, internetová blbecci, Koudelka by měl být odvolán*. Forum 24. 10 October 2020. Retrieved September 18, 2020 from <https://www.forum24.cz/zeman-nes chopni-at-zkrachuji-internetovi-blbecci-koudelka-by-mel-byt-odvolan/>.
- Jeurissen, R. & Keijzers, G. (2004). Future Generations and Business Ethics. *Business Ethics Quarterly*, 14(1): 47–69.
- Kant, I. (1993). *Grounding for the Metaphysics of Morals: With On a Supposed Right to Lie because of Philanthropic Concerns*. Hackett Publishing Company.
- Kant, I. (1997). *Critique of Practical Reason*. Cambridge University Press.
- Kant, I. (1998). *Critique of Pure Reason*. Cambridge University Press.
- Kaler, J. (2000). Positioning Business Ethics in Relation to Management and Political Philosophy. *Journal of Business Ethics*, 24: 257–272. <https://doi.org/10.1023/A:1006298119758>.
- Kavaliauskas, T. (2011). *The Individual in Business Ethics. An American Cultural Perspective*. Palgrave Macmillan.
- Keynes, J. M. (2018). *The General Theory of Employment, Interest and Money*. Palgrave Macmillan.
- Klaus, V. (2006). *Svoboda a volný trh*. <https://www.klaus.cz/clanky/2001>.
- Kučera, D. (2019). Artificial Intelligence in the Context of Managerial Responsibility. *IMES Proceedings*, Prague, 30–31, 419–431.
- Küng, H. (2012). *Anständig wirtschaften: warum Ökonomie Moral braucht*. Piper.
- Lenger, A. & Taaffe, J. (2014). Wirtschafts- und Unternehmensethik zwischen normativer Ökonomie und angewandter Philosophie. Zum Stand der Ethik im Curriculum der Wirtschaftswissenschaften für Wirtschafts- und Unternehmensethik. *Zeitschrift für Wirtschafts- und Unternehmensethik*, 15(2): 170–197.
- Leshem, D. (2013). Oikonomia in the Age of Empires. *History of the Human Sciences*, 26(1): 29–51.
- Macchiavelli, N. (2008). *The Prince*. Penguin Books.
- Menger, C. (1883). Grundsätze der Volkswirtschaftslehre. In Wilhelm Braumüller, K. K. Hof- und Universitätsverlag.
- Myrdal, G. (1958). *Value in Social Theory: A Selection of Essays on Methodology*. Routledge & K. Paul.
- Myrdal, G. (1969). *Objectivity in Social Research*. Pantheon Books.

- Myrdal, G. (1990). *The Political Element in the Development of Economic Theory*. Routledge.
- Michálek, J. (1992). *Co je filosofie? Institut pro středověkou kulturu a politiku*. Edice Oikoymenh, Praha.
- Němec, V. (2008). *Apoštol svobody a dotěrná monstra*. Herrmann & synové.
- Norman, P. A. F. (2017). The Agenda 2030 for Responsible Management Education: An Applied Methodology. *The International Journal of Management Education*, 15(2) (Part B): 183–191.
- Rádl, E. (1947). *Útěcha z filozofie*. Čin.
- Rendtorff, J. D. (2020). *Moral Blindness in Business. A Social Theory of Evil in Organizations and Institutions*. Palgrave Macmillan.
- Richard, T. G. (2006). The Relevance of Philosophy to Business Ethics: A Response to Rorty's "Is Philosophy Relevant to Applied Ethics?" *Business Ethics Quarterly*, 16(3) (July): 381–389. Cambridge University Press. <https://www.jstor.org/stable/38579229>.
- Rusche, T. (1992). *Philosophische versus ökonomische Imperative einer Unternehmensethik*. Lit Verlag.
- Simmel, G. (2004). *The Philosophy of Money*. Routledge.
- Schmidt, I. (2008). Praktische Philosophie und Unternehmensethik–Weisheit und Wirtschaft: Konstruktiver Dialog oder Kategorienfehler? *Zeitschrift für Wirtschafts-und Unternehmensethik*, 9(3): 431–435.
- Schumann, O. J., Keul, H. K. & Knopf, J. (2011). *A Brink Philosophische Grundlagen der Wirtschafts- und Unternehmensethik, Handbuch Wirtschafts-ethik*. Springer.
- Schüz, M. (2019). *Applied Business Ethics: Foundations for Study and Daily Practice*. World Scientific.
- Schüz, M., Wirth, S. & Bode, A. (2006). *Lügen in der Chefetage: Gesammelte Unwahrheiten aus dem Management (Deutsch) Gebundene Ausgabe*. Wiley-VCH Verlag GmbH & Co. KGaA.
- Sedláček, T. (2009). *Ekonomie dobra a zla*. Praha, Nakl. 65. pole.
- Smith, A. (1761). *The Theory of Moral Sentiments*. Edinburgh, London.
- Smith, A. (2018). *The Wealth of Nations*. CreateSpace Independent Publishing Platform.
- Tim. (2012). Hobbes: Man Is a Wolf to Man. *Philosophy & Philosophers*, May 10. Retrieved September 19, 2020 from: <https://www.the-philosophy.com/hobbes-man-is-a-wolf-to-man>.
- Tríska, D. (2012). Ekonomická teorie je královnou bádání. *Hospodářské noviny*, 8 October 2012. Retrieved September 14, 2020 from: <https://archiv.ihned.cz/c1-57811970-ekonomicka-teorie-je-kralovnou-badani>.

- Thielemann, U. & Weibler, J. (2007). Betriebswirtschaftslehre ohne Unternehmensethik? Vom Scheitern einer Ethik ohne Moral. *Journal of Business Economics*, Springer.
- Wal, Z., Huberts, L., et al. (2006). Central values of government and business: Differences, similarities and conflicts. *Public Administration Quarterly*.
- Wieland, J. (1900). Wirtschaftsethik als Selbreflektion der Ökonomie – Die Mindestmoral im ökonomischen System und die Verantwortung für externe Effekte. In: *Auf der Suche nach einer moderneren Wirtschaftsethik – Lernschritte zu einer reflexiven Ökonomie*. Haupt.
- Wieser, R. & Rohrhuber, J. (2006). The Invisible Hand. In: Goriunova O. (ed.), *Readme 100, Temporary Software Art Factor*. Norderstedt.



# 4

## Redefining Stakeholder Censuses and Typologies: A New Approach

Miguel Ángel Serrano de Pablo   
and José Luis Fernández-Fernández

### Introduction

This chapter starts from a double axiom and poses a research question that we want to make explicit from the outset. This will enable the reader to place the following pages in the broader context of a book that aims to explore the philosophical foundations of management in general and *Business Ethics* in particular.

The first axiom is the following assumption: full awareness of the organizational *mission* and *purpose* is the first condition for successful management. The second theoretical assumption, which complements

---

M. Á. Serrano de Pablo (✉) · J. L. Fernández-Fernández  
ICADE, Faculty of Economics and Business Administration, Universidad  
Pontificia Comillas, Madrid, Spain  
e-mail: [maserrano@landguage.consulting](mailto:maserrano@landguage.consulting)

J. L. Fernández-Fernández  
e-mail: [jlfernandez@icade.comillas.edu](mailto:jlfernandez@icade.comillas.edu)

the previous one and serves as a framework for the chapter, considers that it is impossible to carry out successful and sustainable management in the long term if managers are not able to carry out a precise census of the stakeholders that interact with their respective companies and organizations, in order to be able to satisfy their expectations, demands and interests.

From a philosophical point of view, these concepts—*mission* and *purpose*—would constitute an adaptation to management of the meta-physical concept of *Telos*. The latter, loaded with ontological (Aristotle 2018) and, above all, ethical connotations (Aristotle 2019), points to the *ultimate end*, to the *deep raison d'être* in terms of which companies and organizations, as well as their correlative structures, strategies, policies and management practices, make sense.

Consequently, the connection of this chapter with the *Philosophy of Management* and *Business Ethics* (Dahl Redtorff 2017), in our case, is strictly teleological and finalistic. It is therefore located beyond the normative-deontological approaches traditionally expressed in the “Codes of Ethics” of companies and organizations. And also beyond the approaches that usually crystallize in the “Declaration of Values” that guide the managerial and operational praxis of the organization.

Hence, the Research Question of this chapter is the following: *what typology of Stakeholders can be proposed, which, advancing on those usually used in the literature, will enable managers to achieve a more successful administration, i.e., more efficient in economic terms, more equitable from a social point of view, more responsible and, above all, sustainable in the long term?*

This would be in line with what is known as the *Triple Bottom Line* approach (Elkington 1997), with Corporate Social Responsibility (CSR), with the Agenda 2030 and with the Sustainability Development Goals (SDG). Of course, the central line of our reflection in this chapter is immediately connected to the approach of the Stakeholder Theory. This way of conceptualizing the company and understanding management has already a long history (Parmar et al. 2021). But it still seems to have a more than promising future. Especially if the “Great Reset” of the system finally takes place after COVID-19 (Schwab and Mallaret

2020), by reference to the so-called Stakeholder Capitalism (Schwab and Vanham 2021).

In order to systematically approach and place our Research Question in the context of a book on *Philosophy of Management and Business Ethics*, we will proceed as follows: we will approach the concept of Stakeholders and the role of managers in their proper management. After describing the criteria and classification approaches, some of the most renowned classifications are presented as tools for identifying and managing Stakeholders. We will present our own typological proposal, to conclude by reiterating the need to implement an adequate analysis of Stakeholders as a condition of possibility for good management, in the double sense of efficiency and ethics.

## Approaching Stakeholder Concepts

The existence of a wide variety of theories in the “wiki” (Parmar et al. 2010) or doctrine of thought regarding stakeholders (Strand 2015) greatly hinders operations aimed at selecting which of them must be used, as there is no canonical agreement on some main constructs of Stakeholder Theory. This lack of agreement has a direct impact on the normative and instrumental base for driving management choice: there could be diseconomies for the firm due to the undefinition because the network of informal relations (therefore stakeholders scarcely visible) is always present, as indicated by Baker et al. (2002).

Stakeholder censuses differ greatly according to the authors as do the variables associated with their weighting: from the economic weight to their proximity to the manager (Burton and Dunn 1996). As indicated by Neville et al. (2011: 357), “correctly identifying the organization’s stakeholder set and accurately prioritizing stakeholder claims are key processes in the successful management of organizations.” Managers must focus on a selection of stakeholders, given that there is no clear path and no effective taxonomic criteria. Fassin (2009) listed more than 100 stakeholders and there could have been more if considering the issues noted by Santana et al. (2009), which add lines of thought

that include potential non-human or non-physical stakeholders, such as robots equipped with artificial intelligence.

No taxonomy would be complete or useful as a normative theory, and descriptive theories would be useful only as pre-decision-making information. Jones and Wicks (1999) indicate that while the normative aspects can be considered as ethical, descriptive and normative theories are inherent to the dominion of social science: choosing a particular stakeholder selection criterion may drive to different management models. This is added to the problem of the epistemological lack of definition of what exactly *stake* means (from a risk perspective, for example, in Verdeyen et al. 2004) or what or who may be considered stakeholders, a matter that is also detected by Fassin (2012) and Carroll (1991), who differentiates stake from claim and/or interest. In a similar way, Sacconi (2004) differentiates “stakeholders in the strict sense,” whose interest at stake derives from direct investments on the firm, being those in the form of labor, capital, technological alliances, etc.; from “stakeholders in the broad sense,” who undergo the “external effects” “on the transactions performed by the firm.” Nonetheless, it must not be forgotten that the management of a company cannot only be based on economic criteria and must consider variables from management theories as well as other areas such as ethics and theories regarding enterprise and the economy, as mentioned by Fernández et al. (2017).

The idiosyncratic taxonomization that a company creates from its universe of stakeholders is a strategic decision of great importance and, thus, falls in the hands of strategy designers and final decision-makers: stockholders, boards of directors and top management (Verdeyen et al. 2004). Ackerman and Eden indicate the strategic importance of relationships with stakeholders:

But since (typically) it is the Top Management Team that crafts an organization’s strategy, it therefore also needs to attend to the strategic management of stakeholders if it wants to ensure the strategy’s robustness. By anticipating and managing stakeholder responses to organizational strategies, actions can be put in place that either capitalize on potential positive responses or reduce or eradicate negative responses. (Ackerman and Eden 2011: 180)

Primary stakeholders would then be those needed to maintain operations and secondary ones would be those that may affect the primary ones (Ackerman and Eden 2011). In some way, these definitions would be similar to the distinctions made by Jones (1995) between primary and secondary stakeholders, which other authors use to make a difference on the basis of their fiduciary obligations, or direct responsibilities (Goodpaster 2009), versus external ones, in which responsibilities may exist, but no obligation (Wren 2005). The taxonomy may even be based on the inclusion or lack thereof of in the nexus of contracts (Jensen and Meckling 1976). The determination of a rule of inclusion may lead to several different classifications, meaning the definition of some type of criteria is particularly critical to effective handling.

This work presents an analytical description of manager's role as the person in charge of selecting the stakeholders related to the company. That will be done in such way that the criteria of inclusion in the census can be seen. Second, we'll analyze two theories (Fassin and Pajunen's), to better understand the possible range of stakeholders' censuses. Third, we'll present a new stakeholder typology that allows an enhanced view of the foreseeable impact on business. A new denomination technique will be drawn to that end.

## The Role of the Manager

Mitchell et al. (1997) find support in Weber with respect to power in determining the degree to which a social agent can carry out its will without resistance. With respect to legitimacy, they accept Suchman's theories (1995) on the three different types of possible legitimacy: pragmatic legitimacy, which lies on the interests of an organization's specific environment; moral legitimacy, which would be the result of asking whether the correct thing is being done; and cognitive legitimacy, which would involve assessing the activities and proposing decision-making rules for improvement. Added to this is Weber's idea that a combination of power and legitimacy would generate authority; that is, it would mean a legitimate use of power.



There may be specific decisions about how authority is to be exercised within a company since managers are the only stakeholders with a relationship with all the others as they become agents thereof (Hill and Jones 1992). Managers must balance their own attributions of power with those of each of the stakeholders and, thus, the organizational design.

In addition to the three typological variables (power, legitimacy and urgency) suggested by Mitchell et al. (1997), other authors add a few more with a view to creating a more detailed picture. This would be the case of Myllykangas et al. (2010), who studied the mobility and position of stakeholders on Mitchell, Agle and Wood's map for various strategic points in time and studied the relationships with stakeholders, which led to variables such as the history of the relationship itself, each stakeholder's own goals (similar to Spiller's map of affairs [2000]), interactions within the relationship, the information shared, trust and a stakeholder's potential to learn. This aspect must be considered by a manager when designing a stakeholder map. Ali (2017) changes the variable of urgency for organization, meaning the capacity of stakeholder to set organized claims and negotiations.

Now then, what exactly are the criteria for allowing negotiation with stakeholders? As it becomes a crucial strategic decision, some criteria should be developed to better understand the implications of a proper mapping exercise.

## **Stakeholder Inclusion Criteria: Cost, Legitimacy, the Nexus of Contracts, and Urgency and Mobility**

### **Stakeholder Inclusion Criteria: Cost**

The likelihood of the occurrence of negative external factors due to deficient stakeholder identification (Crouch 2006) would affect how a stakeholder map is actually designed, irrespective of the consideration for the authority on which it lies. As indicated by Coase (1937), the establishment of the price mechanism would be sustained on the transaction

cost: the cost of organizing production, the cost of negotiation and the contractual cost, which is not completely eliminated. From this perspective, all negotiations with stakeholders have a transaction cost that is likely less effective without a clear outline of the mechanisms of negotiation and the inherent games: even when assisted by informal mechanisms lowering it (Fukuyama 1999). Furthermore, negotiation as an arena is not very well-defined by some International Accountability Standards, and this may drive companies to design a better cost-effective program even when such a program does not fulfill the expectations of the stakeholders involved but does comply with regulations and soft laws. At least, those certifications may be seen as a way of better securing reputational risks or even to reduce the number of negotiations. On the other hand, obtaining certifications can add significant costs (Behnam and MacLean 2011).

Coase (1937) states that the more complex and the greater the scope, the higher the “extra” costs of organizing internal transactions: in other words, there is a direct relationship with the production cost per unit of capital. As mentioned by Van Oosterhout (2007), the cost can be improved with decisive action by a firm before allowing the market to fix the costs of social license, for example (Wilburn and Wilburn 2011).

Given the strategic decision that it is an adequate approach to stakeholder management can become a competitive advantage, as defended by Eesley and Lenox (2006) in their study on monitoring what they call secondary stakeholders (generally, activists) to attempt to minimize disruptions from the latter’s activities. Not only can the eradication or mitigation of risks be seen as a source of competitive advantage, the creation of value for stakeholders can be linked to overall revenue creation. This is also valid in case of other sources of competitive advantage, such as the deep knowledge of stakeholders’ interests (Harrison and Wicks 2013; Harrison et al. 2007). Jones et al. (2018) draw a model oriented to explain how and when the relationship with stakeholders can drive to sustainable competitive advantage.

## Stakeholder Inclusion Criteria: Legitimacy

Earning legitimacy is the step prior to the actual inclusion of a stakeholder on a company's map. No organization will spend resources on maintaining relationships with stakeholders they do not see as such and even less so if they are not considered legitimate.

Several possibilities have been discussed in relation to legitimacy as the main criterion for inclusion. Neville et al. (2011) sustain that only the legitimacy of claim is valid when giving stakeholder status to those who sustain the demand. For Baur and Palazzo (2011), the moral legitimacy of NGOs, for example, should be contemplated considering that their representativeness is not real (as there is no democratic mandate), that not all their claims could be legitimate and that the selection of procedures for bargaining could be arguable from the moral point of view. Donaldson and Preston (1995: 67) state that Stakeholder Theory is a management theory "in the broadest sense of the term." In all reality, it is a manager's decision which puts it into play: "Stakeholder management requires, as its key attribute, simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organizational structures and general policies and in case-by-case decision making."

The purpose, at least for companies, is not necessarily moral but rather based on legal and economic aspects, as morality is more sustained by the maintenance of social license. Therefore, such consideration would only fit with the adoption of effective legal agreements on moral issues. As stated by Smith (2004: 318), in line with Habermas, "the possibility of universal moral principles rests, instead, on the pragmatic necessity of individuals to coordinate their activities among each other on the basis of shared reasons." Even a mixed point of view attempting to reconcile strategy and ethics (Elms et al. 2010) would be constrained by companies' economic needs.

Therefore, a claim may be legitimate in an economic area but not have legal consequences in another, which would invalidate the argument: it could only be true with the ethical assumption of behavioral principles, and still, this would lead to some losses in competitive advantage. Thus:

These violations may occur against a group or individual who is also a normative stakeholder, but it is not due only, or even primarily, to this stakeholder status that these actions are morally prohibited. They are wrong for reasons prior to any stakeholder obligation that may be obtained. (Phillips 2003: 30)

Donaldson and Dunfee (1994) indicate that, at least, respect for human rights and the dignity of people are contractual “hypernorms” in society: regardless the claimant championing the reclamation, some claims are ethically unarguable. They state that the United Nations Code of Conduct for Multinational Corporations declares that companies must respect people’s fundamental rights and liberties. Arnold (2010) argues in relation to the “tripartite framework” developed for the United Nations Global Compact by the Special Representative of the Secretary General, that only a triple view can offer a complete approach to human rights in the field of business: moral, political and legal. Arnold and Bowie (2003) mention that the mere legal approach is insufficient in countries with a scarce development of labor regulation.

Godfrey et al. (2009) state that relationships with primary stakeholders would tend to produce economic exchanges of capital whereas actions with secondary stakeholders would tend to firstly produce moral capital.

Claim negotiation would begin within the discursive arena, given that it would be a rhetorical argument and not solve the problem of the claimant’s legitimacy. In order for a claim to be sustained, there must be an agent who makes it their own and uses their own management and negotiation skills behind it. Smith (2004) states that business does not only involve institutions subject to the demands of morality through the law but also “moral communities” where the action of communication is symptomatic of their ability to balance the interests of all the members. To this end, the discourse must help support the maintenance of social license in order to function (Díez Martín et al. 2010), and companies’ moral behavior, embodied in a selfish to altruist continuum, is considered when dealing with reputational issues (Brown et al. 2016). Fia and Sacconi (2019) build a reasoning path that extends the concept of social contract to a standpoint in which the respect of the shareholder to the

capacities of other stakeholders to participate in the governance of the company and to develop better scenarios for selves and the company is keen for a balanced and appropriate managing.

Claims, on the other hand, do not effectively indicate the characteristics the claimant must fulfill. The claimant must first find its own legitimacy before the legitimacy of the claim. As mentioned by Buckley:

It is on this basis that new social and psychological structures are created and crystallized [...], sometimes gradually and, other times, more suddenly, with a more or less conscious and deliberate aim, sometimes within the existing institutional organization and, other times, based on rather unstructured collective processes outside the institutional spheres. (Buckley 1967: 193)

It is another thing for legitimization to be conferred, or at least prefigured, from the role of the media or other organizations that assume the cooperative defense of organizations' postulates which have still not earned clear recognition from the already-established social institutions (which would correspond to the Fassin approach (2012) to *stakeseekers* in search of legitimacy). Buckley (1967) himself points to the history of unions as an example to this end. Ultimately, the release of a moral issue always requires initiators. Ideas need the right time and support; otherwise, they will not have the backbone to remain on the long path of negotiation. Legitimacy can be earned, as Suchman (1995) states, by searching for inclined audiences in a number of environments, the adjustment of the idea to match the reality and the manipulation of the environment in order to bring in something new.

## **Stakeholder Inclusion Criteria: The Nexus of Contracts**

The best support for the rule of inclusion would likely be found in the explicit and implicit nexus of contracts (Hill and Jones 1992), even if only because it affords the opportunity to place stakeholders on a map of proximity, claim relevance, legal power and capacity for pressure and repetition of claims. Even with a relaxed approach to such

nexus, several sets could be designed to ensure the homogeneity of the stakeholders included in each one of them and their heterogeneity with respect to those in the other set, a necessary condition for effective segmentation: the first would logically have to do with the actual belonging to the explicit nexus of contracts. Friedman and Miles (2002) provide a stakeholder taxonomy based on the attribution of necessity or stakeholder contingency and the compatibility or incompatibility of interests as well as the type of contract (explicit, implicit and recognized or not) on which it feeds.

Contracts are not always very clear or explicit and are, above all, governed by the necessary observance of legal regulation: this means less stakeholder proximity on the map but not necessarily less of a claim, which can be distributed among various stakeholders in different ways. Driscoll and Starik (2004) suggest proximity as an attribute for stakeholder relevance in an expansion of the proposal by Mitchell et al. (1997), in terms of closeness or farness, short- or long-term and current or potential. Agle et al. (1999) indicate, however, that the CEO's discretion is key when attributing relevance to stakeholders: this implicitly involves selective management bias (Maon et al. 2008). In fact, those that could be considered primary (those necessary for a firm's survival) automatically receive more attention and have a greater financial impact. Nuti (1997: 15) adds an idea on the type of protection, linked to legal status that a stakeholder can find *from the enterprise perspective*: (a) self-protection through shareholding, (b) voluntary protection of a stakeholder's interests by companies, (c) statutory protection by means of legislation and (d) statutory protection by giving stakeholders a "voice" or "empowering" them. Tashman and Raelin (2013) point out that there is always a risk of incomplete contracting due to the agency relationship between the manager and the firm (the principal): managers can be shortsighted or have biased perceptions of the salience, power or urgency of a stakeholder. As there is a wide range of cognitive bias, the mere managerial attribution of stakeholders' salience can be incomplete and lead to mistakes or to suboptimal financial performance.

## Stakeholder Inclusion Criteria: Urgency and Mobility

Stakeholders' position varies over time. As mentioned by Friedman and Miles (2002), changes in the position occur due to (a) the institutional support; (b) contingency factors; (c) the constructs of ideas held by stakeholders or the organization itself and (d) the material interests of each party. The changing nature of the maps requires attention, which is not always present at a suitable level (Mitchell et al. 1997; Magness 2008). Attention must be paid not only to the moment of the claim but also to the company's strategic moment (Myllykangas et al. 2010).

Diverse stakeholders can associate if the subjects of the claim are similar: claims regarding nature conservation goals, for example. There could be pressure from communities or workers as well as from trade unions, civil organizations or even dissenting stockholders. Such associations are not necessarily permanent, given that they can be aimed at a certain negotiation process or limited set of them. The moral or ideological legitimacy of a claim can have a role to play over time in promoting such associations, which in fact can be even more relevant than a claim held by a few stakeholders individually. Eesley and Lenox (2006) suggest greater relevance for the urgency of the claim than the urgency of the stakeholders as could be observed, for example, in claims relating to climate change (Neville et al. 2011). As Nowell (2009) mentions, collaborative exercises are more and more common and are directed by a desire for social change, supported by the various social identities that a stakeholder can assume (Crane and Ruebottom 2011). Therefore, there could be an associated ideological lever. Nowell states that said association arises because each one of the members of an association feels that they have common goals and belong to something that is more important than any one of them individually. These associations or claims would not, however, prevent each individual stakeholder from seeking the ground that best suits their own bargaining position. Fassin et al. (2017) study intra-stakeholders alliances for extraordinary claims, namely industrial plants closing decisions. In those cases, common objective invites to deploy different tactics from different stakeholders trying to influence the closure decision.

## Fassin and Pajunen Views

Fassin (2009) offers a distinction between the management and legal perspectives stating that the mere legal point of view, when interpreting different issues and themes related to management, tends to result in a narrow point of view. That could affect the number of stakeholders put in consideration, the bases for the definition of what and what is not a stakeholder or the nature of the obligations acquired. If we choose a managerial perspective, on the other side, vision is broader, even if the number of stakeholders is kept low for reasons of clarity (Fassin 2010). Mitchell et al. (1997) also warned of this risk when they analyzed the “broad” stakeholder theories: excessive broadening of the manager’s field of vision can make infeasible the stakeholder management approach.

Crilly and Sloan (2012) suggest an “inside-out” model based on the company’s logic for detecting relevant stakeholders:

The first mechanism focuses on the scope of attention, revealing the role that opportunity and threat classification plays in directing attention to stakeholders. The second focuses on the differentiation of attention, showing how different logics affect managerial autonomy and become reinforced by strategic leadership processes in ways that either promote or constrain the specialization of attention by managers. (Crilly and Sloan 2012: 1190)

Fassin’s differentiation is useful because it offers a taxonomy regarding the relationship between what he calls stakeholders, a sublimation in the form of a pressure group and a third instance focusing on the role of the regulator. Thus, the Stockholder stakeholder would correspond to the *stakewatcher* (Meeting of Stockholders) and the *stakekeeper* to the Regulator (National Securities Market Commission, for example). As would be logical, the negotiation games would vary depending on the attribution conferred by this taxonomy. As Fassin himself admits (2010), his taxonomy is based on a narrow view.

Pajunen (2010) offers an even more reductionist view as concerns what is called the theory of the emerging firm: Determinant stakeholders are those whose existence is justified precisely because the firm exists:



Managers, employees and stockholders. He focuses on the company and describes how internal/external relationship must be organized: not all claims can be equally important; there needs to be some type of preference. The matter of identification would then become a function of the fixed position as per such preference.

Similarly, Darškuvienė and Bendoraitienė (2013) outlined some differences between the narrow theories and broad ones, which expand the list of potential stakeholders. Choosing a narrow view can leave out stakeholders and issues that could arise as critical at different stages, while a broad managerial perspective can result in a rather difficult census of stakeholders and issues. Harrison and Wicks (2013) argue that the real risk is to focus on a narrow view of stakeholders and their map of interests.

On the other hand, Fassin (2009) emphasizes one determinant aspect which is the sublimation of interests in what he calls *stakewatchers*. Although Fassin (2009) groups them under a generic regulator, he assumes the need to work with agencies specifically. Fassin (2010) himself offers the basic idea behind our taxonomy: even though it could be criticized for posing a higher terminological load, the truth is that the lack of agreement about what a *stake* is and what a *stakeholder* is makes the analysis very complicated. Carroll sustains that

... the term "stakeholder" constitutes a play on the Word stockholder and is intended to more appropriately describe those groups or persons who have a stake, a claim, or an interest in the operations and decisions of the firm. Sometimes the stake might represent a legal claim, such as that which might be held by an owner, an employee, or a customer who has an explicit or implicit contract. Other times it might be represented by a moral claim, such as when these groups assert a right to be treated fairly or with due process, or to have their opinions taken into consideration in an important business decision. (Carroll 1991: 43)

Reed (1999: 467) states that descriptive or analytical definitions do not adequately standardize the concept of stake, which the author believes is also indecisively defined as "an interest for which a valid normative claim can be advanced." Without an adequate definition of stake and stakeholder, it is difficult for managers to assess the circumstances modifying

the relevance of a particular stakeholder or claim and, likewise, prioritization rules must be established to avoid conflicts of interest among the claimants.

Argandoña assigns characteristics to some of the stakes put into play:

The capital provided by the shareholders, the creativity of the *managers* and the labor of the employees, for example, make it possible for the company to stay in business in the long term. This long-term success is reflected in specific circumstances, such as the desirability of working for the company, the buoyancy of its shares or the confidence of financial institutions. (Argandoña 1998: 1098)

All of this would add the company's goals to those of the stakeholders closest to the operation. The author bases his Stakeholder Theory on the theory of common goods: therefore, the company must also pursue social goals which would enable the inclusion of secondary stakeholders.

Fassin (2012) suggests the term *stakeseeker* (Holzer 2007), which could be assimilated with dormants (Mitchell et al. 1997; Phillips 2003) and would be the groups or individuals seeking legitimacy. As concerns the matter at hand, the problem lies in that there really are not different stakes: the change should not be made with respect to the management of an alleged stake but rather with respect to *the type of interest in the company*, as once seen by Carroll (1991). In other words, the modification should not be made to the second part of the term (*holders*) but rather in the first. As would seem obvious, we keep in mind that Freeman's original distinction is actually in the first part: *stockholders* versus *stakeholders*.

## Toward a New Taxonomy of Stakeholders

The instrumental use of any stakeholder taxonomy is complicated. Our proposal would generally group together the *potential claimants of rights (residual or not)*, using Jensen's terminology (1998), into five major groups, differentiating them based on their distance from the business, their capacity to affect it (by means of their claim) and the existence or

lack, and level, of the stake and/or contracts in the nexus. Rights not contemplated in this nexus may be considered residual and, therefore, seek *ex post* revenue distribution if the goal of their claim is economic, or a different type of settlement which would at least take up time and attention from managers and may even increase costs for the company.

Therefore, our classification is based on assuming that in business:

- (a) There is a legal ownership structure (shares or stocks) and actual actions in the markets: there is an internal mode of operation, a boiler: *stoke*.
- (b) There is a possibility to file a claim, regardless of the inclusion in explicit contracts for various individuals or groups with their own interests in the company (*stake/extended stake*) which could include the foregoing, as the difference is based on the ease of accessing said rights in direct negotiation.
- (c) There are agents which observe the operations (*stare*) and can take positions and/or action, or not, without necessarily having any type of commitment. For Schlossberger (1994), for example, all of society is a “shareholder” of a business in so far as said business uses the *capital of opportunity*, although not necessarily a “stockholder” given that they would then have to provide *specific capital*.
- (d) Finally, the State is a specific agent with its own coercion and management tools; we shall refer to it as the *stateholder*. Nonetheless, its bodies and agencies can fall into any one of the four previously described types, but it must be understood that they follow a different logic than the others: as guarantors of the Institutional Framework, their teleology is different from that which would correspond to specific agencies which aim for defined goals (Buchanan 2000).

The difference can be found in the magnitude of the interest (which is not the same as the stake) each group or person has in the understanding that commitments are not the same or of the same type. Another possible variable could be the generation or distribution of surpluses and ownership rights. In principle, the distribution of ownership rights would correspond to the stockholder. In the basic formation of surpluses,

nonetheless, what we call *stakeholders* intervene as a company cannot operate without their support (Pajunen 2010). They comprise the flow of entry (talent, labor, materials, financing, etc.) for transformation in the value chain. All the other role-players make their claims in two ways: attempting to enter the surplus formation chain (consultant, partners or standardizers, for example) or directly in the distribution thereof. In the understanding that a company is a nexus of contracts (Jensen and Meckling 1976), inclusion in the *before profits* expenditure and investment lines provides security as to the settlement of claims.

## A Proposed Typology

Just as those known to date, our stakeholder classification (Serrano de Pablo 2016) does not meet the conditions advocated by Doty and Glick (1994) for consideration as a typology on the theory level. It does not establish an ideal stakeholder model because of the ontological problems of the base constructs (McInnis 2011). For Doty and Glick, this would be criterion for considering a typologization as a theory. The conditions for doing so would be that: (a) constructs are identified, (b) relationships between them are as well and (c) such relationships are falsifiable.

Although we believe that the first two conditions are met, the third, a prediction of results, is extraordinarily difficult due to the conditions of the social system studied: complex, reflexive and fallible (Beinhocker 2013; Soros 2013).

Although the classification we propose cannot be considered a theory, it can however be considered as a real typology which, as such, offers a conceptual contribution that, according to McInnis (2011: 140), “is the process of understanding a situation or problem abstractly by identifying patterns or connections and key underlying properties.” These connections precisely imply that managers must make efforts to model their stakeholder map in order to understand it from a cartographic perspective, as described by McInnis (2011).

Given the considerations and cautions outlined, below we define and list types of claimants and interested parties. The table represents stakeholders’ baseline positions, but stakeholders may move from one column to another depending on how their actions are upheld (Table 4.1).

**Table 4.1** Stakeholder typology: stakeholders, stakeholders, extended stakeholders, stakeholders and stateholders

Stakeholders	Stakeholders	Extended stakeholders	Stakeholders	Stateholders
Shareholders and Board of Directors	Communities where company operates	NGOs and other social organizations	Analysts and journalists	General services (police, etc.)
Top Management Office (President, CEO, Management Committees)	Institutions closely tied to the transaction (neighborhood associations, foundations, corporate volunteer groups...)	Consumer Associations	Scholars, Business Schools, Think tanks	Judgment (legal system offices)
Workers (and Workers Committee as the pre-sublimed)	Workers' family members	Unions and Employers' Organizations	Social leaders	Discretion of social agents and sector Observatories
Suppliers of goods and services	Innovation and business diversification alliances	Foundations	Political parties	Financial institutions and Subsidy offices
Direct clients	Scholars (joint efforts with universities)	Political Parties and Religious organizations	Competitors	Government contracts (clients) and mixed public-private organizations (universities, innovation centers, etc.)
Financial institutions			Internet Groups/Activists/Terrorists	Fund collection authorities (taxation, permits...)
Specific State agencies (Stateholders)				Specialized compliance offices

Source Own compilation

A single individual may have various roles and, therefore, their status in our typology may vary (Crane and Ruebottom 2011). Moreover, a single claim can be upheld with the support of several agents. For example, a single worker will be considered a stakeholder generally, but may also be a stakeholder if they support the claim of issues that have to do with the environment, for example, without any direct negotiation with the company they work for which, nonetheless, may affect the actions of a derivative stakeholder in Phillips' terminology (1997). These derivative stakeholders may influence normative stakeholders and may also directly negotiate with the corresponding company or organization on their own (Elkington 1998).

## Stakeholders

They would be those detected by Clarkson (1995: 106) as primary: "one without whose continuing participation the corporation cannot survive as a going concern." In other words, groups and people who uphold the operations and keep the boiler (*stoke*) working. Even on the assumption of specificity in their negotiations and role-playing, the explicit nexus of contracts (explicit verbal contracts are included here) would put them in a position where they are directly necessary for the operation:

- *Stockholders and Boards of Directors*
- *Top Management Offices (President, CEO, Management Committees)*
- *Workers (and Workers Committees as the pre-sublimed)*
- *Suppliers of goods and services*
- *Direct clients*
- *Financial institutions*
- *Specific State agencies (Regulators).*<sup>1</sup>

---

<sup>1</sup> We prefer to separate the specific agencies that have a usual, direct and mandatory relationship (Tax Administration, City Councils, Institutions that may grant subsidies...). Other state agencies or bodies, without a bijective relationship with the company of reference would act as *stakeholders* and jump in if such direct relationship is established.

The most common case would be to have explicit contracts established within the nexus meaning that negotiations, in principle, would be reasonably protocolized: in fact, contracts are signed precisely to prevent later negotiations. As indicated by Crouch (2006), the concept of stakeholder is redundant in a case where the subjected company may terminate the relationship unequivocally without any type of consequences. The existence of contracts (even oral ones or those honored over time due to the relationship) grants rights that, if breached, would lead to the compensation outlined in the contract (the dismissal of a worker, for example, or the termination of a commercial relationship without prior notice) or would be subject to laws on the matter. Given that the position of *stakeholder* grants greater power, the position in the value chain can be determinant to actually gaining satisfaction from the investment (Elkington 1998).

In general, a *stakeholder* is guaranteed legitimacy due to explicit inclusion in the nexus and, thus, rights to speak and, if not stated in a contract, greater chances of being included in negotiations.

## Stakeholders

Clarkson (1995: 107) defines secondary stakeholders as “those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival.”

They usually need to have legitimacy granted by the principal or agent which, in principle, is obtained from the company’s will. The moral legitimacy of the affairs to be negotiated would also be determinant in establishing inclusion or exclusion criteria. Some of them can even be moved to hazy territory between *stakeholders* and *stakeholders*, given that this group includes possible alliances with universities, for example, which would end up reaching the explicit nexus of contracts. Phillips (2003) defends the pre-existence of a moral obligation which could not fall in the category of will, but rather ethics. Therefore, this would bring the idea of legitimacy face-to-face with Freeman’s main question (1984) as to the fiduciary obligation of the company; in other words, whom it

serves. Granting legitimacy would thus be in the hands of the manager or governing bodies. We offer a list here:

- *Communities where the company operates*
- *Institutions closely tied to the transaction (neighborhood associations, foundations, corporate volunteer groups...)*
- *Workers' family members*
- *Innovation and business diversification alliances (they could become stakeholders at some time)*
- *Academics (joint efforts with universities, they would become stakeholders at some time).*

Within this group, the regulator can also grant negotiation legitimacy by means of laws and regulations. As a source of legitimacy, the law is difficult to refute: there are cases in high-intervention economies where such concessions of legitimacy reach the actual management, for example through agreements determining workers' representatives on Boards of Directors, such as in the German co-determination system (*Mitbestimmung*) (Nutti 1997) or with consultation boards or assemblies.

## Extended Stakeholders

A first look at this type of *extended stakeholder* could include:

- *NGOs and other social organizations*
- *Consumer Associations*
- *Unions and Employers' Organizations*
- *Foundations*
- *Political Parties and Religious organizations.*

Within this broad group (with the inherent expanded management effort), there would also be a diverse range of interest groups where legitimacy is self-assigned (Fassin 2010). This segment could also include groups that are decisively opposed to the principal's interests (for example, pressure regarding pollution or environmental damages) or groups of influencers. The orientation of such claims may be positive



or negative: a basic view of risk management would invite the manager to pay attention to reputational risks (Verdeyen et al. 2004). Although considered herein as inclusion criterion, legitimacy is a variable of social license and those organizations dedicated to influencing the public and social agenda such as foundations or NGO's, must monitor the continuity and growth of their own legitimacy (Kraeger and Robichau 2017) under accountability and transparency criteria: the consequences of a partnership with an NGO that is perceived as a legitimate public interest defendant can be positive, but can have negative effects if the civil organization has reputational problems (Baur and Palazzo 2011).

Alas, these extended stakeholders do not usually have great power of coercion toward the firm, which may cause a lack of attention from managers. Asymmetries in power can create conflicts, which are "to be expected in modern industrial society" (Dawkins 2015: 20). That being so, companies need to properly identify extended stakeholders and be prepared to negotiate if the claims are put to debate.

## Stareholders

They may arise from an ideological concept or aggregation (Dunham et al. 2006; Eesley and Lenox 2006) for a common or uncommon negotiation goal, yet may be partly assumed as pressure groups that attempt to change the very foundations of the *status quo*. They can also act as critics and disseminators. The public opinion creation bodies and those that transmit published opinion such as analysts and journalists would be examples of this. The claim here is not subject of specific negotiation but rather related to the capacity to influence. Not even one group in this segment must assume positions for any negotiation; in this case, they may be content with the role of influencer (Mitchell et al. 1997). Again, we would find grey areas between *stakeholders* and *stareholders* to the extent that a journalist could exercise influence by means of an ideological position or "campaign" instructions from the company served.

This matter has already been discussed by Donaldson and Preston upon warning that the excessive amplitude in the identification of stakeholders was due to the definitions offered by Freeman and that it could include role-players with an influence yet without any commitment (stake) in the organization. The main ones would be competitors (which, if they had any stake, it would normally be against the organization) and the press.

It is essential to draw a clear distinction between influencers and stakeholders: some actors in the enterprise (e.g., large investors) may be both, but some recognizable stakeholders (e.g., the job applicants) have no influence, and some influencers (e.g., the media) have no stakes. (Donaldson and Preston 1995: 86)

Mitchell et al. (1997) also indicate the need to differentiate between claimants and influencers. A short list could include:

- *Analysts and journalists*
- *Scholars, Business Schools, Think tanks*
- *Social leaders*
- *Political parties*
- *Competitors*
- *Internet Groups/Activists/Terrorists.*

Inadequate attribution of salience can cause serious financial or reputation damage (Neville et al. (2011)). So, we have chosen to contrast the term latency with relevance as there is a threshold that would prevent the visibility of the claimant group if not surpassed. In principle, any idea may be contemplated and debated, but that does not mean the very idea can be upheld without propaganda and representation.

It's appropriate to distinguish between the type of negotiation that may arise—recursive or discursive, or even reactive or proactive. Due to its very nature, specific negotiation tends to revolve around possible uses of the surpluses or excess capacities while social or influence-based negotiation tends to do so around the transformation of discourse so as to

enable effective rights to claims or favorable laws. In line with the theory offered by Mitchell et al. (1997) and Neville et al. (2011) maintain that these authors were contemplating the degree or level of possession of the attributes once detected as present in stakeholders, which may lead to problems when designing negotiations. Hence, the idea of “dormant” as Mitchell, Agle and Wood call certain stakeholders makes Phillips (2003) question the suitability of including them or not on the stakeholder map, as it would lead to excessive proliferation. Phillips maintains that a non-normative stakeholder, such as an activist group, could coincide with a claim by one that in fact is a stakeholder which would put the question on a manager’s table. In the case of stakeholders, which do not in principle have any specific stake, they may become stakeholders upon seeking a specific claim (Elkington 1998). This is quite possible with campaigns that may be undertaken by an activist group with diverse interests.

## Stakeholders

Finally, it must not be assumed that the State and its agencies only behave as a protective State (Buchanan 2000). Laws and regulations from the State should be ideologically neutral but they actually are not from the perspective of a government, which is actually the party that brings direction to the legislative powers and vice-versa. The State and its agencies may also take on roles that would provide them with different motives in negotiations and, many times without conscientiously acting as the State; in other words, contaminated by political criteria set forth by the Government.

Each agency of the State would firstly act in accordance with its own interests and goals. Given that the set of State bodies is extremely large, studying them in all reality could provide for a corpus offering a separate analysis.

This has led us to proposing a separation, at least from a management perspective, based on the idea that the State will firstly maintain the bases that ensure its own strength with the agencies interceding in the very execution and legislative support so as to be able to arbitrate and dominate the Institutional Framework. The name we suggest is *stakeholder*,

in the understanding that the application of laws and regulations is not always done based on pristine criteria. Moreover, the conditions of trade with the State, when acting as a contracting party, are somewhat different than is customary in the private market and, in fact, require certain specific technical knowledge. The Administration should act based on strict contracting criteria which sometimes leads it to championing standardization and compliance rules which raise the price of the social license of possible contractors. We briefly list some of the State agencies that can take on *any role in the above lists*. In other words, the Tax Administration, for example, absolutely is a stakeholder because its levying role through taxes and fees is universal for all companies; however, a financial institution is not necessarily a stakeholder until it reaches a specific agreement:

- *General services (police, etc.)*
- *Judgment (legal system)*
- *Discretion of social agents and sector Observatories*
- *Financial institutions and Subsidy offices*
- *Government contracts (clients) and mixed public–private organizations (universities, innovation centers, etc.)*
- *Fund collection authorities (taxation, permits, etc.)*
- *Specialized compliance offices (sector regulations).*

Likewise, the State agencies dedicated to sustaining the Institutional Framework (police, medical services, etc.) act as common goods because they serve all citizens.

## Conclusion

We set at the beginning of this chapter the following Research Question: *what typology of Stakeholders could be proposed, which, advancing on those usually used in the literature, will enable managers to achieve a more*

*successful management, i.e., more efficient in economic terms, more ethical, more responsible and sustainable in the long term?*

We have defended the idea that the definition, census and prioritization of affairs in companies' relationships and positioning them on maps is hindered by the lack of a definition of the constituent elements of Stakeholder Theory. Given that there is no consensus for standardization, the utilitarian theories, which reflect certain shortcomings, fail in offering an effective taxonomy, as there is no clear understanding of the definitions of stake or stakeholder. Given that taxonomization is a vehicle for the construction of theory, the criteria we have outlined can make it easier for consultants, managers, executives and empirical scholars to better segment and position the stakeholders of a company in a map, as we provide more variables for analysis.

Re-nominalization sheds some light on what the substantial differences between the different groups may be considering variables such as distance from the business, the capacity to affect it (by means of a claim) and the existence or lack, and level, of the stakes/interests and/or contracts in the nexus. This analysis has given rise to a classification into five groups: stakeholders, extended stakeholders, stakeholders and stateholders. We have pointed that there may be interconnections between some of them or possible changes on the map, which must be monitored by each company designing their own. And we have highlighted the special characteristics of States as stateholders, to the extent that their agencies must fulfill diverse roles in the economic arena and institutional framework. All of this opens new outlooks for the study, census and classification of stakeholders from a perspective that is somewhat more adjusted to the reality of business, as it builds on an attempt to better clarify the meanings and nature of the different interests put into play in the bargaining arena by each stakeholder. The re-nominalization shows in an intuitive and fast way to, *grosso modo*, set up the main characteristic of each stakeholder regarding its relationship with the company, and it allows a fast understanding of the power, influence and distance from the business. Logically, a truly and useful analysis will be always idiosyncratic, as more profound investigation can be necessary for each map.

## References

- Ackerman, F. and Eden, C. (2011). Strategic management and stakeholders: Theory and practice. *Long Range Planning*, 44: 179–196.
- Agle, B. R., Mitchell, R. K. and Sonnenfeld, J. A. (1999). Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal*, 42(5): 507–525.
- Ali, M. A. (2017). Stakeholder salience for stakeholder firms: An attempt to reframe an important heuristic device. *Journal of Business Ethics*, 144(1): 153–168.
- Argandoña, A. (1998). The stakeholder theory and the common good. *Journal of Business Ethics*, 17:1093–1102.
- Aristotle. (2018). *Physics*. Translated by Reeve, C. D. C. Cambridge, MA: Hackett Publishing Company.
- Aristotle. (2019). *Nicomachean ethics*. Indianapolis, IN: Hackett Publishing Company.
- Arnold, D. G. (2010). Transnational corporations and the duty to respect basic human rights. *Business Ethics Quarterly*, 20(3), July: 371–399.
- Arnold, D.G. and Bowie, N. E. (2003). Sweatshops and respect for persons. *Business Ethics Quarterly*, 13(2): 221–242.
- Baker, G., Gibbons, R. and Murphy, K. J. (2002). Relational contracts and the theory of the firm. *The Quarterly Journal of Economics*, February: 39–84.
- Baur, D. and Palazzo, G. (2011). The moral legitimacy of NGOs as partners of corporations. *Business Ethics Quarterly*, 21(4), October: 579–604.
- Beinhocker, E. D. (2013). Reflexivity, complexity and the nature of social science. *Journal of Economic Methodology*, 20(4): 330–342.
- Behnam, M. and MacLean, T. L. (2011). Where is the accountability of international accountability standards? A decoupling perspective. *Business Ethics Quarterly*, 21(1), January: 45–72.
- Brown, J. A., Buchholtz, A. K. and Dunn, P. (2016). Moral salience and the role of goodwill in firm-stakeholder trust repair. *Business Ethics Quarterly*, 26(2), April: 181–199.
- Buchanan, J. M. (2000). *The limits of liberty*. Spanish translation by Verónica Sardón (2009) Buenos Aires: Katz-Liberty Fund.
- Buckley, W. (1967). *Sociology and modern systems theory*. Translation by Aníbal C. Leal (1970) Buenos Aires: Amorrortu.

- Burton, B. K. and Dunn, C. T. (1996). Feminist ethics as moral grounding for stakeholder theory. *Business Ethics Quarterly*, 6(2): 133–147.
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, July–August: 39–48.
- Coase, R. H. (1937). The nature of the firm. *Economica*, 4: 386–405.
- Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review*, 20(1): 92–117.
- Crane, A. and Ruebottom, T. (2011). Stakeholder theory and social identity: Rethinking stakeholder identification. *Journal of Business Ethics*, 102: 77–87.
- Crilly, D. and Sloan, P. (2012). Enterprise logic: Explaining corporate attention to stakeholders from the ‘inside-out’. *Strategic Management Journal*, 33: 1174–1193.
- Crouch, C. (2006). Peripheral visión. Modelling the firm in its market and organizational environment: Methodologies for studying corporate social responsibility. *Organization Studies*, 27(10): 1–19 [online]. Available at [http://cadmus.eui.eu/bitstream/handle/1814/18034/Crouch\\_Organization\\_Studies\\_2006.pdf?sequence=1](http://cadmus.eui.eu/bitstream/handle/1814/18034/Crouch_Organization_Studies_2006.pdf?sequence=1) (22-12-14)
- Dahl Redtorff, J. (2017). *Perspectives on philosophy of management and business ethics. Including a special section on business and human rights*. Springer.
- Darškuvienė, V. and Bendoraitienė, E. (2013). The stakeholder concept analysis. *Management of Organizations: Systematic Research*, 68: 41–52.
- Dawkins, C. (2015). Agonistic pluralism and stakeholder engagement. *Business Ethics Quarterly*, 25(1), January: 1–28.
- Díez Martín, F., Blanco González, A. and Prado Román, C. (2010). Legitimidad como factor clave del éxito organizativo. *Investigaciones Europeas de Dirección y Economía de la Empresa*, 16(3): 127–143.
- Donaldson, T. and Dunfee, T. W. (1994). Toward a unified conception of business ethics: Integrative social contracts theory. *Academy of Management Review*, 19(2): 252–284.
- Donaldson, T. and Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *The Academy of Management Review*, 20(1), January: 65–91.
- Doty, D. H., & Glick, W. H. (1994). Typologies as a unique form of theory building: Toward improved understanding and modeling. *Academy of Management Review*, 19(2): 230–251.

- Driscoll, C. and Starik, M. (2004). The primordial *stakeholder*: Advancing the conceptual consideration of *stakeholder* status for the natural environment. *Journal of Business Ethics*, 49: 55–73.
- Dunham, L., Freeman, E. R. and Liedtka, J. (2006). Enhancing stakeholder practice: A particularized exploration of community. *Business Ethics Quarterly*, 16: 23–42.
- Eesley, C., and Lenox, M.J. (2006). Firm responses to secondary stakeholder action. *Strategic Management Journal* 27: 765–781.
- Elkington, J. (1998). Partnerships from cannibals with forks: The triple bottom line of 21st century business. *Environmental Quality Management*, Autumn: 37–51.
- Elkington, J. (1997). *Cannibals with fork: The triple bottom line of 21st century business*. Oxford: Capstone.
- Elms, H., Brammer, S., Harris, J. D. and Phillips, R. A. (2010). New directions in strategic management and business ethics. *Business Ethics Quarterly*, 20(3), July: 401–425.
- Fassin, Y. (2012). Stakeholder management, reciprocity and stakeholder responsibility. *Journal of Business Ethics*, 109: 83–96.
- Fassin, Y. (2010). A dynamic perspective in freeman's stakeholder model. *Journal of Business Ethics*, 96: 39–49.
- Fassin, Y. (2009). The stakeholder model refined. *Journal of Business Ethics*, 84: 113–135.
- Fassin, Y., de Colle, S. and Freeman, R. E. (2017). Intra-stakeholder alliances in plant-closing decisions: A stakeholder theory approach. *Business Ethics: A European Review*, 26(2): 97–111.
- Fernández Fernández, J. L., Bajo Sanjuán, A. and Retolaza Ávalos, J. L. (2017). Epistemological approach to the concept of sustainability, in *Integral ecology and sustainable business*; Jakobsen, O. and Zsolnai, L. (Eds.). Emerald, UK (forthcoming).
- Fia, M., and Sacconi, L. (2019) Justice and corporate governance: New insights from Rawlsian social contract and Sen's capabilities approach. *Journal of Business Ethics*, 160: 937–960. <https://doi.org/10.1007/s10551-018-3939-6>
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston, MA: Pitman.
- Friedman, A. L. and Miles, S. (2002). Developing stakeholder theory. *Journal of Management Studies*, 39(1), January: 1–21.
- Fukuyama, F. (1999). *The great disruption. Human nature and the reconstitution of social order*. Translation by Laura Paredes (2000) Barcelona: Ediciones B.



- Godfrey, P. C., Merrill, C. B. and Hansen, J. M. (2009). The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. *Strategic Management Journal*, 30: 425–445.
- Goodpaster, K. E. (2009). Business ethics and stakeholder analysis. *Aurkilan Spanish Annual*, I: 9–30. Previously published in *Business Ethics Quarterly*, 1(1), 1991: 53–73, under the title ‘Business Ethics and Stakeholder Analysis’.
- Harrison, J. S., Bosse, D. and Phillips, R. A. (2007). Stakeholder theory and competitive advantage. *Academy of Management Annual Meeting Proceedings*, 2007(1): 1–6.
- Harrison, J. S. and Wicks, A. C. (2013). Stakeholder theory, value, and firm performance. *Business Ethics Quarterly*, 23(1), January: 97–124.
- Hill, C. W. L. and Jones, T. M. (1992). Stakeholder-agency theory. *Journal of Management Studies*, 29(2), March: 131–154.
- Holzer, B. (2007). Turning stakeholders into stakeholders: A political coalition perspective on the politics of stakeholder influence. <https://doi.org/10.1177/0007650307306341>.
- Jensen, M. C. (1998). *Foundations of organizational strategy*. Cambridge: Harvard.
- Jensen, M. C. and Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3: 305–360.
- Jones, T. M. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of Management Review*, 20(2): 404–437.
- Jones, T. M., Harrison, J. S. and Felps, W. (2018). How applying instrumental stakeholder theory can provide sustainable competitive advantage. *Academy of Management Review*, 43(3): 371–391.
- Jones, T. M. and Wicks, A. C. (1999). Convergent stakeholder theory. *Academy of Management Review*, 24(2): 206–221.
- Kraeger, P. and Robichau, R. (2017). Questioning stakeholder legitimacy: A philanthropic accountability model. *Journal of Health and Human Services Administration*, Spring 2017, 39(4): 470–519.
- Magness, V. (2008). Who are the stakeholders now? An empirical examination of the Mitchell, Agle and Wood theory of stakeholder salience. *Journal of Business Ethics*, 83: 177–192.
- Maon, F., Lindgreen, A. and Swaen, V. (2008). Thinking of the organization as a system: The role of managerial perceptions in developing a corporate

- social responsibility strategic agenda. *Systems Research and Behavioral Science*, 25: 413–426.
- McInnis, D. J. (2011). A framework for conceptual contributions in marketing. *Journal of Marketing*, 75: 136–154.
- Mitchell, R. K., Agle, B. and Wood, D. J. (1997). Toward a theory of *stakeholder* identification and salience: Refining the principle of who and what really counts. *Academy of Management Review*, 22(4): 853–886.
- Myllykangas, P., Kujala, J., & Lehtimäki, H. (2010, August). Analyzing the essence of stakeholder relationships: What do we need in addition to power, legitimacy, and urgency? *Journal of Business Ethics*, 96: 65–72.
- Neville, B. A., Bell, S. J. and Whitwell, G. J. (2011). Stakeholder salience revisited: Refining, redefining and refueling an underdeveloped conceptual tool. *Journal of Business Ethics*, 102: 357–378.
- Nowell, B. (2009). Profiling for coordination and systems change: The relative contribution of stakeholder relationships in interorganizational collaboratives. *American Journal of Community Psychology*, 44: 196–212.
- Nuti, M. D. (1997). Democracy and economy: What role for stakeholders? *Business Strategy Review*, 8(2): 14–20.
- Pajunen, K. A. (2010). “Black box” of stakeholder thinking. *Journal of Business Ethics*, 96: 27–32.
- Parmar, B. L., Freeman, R. E., Harrison, J., Harrison, J. S., et al. (2021). Obtenido de stakeholder theory: The state of the art. University of Richmond, 25 de April de. [https://scholarship.richmond.edu/management-faculty-publications/99/?utm\\_source=scholarship.richmond.edu%2Fmanagement-faculty-publications%2F99andutm\\_medium=PDFandutm\\_campaign=PDFCoverPages](https://scholarship.richmond.edu/management-faculty-publications/99/?utm_source=scholarship.richmond.edu%2Fmanagement-faculty-publications%2F99andutm_medium=PDFandutm_campaign=PDFCoverPages).
- Parmar, B. I., Freeman, E. R., Harrison, J. S. Wicks, A. C., Purnell, L. and De Colle, S. (2010). Stakeholder theory: The state of the art. *The Academy of Management Annals*, 4(1): 403–445.
- Phillips, R. (1997). Stakeholder theory and a principle of fairness. *Business Ethics Quarterly*, 7(1): 55–66.
- Phillips, R. (2003). Stakeholder legitimacy. *Business Ethics Quarterly*, 13: 25–41.
- Reed, D. (1999). Stakeholder management theory: A critical theory perspective. *Business Ethics Quarterly*, 9(3): 453–483.
- Sacconi, L. (2004). Corporate Social Responsibility (CSR) as a model of ‘extended’ corporate governance: An explanation based on the economic theories of social contract, reputation and reciprocal conformism. *LIUC, Ethics, Law and Economics Paper*, 142: 1–49.

- Santana, A., Vaccaro, A., and Wood, D. (2009). Ethics and the networked business. *Journal of Business Ethics*, 90: 661–681.
- Schlossberger, E. (1994). A new model of business: Dual-investor theory. *Business Ethics Quarterly*, 4(4): 459–474.
- Schwab, K., and Mallaret, T. (2020). *COVID-19: The Great Reset*. <http://repositorio.arti.free.fr/schwab2020.pdf>: Forum Publishing.
- Schwab, K., and Vanham, P. (2021). *Stakeholder capitalism: A global economy that works for progress, people and planet*. Hoboken, NJ: Wiley.
- Serrano de Pablo, M. Á. (2016). *Redes de stakeholders como sistemas: Equilibrio y desequilibrio. Una mirada a las teorías de stakeholders*. Doctoral Thesis. Universidad Pontificia Comillas of Madrid.
- Soros, G. (2013). Fallibility, reflexivity and the human uncertainty principle. *Journal of Economic Methodologies*, 20(4): 309–329.
- Spiller, R. (2000). Ethical business and investment: A model for business and society. *Journal of Business Ethics*, 27: 149–160.
- Suchman M. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3): 571–610.
- Smith, J. D. (2004). A précis of a communicative theory of the firm. *Business Ethics: A European Review*: 317–331.
- Strand, R. (2015). Scandinavian stakeholder thinking: Seminal offerings from the Late Juha Näsi. *Journal of Business Ethics*, 127: 89–105.
- Tashman, P. and Raelin, J. (2013). Who and what really matters to the firm: Moving stakeholder salience beyond managerial perceptions. *Business Ethics Quarterly*, 23(4), October: 591–616.
- Van Oosterhout, H. J. (2007). Authority and democracy in corporate governance? *Journal of Business Ethics*, 71: 359–370.
- Verdeyen, V., Put, J. and van Buggenhout, B. (2004). A social stakeholder model. *International Journal of Social Welfare*, 13: 325–333
- Wilburn, K. M. and Wilburn, R. (2011). Achieving social license to operate using Stakeholder theory. *Journal of International Business Ethics*, 4(2): 3–16.
- Wren, D. A. (2005). *History of management*. Translation by Nuria Nieto García (2008). Barcelona: Ediciones de Belloch.



# 5

## Empirical Research in Virtue Ethics: In Search of a Paradigm

Patricia Grant and Peter McGhee

### Introduction

This chapter contends that existing business ethics research paradigms do not cater for Neo-Aristotelian virtue ethics (NAVE) scholarship and proposes how this situation could be remedied. First, it outlines the main paradigms used in business ethics research and highlights why the mutually exclusive division between a mind dependent and a mind independent reality impedes NAVE empirical scholarship. It then posits an explanation of how these paradigms evolved to marginalise empirical studies, which assume the existence of a unified and richer reality such

---

P. Grant (✉)

Kenvale College, Sydney, NSW, Australia

e-mail: [grantp@kenvale.edu.au](mailto:grantp@kenvale.edu.au)

P. McGhee

Business and Law, Auckland University of Technology, Auckland,  
New Zealand

as those from the field of NAVE. An empirical study on how directors' experience and practise ethics in their task of corporate governance is presented as an example of research, which could not be accommodated by current business ethics paradigms. The authors then propose an alternative paradigm, which supports the philosophical foundations of NAVE scholarship.

Since around the year 2000, virtue in business and management has been a prominent research theme and the school of Neo-Aristotelian Virtue Ethics (NAVE) represents a significant number of articles in this field (Ferrero & Sison, 2014). While business ethics research in general suffers from a lack of attention to paradigm issues (Brand, 2009; Crane, 1999; Rossouw, 2001), the choices available in the social sciences field for NAVE scholars are non-existent. A paradigm consists of a basic set of assumptions, which guide researchers' inquiries. It defines a researcher's philosophical orientation and comprises four elements, epistemology, ontology, methodology and axiology (Creswell, 2007). Epistemology and ontology are the study of the nature of knowledge and reality, respectively; methodology refers to the research design, approaches and procedures employed to investigate something and axiology refers to the nature and role of values in the research process (Kivunja & Kuyini, 2017; Zaidi & Larsen, 2018).

Brand (2009) for example, develops a synthesis of three research paradigms to guide appropriate choices for future business ethics research but none accommodate the assumptions of the NAVE school. She combines three of the major social science research paradigms into a useful table which she believes will facilitate debate, and better identify, underlying paradigm assumptions for future empirical business ethics research. Unfortunately, Brand's (2009) revised framework replicates two features of these social science paradigms, which make it difficult for NAVE scholars to seriously engage with ontological, epistemological and methodological questions. Firstly, she claims that reality or truth is *either* independent of the observer (positivist) *or* it is constructed by the observer (non-positivist)—these realms are mutually exclusive; second Brand's worldview *excludes* metaphysics, the immaterial reality or being, fundamental to all which exists, and which is independent of the observer. Brand (2009) simply accepts there must be a dichotomy

between studies focussed on outcomes (what individuals do) located in the positivist paradigm and those exploring the subjective perceptions of people situated in a non-positivist paradigm while metaphysics is assumed to be irrelevant. There is no place for a study based on NAVÉ which assumes that the metaphysical reality of human nature is an intrinsic part of the subjective experience and practice of virtue. The next section illustrates the embeddedness of this dichotomous mindset among business ethics methodological scholars.

## Business Ethics' Research Paradigm Choices

Comprehensive analyses by Brand (2009), Crane (1999) and Rossouw (2001) have alerted scholars to the methodological inadequacies of business ethics research. Crane (1999) draws attention to the lack of empirical studies and reminds researchers that the development of theory and conceptual models is premature in a field characterised by the absence of such research. Moreover, he is critical of the predominance of empirical studies based on a quantitative approach and questions whether the ontological assumptions of quantitative approaches really align with the reality of the moral dimensions of business. To this purpose, he demonstrates qualitative approaches as more amenable to these phenomena. He concludes by challenging researchers to 'scale the barricades of positivism's epistemological roadblock's' to explore interpretive approaches (Crane, 1999, p. 246). Eight years after this article, Brand (2009) expressed her disappointment at the lack of paradigm wars in the field of business ethics research. In analysing research to date, she found that very rarely, in both theoretical and empirical papers, is there a consideration of paradigm issues. This is a major concern, as research integrity requires engagement with ontological, epistemological and methodological concerns. Accordingly, she developed a synthesis of three research paradigms to guide appropriate choices for future business ethics research and to encourage scholars to consider grounding their research in non-positivist paradigms. She noted that most of the studies to date are located in positivist paradigms. She ends by calling on scholars to give serious attention to paradigm issues and to consider

undertaking more qualitative research built on non-positivist ontological assumptions. In a bid to encourage future researchers to make progress, she presents them with a choice: ‘In an ontological sense, we have to ask what the inherent nature of the knowledge is. Is there a “reality” of people’s response to such a situation (positivist ontology) or only the constructions people make in relation to the subject matter (non-positivist ontology)?’ (Brand, 2009, p. 445). In fact, Rossouw (2001) warned against adopting one-sided (positivist *or* non-positivist) and therefore restrictive ontologies, methodologies and research design. The authors also question this mandated choice between non-positivist or positivist stances when researching business ethics. Consequently, we next explore the origin of this subjective–objective dichotomy.

## Three Paradigm Models for Business Ethics Research

As mentioned above, a paradigm is a ‘set of interrelated assumptions about the social world which provides a philosophical and conceptual framework for the organized study of that world’ (Filstead, 1979, p. 34). It is how a researcher views the reality (ontology) under study, which determines the nature of knowledge (epistemology) and how it should be accessed or captured (methodology) which in turn must inform the research methods. There are three paradigm models commonly used in business ethics research. The following section outlines each one and presents Brand’s (2009) synthesis. The authors posit that paradigm development has been heavily influenced by the philosophical assumptions of the Enlightenment rather than those of the pre-Enlightenment, upon which NAVE scholarship is founded.

The first paradigm, that of Burrell and Morgan (1979), seeks to classify theories according to assumptions made about ontology, epistemology, freedom and method. As can be seen from Table 5.1, the four paradigms are created according to objective/subjective and radical change/regulation spectrums (Taylor & Callahan, 2005). The objective perspective assumes that reality is *mind independent*, and that laws and relationships can be discovered through observation and testing. The

**Table 5.1** Four paradigms for analysing social theory adapted from Burrell and Morgan (1979, p. 23)

<i>Subjective dimension</i>	<i>characterised by conflict</i>		<i>Objective dimension</i>
	Radical humanist	Radical structuralist	
	Interpretivist	Functionalist	
<i>characterised by order</i>			

subjective viewpoint assumes that reality is *mind dependent* and can only be understood from the perspective of the actors. The sociology of regulation assumes society is characterised by order and cohesiveness and works towards maintaining the status quo. The sociology of radical change assumes society is deeply conflicted and works towards seeking alternatives to the status quo (Ardalan, 2009). So two of the four perspectives assume society is stable and ordered but can be understood in an objective or subjective way; the other two approaches assumes society is unequal and conflicted and must be changed. The functionalist perspective accommodates theories, which seek objective knowledge about the order and stability found in the objective reality of society. The interpretivist paradigm accounts for theories which assume society is ordered and stable but this social reality is a network of shared perceptions and can only be understood from the subjective perspective of individuals. The radical structuralist paradigm includes theories which acknowledge that society is characterised by inequality and conflict and which must be changed by uncovering and overthrowing the dominant structures. On the other hand, the radical humanists also assume society is innately unequal and conflicted but this is due to ways of thinking and must be changed by liberating minds from the mentality of the dominant class.

Guba and Lincoln (1994) classify research assumptions about ontology, epistemology and methodology into four paradigms. Table 5.2 summarises these four paradigms. As Kakkuri-Knuutila et al. (2008) explain, positivism assumes reality is *mind independent* and laws and causal relations can be discovered. Testing hypotheses is the way to discover the truth. Post-positivism assumes reality exists but is not completely knowable. The aim of the researcher is to identify laws and relations, however due to the vastness of reality, findings are not



**Table 5.2** Four research paradigms adapted from Guba and Lincoln (1994, p. 109)

	Positivism	Post-positivism	Critical theory	Constructivism
Ontology	Mind independent	Part mind independent, partly constructed	A function of economic, political and social factors	Social constructed
Epistemology	True or false	Probably true or false	Created through interaction	Created through interaction
Methodology	Hypothesis testing	Hypothesis testing and qualitative methods	Dialogue	Dialogue or interaction

completely verifiable, only falsifiable. Moreover, the knower and the known cannot be completely separated, so emic (cultural) factors must be taken into account to help capture meanings of individual actors. In the critical theory paradigm reality is mind independent and consists of structures which have developed historically based on political, social, economic, gender and cultural factors. Emic aspects of the researcher and the participants interact in the co-construction of knowledge. This is a dialectical dialogue to expose ignorance or oppression and emancipate through knowledge and change. In constructivism reality is *mind dependent* and multiple, consisting of the mental constructions of individuals. Findings are created through dealings between the researcher and the participants. These constructions are interpreted dialectically to reach consensual constructions.

According to Michael Crotty (1998) paradigms (theoretical perspectives) and methods/ methodologies are classified into three epistemological positions (see Table 5.3). Objectivism assumes that meaning exists apart from the activity of consciousness (*mind independent*) and is the basis of positivism and post-positivism. Rock-ness is in the rock and the knower discovers this meaning in the object. Subjectivism holds that meaning is imposed by the knower and is unrelated to the object (*mind dependent*). Meaning is created by the knower from any number of sources but not from the object itself. This understanding enables postmodernism and structuralism. His intermediate epistemological position is that of constructionism. According to this perspective, truth or meaning is produced from an *interaction* between the knower

**Table 5.3** Crotty's paradigms adapted from Crotty (1998, p. 4)

Epistemology	Paradigm	Methodology
Meaning is mind independent (objectivism)	Positivism/post-positivism	Experimental/survey research
Meaning produced by interaction	Interpretivism	Grounded theory Phenomenological research
Meaning imposed by mind (subjectivism)	Post modernism Structuralism Post structuralism	Autoethnography Genealogy Deconstruction

**Table 5.4** Brand's paradigm synthesis for business ethics research adapted from Brand (2009, p. 447)

Paradigm	Ontology	Epistemology	Methodology
Postivism/post-positivism	Mind independent/partly mind independent	True/false Probably true/false	Hypothesis testing about the business ethics 'reality'
Non positivism/post-positivism	Socially constructed	Created by interaction	Capture business ethics perceptions of participants in that particular context

and the known. Meaning is constructed rather than discovered (*mind dependent*).

Brand (2009) divides the range of paradigms presented by the three models into two basic groups: positivist/post-positivist (reality is *mind independent*) and non-positivist/non-critical (reality is mind dependent) and then relates them to ontology, epistemology and methodology (see Table 5.4).

This synthesis highlights the fact that researchers must assume that reality is mind dependent *or* mind independent; knowledge is either discovered or constructed and findings are produced through empirical verification or understanding perceptions of participants. This choice restricts the researcher in terms of research design. As will be discussed below NAVE research assumes a continuum of mind independent reality including the metaphysical, physical, social and interior world, which on the whole, can be known by the knower. At the same time, this approach acknowledges that individuals are steeped in their own environment and history which shapes their unique perspective towards reality. But this phenomenon does not create a separate reality. NAVE studies assume there is a human nature, which shapes the nature of virtue and how

it influences behaviour and thought. Reality is one, interconnected and mind independent and individual perspectives are taken into account.

The authors suggest that the source of this dichotomy could be traced back to the Enlightenment (seventeenth and eighteenth centuries) where many thinkers adopted the doctrine of nominalism and Rene Descartes' (1629–1649) approach to philosophising (Kakkuri-Knuuttila et al., 2008; Ponterotto, 2005). Before Descartes, and the period of the Enlightenment, philosophy followed the Thomistic principle 'There is nothing in the intellect that was not previously in the senses' (Aquinas, 2011, q.2 a.3 ad.19); universals are abstracted by the intellect from knowledge captured by the senses, so the 'rockness' in the rock founds the universal or concept rock for example (Hatfield, 2018). Of greater relevance for this paper is that the 'human-ness' or human nature of the human being is something real and informs not only the universal 'human nature' but the what and why of the human being. It also implies that the human intellect can know the metaphysical structure of reality. This gives context to the famous debates in the Middle Ages between the nominalists and the metaphysicists (Kakkuri-Knuuttila et al., 2008; Klima, 2017). Nominalists such as William of Ockham rejected the Aristotelian position that forms or universals have existence in concrete beings and asserted that names for/ideas about things are arbitrary and unrelated to the real object. He believed that only particular concrete beings existed and nothing more. This controversy resulted in uncertainty about the existence of universals and their relevance to reality (such as human nature). Many Enlightenment thinkers were influenced by nominalism (Klima, 2017).

Neo-Aristotelians believe Descartes represented a Copernican type shift away from the Aristotelian-Thomistic approach to understanding reality. Descartes introduced a novel way of doing philosophy by embarking on his infamous methodological doubt about existing knowledge and approaches to thinking regarding the world; he even mistrusted his senses (Hatfield, 2018). His new approach commenced with pure thinking. He asserted that the intellect could only perceive reality through pure intellection hence the phrase 'I think therefore I am' which meant that all knowledge about reality originates in the mind only. Accordingly, the reference point for truth became certainty of the mind

rather than the conformity of the mind with reality. Knowledge about reality originated only from the mind. Descartes' innovation produced several lines of thought, which have heavily influenced the philosophy of science and contemporary approaches to research. According to Neo-Aristotelians, subsequent thinkers could not agree on how Descartes understood thinking, mind or knowledge. Auguste Comte (1798–1857) declared that the object of philosophy can only be that experienced by the senses (positive knowledge/facts) thereby excluding metaphysics (Whewell, 2017). Empiricists, such as John Stuart Mill (1806–1873) argued that the mind creates sense impressions of specific objects when triggered by experience. These ideas are antecedents to positivist paradigms (Hammersley, 2019; Ponterotto, 2005). Objective facts about reality can only be discovered by empirical observation and testing. Rationalists such as Baruch Spinoza and Gottfried Leibnitz argued, in opposition to the empiricists, that the mind alone was the source of abstract knowledge such as concepts and universal laws (Shannon et al., 2018).

Immanuel Kant tried to remedy this disagreement between the empiricists and rationalists; that the mind was only capable of creating sense impressions *or* abstract ideas (Markie, 2017). His theory proposes that knowledge is a combination of categories of the mind imposed on phenomena or pictures produced by the mind (triggered by experience) of the world. We can never know reality in the raw. Neo-Aristotelian scholars believe this paved the way for the non-positivist paradigms such as constructivism (Ponterotto, 2005) which argues that we can only know our perceptions of reality not reality as such. Our understanding of reality is reduced to the researcher's perception of participants' perceptions.

The authors posit that the schemas of Burrell and Morgan (1979), Guba and Lincoln (1994) and Crotty (1998) are a product of post-enlightenment thought. It is suggested that they have been influenced by the ideas of Auguste Comte, John Stewart Mill and Immanuel Kant and are characterised by the rejection of metaphysics and acceptance of the subjective/objective dualism. Burrell and Morgan for instance do not define objectivism and subjectivism but when discussing ontology, they distinguish between realism and nominalism and refer to the latter as

the basis for their interpretive and radical humanist paradigms (Kakkuri-Knuuttila et al., 2008). As mentioned above, nominalists hold that only concrete things exist, and linguistic labelling involves an arbitrary process unconnected to the things themselves. It is this latter subjective aspect that Burrell and Morgan (1979) use to ground their interpretive paradigm (Kakkuri-Knuuttila et al., 2008). The social world consists of the labels and names we use to structure it. Realism assumes the social world exists independently of our perception and labelling of it and knowledge of it is based on empirical evidence. Crotty (1998) also cites the disagreements about the extra-mental reality or unreality of universals by realists and nominalists as the historical antecedents of his schema.

Realism in Burrell and Morgan (1979) and Crotty (1998) is comparable to positivism in Guba and Lincoln's (1994) framework, which assumes a priori hypotheses, can be verified in quantitative propositions expressed via mathematical formulas showing functional relationships. Guba and Lincoln (1994) adopt Mill's positivism (Ponterotto, 2005). Laws and concepts are built on patterns and generalisations. For Mill, knowledge is not direct experience, but rather inference from direct experience. As he rejects metaphysics, concepts are merely general facts (Hammersley, 2019).

As mentioned above, the constructivism of Guba and Lincoln (1994) is based on Kant (Ponterotto, 2005). Constructivism holds that reality is constructed in the mind of the individual rather than being a singular entity external to the mind. The meaning is hidden and needs to be discovered by the researcher. The dialogue with the participant leads to the co-construction of the meaning.

This approach is based on Kant's critique of knowledge (Markie, 2017). Perception is derived from both sense impressions and the mental construct inside the mind which organises the sense evidence. Assertions about the world are dependent on the mind of the knowing subject. Reality is constructed by the knower who understands, experiences and names the reality. An objective reality cannot be identified and separated out from this (Ponterotto, 2005).

The authors suggest that all the models already discussed assume the ideas of the Enlightenment thinkers thereby rejecting a pre-Enlightenment, Neo-Aristotelian understanding of reality and knowledge. Social science scholars unquestioningly accept that reality and knowledge are fundamentally dualistic. Why accept nominalism and the immanentistic starting point of Descartes, which paved the way for the removal of the metaphysical from the physical reality and the splitting of an objective from a subjective reality which necessitates two opposing epistemologies? We must assume the scholarly community agrees with this worldview. But why not consider a paradigm which presents a unified ontology consisting of metaphysical, physical, social and human dimensions and an undivided epistemology where knowledge of the exterior world and within one's consciousness are united in the knowing subject? Surely a unified reality and a common knowing process could make a contribution to a scholarly commons characterised by fragmentation and contradiction. The authors question why the paradigm representing the assumptions of pre-Enlightenment thinking has not been recognised in its own right and propose that it be included as a possible choice for researchers. Postmodern frameworks have not remedied these flaws of the modern period (Enlightenment and post-Enlightenment) as it despairs of the possibility of knowing anything outside one's own consciousness. The recognition of a pre-Enlightenment paradigm is particularly necessary for development of the field of NAVE scholarship which assumes reality includes a metaphysical structure.

## **The Field of Neo-Aristotelian Virtue Ethics (NAVE)**

Up until the Middle Ages, NAVE was accepted as a plausible account of ethics and morality (MacIntyre, 2013). NAVE assumes a teleological and metaphysical understanding of the human being (Annas, 2007; Rhonheimer, 2008). The good of the human being is established by human nature (Aristotle's 'form') (Rhonheimer, 2008). The goal of the human being is flourishing which cannot be achieved without a number

of goods including virtue (Annas, 1993). A virtuous character is the source of virtuous or good actions (Annas, 2007). This approach to ethics was effectively nullified by the Copernican-like turn in modern philosophical thought commencing with Descartes (MacIntyre, 2013). Aristotle's ethics assumes that universal forms exist in things themselves. As previously discussed nominalism argued that universal essences are just constructs of the mind (Klima, 2017). Moreover Descartes instigated a new way of doing philosophy whereby the mind alone constructs all ideas about reality (Hatfield, 2018). According to this mindset, the nominalist approach to universals made more sense (Klima, 2017). So, the view that human nature exists, providing an objective reference point for discerning the goodness or badness (virtue) of an act was effectively excluded from the realm philosophy.

NAVE was resurrected as a plausible approach to ethics by Elizabeth Anscombe (1958). She proposed that virtue ethics had much to offer the existing field of moral philosophy which was then dominated by deontological and consequentialist approaches to ethics. Alasdair MacIntyre also gave impetus to a revival of interest in virtue ethics with his book *After Virtue* where he asserted that the rejection of the Aristotelian based moral philosophy effectively subjectified ethical scholarship.

Business ethics is a relatively young field commencing in the early eighties and not surprisingly utilising mainly deontological and consequential theories (Hursthouse, 1999). Interest in virtue ethics developed a little later and the number of papers has steadily increased. The majority of the papers are based on the writings of Aristotle, followed by MacIntyre (Ferrero & Sison, 2014). This scholarship would benefit from a paradigm, which accommodates a pre-Enlightenment mindset to enable a proper engagement with ontological, epistemological and methodological issues. It is appropriate to refer to such a worldview as simply different rather than out-dated. Any paradigm represents a set of assumptions about an understanding of reality, knowledge, values and research approach. The NAVE field needs a suitable paradigm in order to enable researchers to carry out insightful research. Currently NAVE scholars either cannot explore the ontological and epistemological dimensions of their work or only do so inadequately. If they must ground their work on post-Enlightenment schemas, they need to add



a caveat that some aspects of the investigation cannot be accounted for within the chosen paradigm. NAVE scholars should have the freedom to explore the reality underlying their scholarship and demonstrate that existing paradigms perhaps do not represent an exhaustive explanation of the world.

## A Study in Search of a Paradigm

The integrity of any research project requires alignment between ontology, epistemology, axiology and research design (Brand, 2009). This means the nature of the reality under study should match what one considers knowledge to be and how it should be accessed or captured which in turn is reflected in the design of the research methods. For instance, (based on existing paradigm choices), in a study of coping behaviours and teacher burnout, it would be appropriate to survey a sample of teachers using a teacher burnout scale, a demographic questionnaire and a personal behaviour scale looking for relationships between variables which correlate with hypotheses (Seidman & Zager, 1991). Behaviours are existing realities which can be documented objectively and so findings are true and can be verified. Such a study would be in the functionalist paradigm of Burrell and Morgan (1979), the positivist paradigm of Guba and Lincoln (1994) and Crotty (1998) and the positivist paradigm of Brand (2009). In a study of young persons' perceptions and experiences of cyberbullying, it would be appropriate to capture the meaning for them and their personal experiences through in-depth interviews and focus groups (Bryce & Fraser, 2013). Experiences and perceptions are constructed by participants so findings are co-created between the researcher and the participant in the process of understanding their perceptions and experiences. This project would be situated in the interpretivist quadrant of Burrell and Morgan (1979), the constructivism paradigm of Guba and Lincoln (1994) and interpretivism perspective of Crotty (1998) and non-positivist paradigm of Brand (2009).

What would be the appropriate paradigm for a study of company directors' practise of ethics where the researcher wished to find out to

what extent their understanding and practise of ethics resembled the standard ethical theories used in business ethics courses—Utilitarianism, Kantian ethics and NAVE? A director's lived experience of ethics—understanding and putting it into practice—is not independent of their consciousness and it would be appropriate to capture the participant's perspective through in-depth interviews. So, the study could be located in the Interpretivist quadrant of Burrell and Morgan (1979), the constructivism paradigm of Guba and Lincoln (1994) and interpretivism perspective of Crotty (1998) and non-positivist paradigm of Brand (2009). However, one of the aims of the research was to explore the role of character or virtue in a director's lived experience of ethics (Grant, 2013). NAVE is precisely distinguished from Utilitarianism and Kantian ethics by its being rooted in a good character—a person's judgements and actions are influenced by the virtuous dispositions of one's character as opposed to external rules (Mele, 2009; Torres, 1997). Such judgements and actions would also be best captured from the participants' perspective, however, NAVE assumes the existence of a human nature which is ontologically real (Rhonheimer, 2008). NAVE asserts that it is this real human nature, which accounts for the way one develops dispositions, which in turn influence the way one judges and acts (Annas, 1993; Bhuyan, 2007; Kuppermann, 1988; Thomson, 1976).

The researcher wished to understand the individual director's subjective experience when practising ethics and simultaneously explore the possibility that the subject's human nature influences this subjective experience. This makes sense with the following definition of subjectivity:

Subjectivity refers to the inner conscious life of the human person. Persons, while maintaining an inner life, remain open to the world around them..... Not only is consciousness directed outwardly to one's immediate environment, persons are also self-aware. Essentially, self-awareness means that persons experience themselves from within.....It is understood as something dynamic, as always changing in response to new circumstances and discoveries of need and value. But an enduring subject remains at the basis of this dynamic structure. There is a real, personal 'I' grounding every act. This 'I' is a conscious personal self. It is

the person who really exists and really acts. Subjectivity is therefore the link between existing and acting. (Gronbacher, 1998, p. 6)

The study required a paradigm which assumes subjectivity is not a separate reality where knowledge is purely subjective but a bridge between the 'I' and external reality (metaphysical, physical, human and social) and a vehicle for knowledge about the world and oneself. It needed a paradigm which assumed that the inner consciousness is shaped by the both the 'enduring subject' and the outside world; notions of character, virtue and happiness are grounded in human nature and enriched by role models and study. The authors suggest that one interpretation of the genesis of the current suite of research paradigms is that this holistic understanding of reality and the human person's receptiveness to deeply knowing this reality, including their inner selves, was abandoned, by the nominalists and the thinkers of the Enlightenment thus shaping the development of these research paradigms.

As mentioned above the origin of this chapter was the challenge presented by a study exploring company directors' experience of ethics in their task of corporate governance. One of the aims of this research was to compare to what extent directors' experience of ethics resembled features of NAVE as compared with Kantian ethics and Utilitarianism (Grant, 2013). The author revealed at the outset of the study that she had great respect for NAVE but as a business ethics lecturer was required to also promote Kantian ethics and Utilitarianism. Accordingly, she was keen to discover to what extent if any these theories were relevant to real world decision making. The study was conducted within the interpretivist/constructivist paradigm to capture the socially constructed experiences of the participants, which was unable to accommodate human nature and its impact on these experiences, an objective reality according to NAVE. An Interpretative Phenomenological approach was adopted to enable the researcher to go beyond mere description to interpret the experiences of the participants in the light of ethical theories (Lavery, 2003). Interpretative Phenomenological Analysis (hereafter, IPA) was used to abstract and interpret the data (Reid et al., 2005). IPA's aim is to enable people to make sense of their life experiences

and for the researcher to discover themes and to explore and interpret these meanings (Eatough & Smith, 2008). Within location and experience parameters, the participants were selected based on structured snowballing and convenience sampling (Arksey & Knight, 1999). The data was collected using semi-structured interviews of thirty-four randomly selected directors representing a variety of positions and length of experience. Many directors held several directorships and so among all participants the researcher was able to tap into experiences from 60 different entities across 14 industries. A number of themes and sub-themes emerged, which included that directors' understanding and practise of ethics resonated more with NAVE than Kantian ethics and Utilitarianism (Grant, 2013). The quotes below illustrate how directors gave importance to the character of the advisor, how their choices affected their own happiness and that ethics is intimately related to every action of a person not just to isolated situations. These aspects of ethics are not addressed by Utilitarianism or Kantian ethics. The latter are rules-based theories which apply to individual actions. The following excerpts represent this theme:

## Character

NAVE places great emphasis on the character of the person which in turn influences in a positive way the judgements and counsel of such a person. Deontology and teleology ignore the impact of the actor's character on ethical behaviour and moral judgement (Mele 2009). This is the basis for Aristotle's insistence that 'the best character is always a cause of a better regime' (Lord, 1984, p. 1337a). Human nature is considered to be the reference point for a good character. Whether the rulers are selfish or dedicated to the common good forms a tyranny or monarchy, oligarchy or aristocracy, polity or democracy respectively (Bragues, 2008). As can be seen from representative quote below, and probably from our own experience, we do recognise that the worth of the advice and the direction we get from other people depends on their degree of moral development. The other two theories do not take this

aspect of ethics into account. The quote below and those subsequent come from the abovementioned study.

that's why I don't just look at the company, I look at the board, oh yeah that will be a good company, straight away I can tell .....good strong ethical people will not make board appointments of companies that don't fit their characters, they just won't do it....[Transcript Twenty] (Grant, 2013)

## Virtue Is Linked to Happiness

The following quote points to a very interesting phenomenon; that the directors associate their ethical choices with their self-worth. One of the distinguishing features of virtue ethics is precisely that there is some kind of connection between the ethical/unethical action and the happiness of the acting individual (Arjoon, 2005; Mele, 2005; Torres, 1997; Whetstone, 2001). Human flourishing or fulfilment depends on whether one lives according to human nature. One of the appealing aspects of NAVE is that it addresses the issue of moral motivation. 'In fact what most distinguishes virtue theory from deontology and teleology is the actor is ultimately responsible to himself. It answers the question –why should I be ethical if I can be unethical and escape punishment or even prosper materially? Because I will be better, happier if I am and destroy myself from within if I'm not' (Torres, 1997, p. 24). NAVE acknowledges that the actor is always the subject and object of the decision.

Well you don't lecture do you, everything you do is by example, and everyone has got different drivers so you are not on a crusade. And you only have to answer to yourself in the end. You don't have to worry about what other people think, and this is where ethics comes in. If you are looking at yourself in the mirror and content with what you know what you are trying to do, then that is enough. [Transcript Twenty-Six] (Grant, 2013)

## Virtue Is Consistent

This consistency of behaviour highlighted by the following quote is a fundamental aspect of NAVE. It posits there must be an inherent unity of personal and professional life as they are linked through the character of the person living them (Bhuyan, 2007; Solomon, 1992; Torres, 1997). Human nature defines what is good or bad for the person in every context. Virtue ethicists speak of the prudent or practically wise person (the *phronimos*) who exhibits their wisdom in all aspects of their life (Klein, 1998).

it is actually who you are as a person right across, it is within your job, and outside the job. [Transcript Fifteen] (Grant, 2013)

Due to the limited paradigm choice, the project was not able to discuss human nature in relation to the findings nor challenge the assumptions of the existing business ethics paradigms and approaches to research.

## Challenging the Prevalent Paradigm Approach to Research

As mentioned above a paradigm represents a set of assumptions about the world so as to guide the scholarship in addressing a particular research inquiry. NAVE requires a reality, which extends to the metaphysical in order to be able to discuss human nature, virtue and the moral good. It also demands a broader understanding of knowledge. Knowledge can contain objective and subjective elements, the former originating from the external world or from human nature. The authors propose the following paradigm to facilitate such research.

Paradigm	Ontology	Epistemology	Methodology
Moderate realism	Reality is both objective and singular as well as subjective and multiple as the conscious subject is open to and apprehends the metaphysical, physical and social world and is self-aware and receives knowledge of the world and of themselves according to their own identifiable personal preferences, interpretations and historical circumstances	Findings are true as the conscious subject's knowledge is a product of knowing mind independent reality (the world and human nature) but can also be socially constructed perceptions attributed to the unique perspective, personal preferences and historical circumstances of the individual	Deductive, generalizable propositions about the objective aspects of business ethics reality-actions, habits, decisions, human nature, ethical mindsets but should also explore the inseparable subjective dimension of this reality-intentions, reasons, opinions and personal experiences, which shape these

Source Authors

Moderate realism represents the pre-enlightenment understanding of ontology and epistemology outlined in the table above. It is founded on Aristotelian-Thomistic philosophy, which dominated pre-enlightenment scholarship. Only Aristotelian-Thomistic philosophy assumes the existence of metaphysics, and how it forms the basis of knowledge and ethics. On the ontological level, this paradigm like positivism and post-positivism assumes mind independent reality but moves beyond it to the metaphysical. Like constructivism, it includes individual perceptions, but not as phenomena completely isolated from mind independent reality. Epistemologically, the above paradigm assumes the human mind is capable of certain knowledge as it can capture the metaphysical forms in the things themselves, including human nature. The human person is able to distil objective knowledge as well experience themselves and the world in a very personal way. These personal experiences are best captured by understanding their perceptions. Mutual influencing

can occur between the researcher and the participant, which can be identified, incorporated or minimised.

The research approach can combine qualitative and quantitative approaches as it studies a unified reality. The conscious subject exists in the world and brings that world into their consciousness. They can know the world and themselves in an objective way. Personal circumstances and experiences can influence their knowledge of themselves and the world but to study experiences and perceptions does not justify a separate ontology and epistemology as this subjectivity is simply where the real world and consciousness meet.

## Conclusion

This chapter has drawn attention to the challenges faced by NAVE scholars in choosing an adequate research paradigm. Quality research must demonstrate a rigorous interrogation of ontological, epistemological and methodological questions in order to ensure alignment between the research question and research design. However, the philosophical foundations of NAVE do not feature in the research paradigms currently considered appropriate for Business Ethics research. Existing research paradigms envisage a split reality; one, which is mind dependent, and the other, which is mind independent and not metaphysical; resulting in two distinct modes of discovering/capturing reality. Empirical research overall must fit into one or the other. The authors have suggested how developments in the history of philosophical thought may have led to this fragmented understanding of reality and knowledge. They propose an additional paradigm encompassing a broader and more integrated conception of reality and knowledge. Pre-Enlightenment reality consisted of an interconnected continuum of mind independent metaphysical, physical and social dimensions, which shapes and is shaped by the person's inner world. The authors suggest reviving and including pre-enlightenment assumptions about the nature of reality, knowledge and the human being as a paradigm option to facilitate more erudite NAVE scholarship. Excerpts from empirical research highlight how the existing



research paradigms could inhibit legitimate NAVE enquiry. The authors present an alternative paradigm to be included alongside the existing suite of paradigms to accommodate NAVE scholarship.

## References

- Annas, J. (1993). *The morality of happiness*. Oxford University Press.
- Annas, J. (2007). Virtue ethics. In D. Copp (Ed.), *The Oxford handbook of ethical theory*. Oxford University Press.
- Anscombe, E. (1958). Modern moral philosophy. *Philosophy*, 33(124), 1–19.
- Aquinas, T. (2011). *Quaestiones disputatae de veritate*. Fundación Tomás de Aquino quoad hanc editionem. <http://www.corpusthomicum.org/qdv02.html>
- Ardalan, K. (2009). Globalization and culture: Four paradigmatic views. *International Journal of Social Economics*, 36(5), 513–534. <https://doi.org/10.1108/03068290910954013>
- Arjoon, S. (2005). Corporate governance: An ethical perspective. *Journal of Business Ethics*, 61(4), 343–352. <https://doi.org/10.1007/s10551-005-7888-5>
- Arksey, H., & Knight, P. (1999). *Interviewing for social scientists: An introductory resource with examples*. Sage.
- Bhuyan, N. (2007). The role of character in ethical decisionmaking. *Journal of Value Inquiry*, 41(1), 45–57. <https://doi.org/10.1007/s10790-007-9063-y>
- Bragues, G. (2008). The ancients against the moderns: Focusing on the character of corporate leaders. *Journal of Business Ethics*, 78(3), 373–387. <https://doi.org/10.1007/s10551-006-9342-8>
- Brand, V. (2009). Empirical business ethics research and paradigm analysis. *Journal of Business Ethics*, 86(4), 429–449. <https://doi.org/10.1007/s10551-008-9856-3>
- Bryce, J., & Fraser, J. (2013). “It’s common sense that it’s wrong”: Young people’s perceptions and experiences of cyberbullying. *Cyberpsychology, Behavior, Social Networking*, 16(11), 783–787. <https://doi.org/10.1089/cyber.2012.0275>
- Burrell, G., & Morgan, G. (1979). *Sociological paradigms and organisational analysis*. Ashgate.

- Crane, A. (1999). Are you ethical? Please tick yes or no on researching ethics in business organizations. *Journal of Business Ethics*, 20(3), 237–248. <https://doi.org/10.1023/A:1005817414241>
- Creswell, J. (2007). *Qualitative inquiry and research design: Choosing among five approaches*. SAGE.
- Crotty, M. (1998). *The foundations of social research: Meaning and perspective in the research process*. Sage.
- Eatough, V., & Smith, J. (2008). Interpretative phenomenological analysis. In C. Willig & W. Stainton-Rogers (Eds.), *The Sage handbook of qualitative research in psychology* (pp. 193–211). SAGE.
- Ferrero, I., & Sison, A. (2014). A quantitative analysis of authors, schools and themes in virtue ethics articles in business ethics and management journals (1980–2011). *Business Ethics: A European Review*, 23(4), 375–400. <https://doi.org/10.1111/beer.12057>
- Filstead, W. (1979). Qualitative methods: A needed perspective in evaluation research. In T. Cook & C. Reichardt (Eds.), *Qualitative quantitative methods in evaluation research* (pp. 33–48). SAGE Publications.
- Grant, P. (2013). *Virtue ethics and corporate governance*. University of Waikato.
- Gronbacher, G. (1998). The need for economic personalism. *Journal of Markets and Morality*, 1(1).
- Guba, E., & Lincoln, Y. (1994). Competing paradigms in qualitative research. In N. Denzin & Y. Lincoln (Eds.), *Handbook of qualitative research* (Vol. 2, pp. 163–194). SAGE.
- Hammersley, M. (2019). From positivism to post-positivism: Progress or digression? *Teoria Polityki* (3), 175–188. <https://doi.org/10.4467/25440845tp.19.009.10292>.
- Hatfield, G. (2018). Rene descartes. In E. Zalta (Ed.), *Stanford Encyclopedia of Philosophy*. Stanford University.
- Hursthouse, R. (1999). *On virtue ethics*. Oxford University Press.
- Kakkuri-Knuuttila, M.-L., Lukka, K., Kuorikoski, J., & Society. (2008). Straddling between paradigms: A naturalistic philosophical case study on interpretive research in management accounting. *Accounting, Organizations and Society*, 33(2–3), 267–291. <https://doi.org/10.1016/j.aos.2006.12.003>
- Kivunja, C., & Kuyini, A. (2017). Understanding and applying research paradigms in educational contexts. *International Journal of Higher Education*, 6(5), 26–41. <https://doi.org/10.5430/ijhe.v6n5p26>
- Klein, S. (1998). Emotions and practical reasoning. *Business and Professional Ethics Journal*, 17(3), 3–29. <https://doi.org/10.5840/bpej19981737>

- Klima, G. (2017). The medieval problem of universals. In E. Zalta (Ed.), *Stanford encyclopedia of philosophy*. Stanford University.
- Kuppermann, J. (1988). Character and ethical theory. *Midwest Studies in Philosophy*, 13(1), 115–125. <https://doi.org/10.1111/j.1475-4975.1988.tb00116.x>
- Laverty, S. (2003). Hermeneutic phenomenology and phenomenology: A comparison of historical and methodological considerations. *International Journal of Qualitative Methods*, 2(3), 21–35. <https://doi.org/10.1177/160940690300200303>
- Lord, C. (1984). *The politics (Aristotle)*. Chicago.
- MacIntyre, A. (2013). *After virtue*. A&C Black.
- Markie, P. (2017). Rationalism vs empiricism. In E. Zalta (Ed.), *Stanford encyclopedia of philosophy*. Stanford University.
- Mele, D. (2005). Ethical education in accounting: Integrating rules, values and virtues. *Journal of Business Ethics*, 57(1), 97–109. <https://doi.org/10.1007/s10551-004-3829-y>
- Mele, D. (2009). Integrating personalism into virtue-based business ethics: The personalist and the common good principles. *Journal of Business Ethics*, 88(1), 227–244. <https://doi.org/10.1007/s10551-009-0108-y>
- Ponterotto, J. (2005). Qualitative research in counseling psychology: A primer on research paradigms and philosophy of science. *Journal of counseling psychology*, 52(2), 126. <https://doi.org/10.1037/0022-0167.52.2.126>
- Reid, K., Flowers, P., & Larkin, M. (2005). Exploring lived experience. *The Psychologist*, 18(1), 20–23.
- Rhonheimer, M. (2008). *The perspective of the acting person: Essays in the renewal of Thomistic moral philosophy*. Catholic University of America Press.
- Rossouw, G. (2001). Research in business ethics. *Koers-Bulletin for Christian Scholarship*, 66(3), 197–212. <https://doi.org/10.4102/koers.v66i3.396>
- Seidman, S., & Zager, J. (1991). A study of coping behaviours and teacher burnout. *Work & Stress*, 5(3), 205–216. <https://doi.org/10.1080/02678379108257019>
- Shannon, D., Walsh, J., & Lennon, T. (2018). Continental rationalism. In E. Zalta (Ed.), *Stanford encyclopedia of philosophy*. Stanford University.
- Solomon, R. (1992). Corporate roles, personal virtues: An Aristotelian approach to business ethics. *Business Ethics Quarterly*, 2(3), 317–339. <https://doi.org/10.2307/3857536>
- Taylor, M., & Callahan, J. (2005). Bringing creativity into being: Underlying assumptions that influence methods of studying organizational creativity.

- Advances in Developing Human Resources*, 7(2), 247–270. <https://doi.org/10.1177/1523422305274529>
- Thomson, J. (1976). *The Nichomachean ethics*. Penguin Classics.
- Torres, M. (1997). *Survey of theories employed in business ethics*. IESE.
- Whetstone, J. (2001). How virtue fits within business ethics. *Journal of Business Ethics*, 33(2), 101–114. <https://doi.org/10.1023/A:1017554318867>
- Whewell, W. (2017). Comte and positivism. *Journal of Epistemology Philosophy of Science*, 54(4), 209–224. <https://doi.org/10.5840/eps201754484>
- Zaidi, Z., & Larsen, D. (2018). Commentary: Paradigms, axiology, and praxeology in medical education research. *Academic Medicine*, 93(11S), S1–S7. <https://doi.org/10.1097/acm.0000000000002384>



# 6

## Aristotelian Flourishing for a Virtuous Business Vision: The Philosophical Wisdom as a Strategic Tool for an Effective Change in the Management

Francesca Zimatore  and Luca Greco 

### Introduction

In this chapter, we want to answer the essential question: what makes a company truly innovative today? We believe that the decisive turning point is to reconnect ethical action to business practices.

The essay will show, through theoretical and practical evidence, the renewed role that philosophy assumes within corporate dynamics and in the global socio-economic context, through today's human-centered corporate turning point. In particular, we will refer to Aristotelian Ethics

---

F. Zimatore (✉)

Chief Philosophy Officer, Università Cattolica del Sacro Cuore, Milano, Italy  
e-mail: [frazima@hotmail.it](mailto:frazima@hotmail.it)

L. Greco

President at Kairos Social Enterprises, Università Cattolica del Sacro Cuore, Milano, Italy

as a paradigmatic starting point for any ethical reflection that still wants to be valid today.

In the first part—paragraphs 1–4, after a first introductory paragraph that wants to highlight the necessity of philosophy in the world and in business practices, starting from the analytical study of Nicomachean Ethics, an excursus of the key themes of *eudaimonia* as a realization of human and of virtues necessary to achieve it, will provide us with the paradigms to analyze human action today, in the decision-making process, essential to guide ethical choices in the business environment.

In the second part—paragraphs 5–7, our attention will turn to the business world which sees philosophy consultancy and change management as strategic skills to design the business of the future, starting from a cultural turning point, which we can define as new humanism.

The third and last part—paragraph 8, represents an attempt to seize the space of the world crisis linked to the Covid-19 emergency as an opportunity for an epochal turning point.

## 1. The necessity of philosophy, in the world and in the business practice

Philosophy is useful: that's what is said.

This is what Aristotle demonstrates in his Nicomachean Ethics. But our contribution wants to go beyond, even if the illustrious, *ipse dixit*—contrary in terms and substance to Stagira's<sup>1</sup> way of doing philosophy—to tangibly show how it serves, at least in part, to find *eudaimonia*, happiness, understood as human improvement, as *flourishing*, revealing this perspective in the founder of Practical Philosophy. Philosophy represents that form of knowledge that can shape a life making it virtuous, because no happiness (is possible) without virtue, “no happiness without that activity that is able to make a man fully human”.<sup>2</sup> A life marked

---

<sup>1</sup> Aristotle was born in Stagira, Chalcis, Greece, in 384 BC; therefore, it is defined par excellence “the Stagira”; so also in the continuation of the chapter.

<sup>2</sup> E. Samek Lodovici (1980). *La felicità e la crisi della cultura radical-illuministica*, in AA.VV., *La crisi della coscienza politica contemporanea e il pensiero personalista*, Libreria Editrice Gregoriana, Libreria Editrice Gregoriana, Padua, p. 34.

by “knowing how living according to the reason”,<sup>3</sup> which, as we want to show in this contribution, is now necessary even in the entrepreneurial practice.

But in which way? And above all, what is meant for “practical philosophy” and “flourishing”?

Practical philosophy, which seems to be a curious oxymoron, is a happy expression that defines a particular activity and above all dismantles the common consideration of philosophers. Doing practical philosophy responds, rather, to what Epictetus wrote, to agitate the world: “Men are agitated not by things, but by their vision of things and the world”.<sup>4</sup> Knowing how to affirm, understand, act, modulate this vision, this is a philosophical skill. Practical philosophy was born, in fact, not to answer the questions about “what” to do but rather “how” can I do to achieve a certain objective.

The definition of “practical philosophy” origins from Aristotle and, there, finds its highest expression. Adopted for the first time in the Book II of *Metaphysics*, the Stagirite declares: “The truth is the end of theoretical philosophy, while the work belongs to the practice, since practical [philosophers], even if they investigate how things are, they do not study the cause by itself, but in relation to something and in relation to the present time”.<sup>5</sup>

Practical philosophy therefore has in common with theoretical philosophy the fact that it seeks the truth, that is, the knowledge of how things actually stand; but, while theoretical philosophy leaves things as they are, as they were, aspiring only to know why they are in a certain way, practical philosophy tries to establish a new state of affairs and tries to know the why of their way of being in order to change them, activating all those skills and competences that are typical of managerial action today. The denomination of “practice” therefore derives from the object of this science, that is the “practicable” things, the actions, the “praxis” that has its origin in the choice, in the initiative of man. Action characterizes practical philosophy both as an aim and an object.

<sup>3</sup> D. Laerzio, M. Gigante (1976) (cared by). *Vite dei filosofi*, Laterza, Rome-Bari, VII, 87–88.

<sup>4</sup> G. Leopardi, Epictetus, C. Moreschini (1990) (cared by). *Il manuale di Epitteto*, Vol. 9, Salerno Editrice, Rome.

<sup>5</sup> Aristotele, *Metafisica* E. Berti (2017) (cared by). Laterza, Rome-Bari, 1, 993b, 19–23.

The works in which Aristotle systematically exposes his practical philosophy are the *Nicomachean Ethics*,<sup>6</sup> *the Eudemian Ethics*, *the Great Ethics and Politics*. In *Nicomachean Ethics*, Aristotle declares that the object of “political science”—this is the new name for practical philosophy that deals not only with the individual man but also with the *polis*—is the man’s supreme good, his ultimate goal, the one of which all others are sought.

## 2. The human realization: Eudaimonìa

Aristotle in *Nicomachean Ethics* answers to the question about the good (founding the “ethical science”, that is, the science of behavior or customs, ἠθικός) suggesting that it coincides with happiness, or *eudaimonìa*. Happiness, in fact, is the only thing that every human being, indeed every living being, desires for himself and itself and for nothing else.

This, however, still does not help us to understand how an individual can be happy, or better said, in what concretely consists the good that it would be wise to pursue (and that the philosopher, as he seeks wisdom, pursues).

In his description of acting, Aristotle begins exactly from what is the conclusion temporally, but which logically represents the starting point, because it gives meaning and assigns a value.

Aristotle writes that every action (that is, an event of which a man is aware of) has always a purpose, aims at an end. This is revealed by the “principle of finality”, enunciated by Scholastica but conceptually attributable to Aristotle: “*Omne agens agit propter finem*”<sup>7</sup> (“Every agent acts for an end”). The most crucial stage of the Stagirite’s path of ethical reflection is indicated immediately at the opening of the treaty: even in the context of action, the purpose is dominant and the end, toward which everything tends, coincides with the good for it. “The good has rightly been declared to be that at which all things aim”.<sup>8</sup>

<sup>6</sup> Aristotle, *Etica Nicomachea*, C. Natali (2018) (cared by). Laterza, Rome-Bari.

<sup>7</sup> Cf. Tommaso, *C. Gent.*, III, c. 3.

<sup>8</sup> *Et. Nic.*, I, 1, 1094a, 1–3.



But the ends-goods to which we aim with our actions are of two types: either they are intermediate goods, which we seek in view of other goods and which take on the character of ἀναγκαῖά (*anagkàia*) necessary things, or they are goods that we seek only for ourselves called ἀγαθά κύριος (*agatà kùrios*) “good things in the real sense”.<sup>9</sup> The intermediate ends are what we desire as stages-means in view of a further goal-end. For example: a man prepares to leave the house, goes out to get his car, takes the car to go to work, goes to work to earn a salary, earns a salary to survive, survives for... As it can be noticed, in this sequence of actions, each time we discover an end that is not definitive, but intermediate. Continuing with the “whys” we arrive at “one of those ends that we choose, seek and truly love for themselves”,<sup>10</sup> that is, one of those goods-ends that, according to Aristotle, we seek for ourselves given the perfect goodness that exists in them. It is always desirable in itself and never for the sake of something else.

But “if we try to ask again why we want a certain good/absolute end (for example health or honor), at the end we must necessarily arrive, according to Aristotle, at an ultimate good/end [a final end ed.] beyond which there is no longer a reason, in the sense that none of us could give a further reason”.<sup>11</sup> This ultimate goal is not subjective or particular, but objective and universally shared, since for Aristotle there is a very fixed and determined constitution of human nature belonging to every human being.

Now, what then is this ultimate goal for man? Aristotle, on the strength of his phenomenological investigation, affirms that all men desire the same supreme end and that everyone agrees that this supreme good consists in happiness, or in the εὐδαιμονία (*eudaimonìa*).<sup>12</sup>

It is very important to focus our attention on this term. Translations into modern languages (happiness, *felicità*, *bonheur* and so on) are objects of disputes, as the modern concept of “happiness” seems to refer to an inner state of intense contentment not present in the use of the

<sup>9</sup> *Protr.*, fram. 42, During and Berti, in R. Rossi (2018). *Aristotele: l'arte di vivere*, Franco Angeli, Milan, p. 89.

<sup>10</sup> *Et. Nic.*, I, 6, 1096b, 13–14.

<sup>11</sup> R. Rossi (2018). *Aristotele: l'arte di vivere*, Franco Angeli, Milan, p. 92.

<sup>12</sup> Cf. *Et. Nic.*, I, 4, 1095a, 15–20.

Greek *eudaimonìa*. “The Greek word, a combination of the adverb εὖ and the term δαίμων, initially referred to the “good fortune” eventually ensured to the individual by the benevolence of gods: and although its meaning was soon freed from the context of origin, becoming laicized, the term remained in Greece, in the fifth and fourth centuries, to define a condition that we could better define as “self-realization”, a sort of satisfaction of living, which in ethical reflection is also frequently defined by the expression εὖ ζῆν (èu zèn), “living well”.<sup>13</sup>

To give a more “objective” connotation, Anglo-American scholars in English prefer to translate *eudaimonìa* as “flourishing”, or “flowering, luxuriant growth”.

This clarification does not arise only from a philological instance, but it serves to understand what we mean when we say that Aristotelian ethics assumes a eudemonistic character from the beginning. We must not intend eudemonism as the pursuit of psycho-physical well-being: on the contrary, the conquest of *eudaimonìa* is possible only for the man who exercises virtue, (σπουδαῖος [*sputòdaios*] is the term with which Aristotle likes to define the virtuous individual). *Eudaimonìa*, strongly linked to εὖ ζῆν, is to live well as “feel good” and at the same time “act well” (a variant of this formula is in fact εὖ πράττειν). Aristotle accentuates and clarifies this meaning when he states that happiness is not an accident, a passivity, since it can be a feeling, a state of mind, but rather an activity.

Aristotle thus affirms the nature of *eudaimonìa* activity:

We have therefore said that happiness is not a disposition [...] Consequently [...] it is clear that happiness must be placed among the activities [...] and among those activities that deserve to be chosen for themselves and for nothing else: in fact happiness does not need anything else, since, it is enough itself.<sup>14</sup>

Continuing in his search to identify the highest good, Aristotle, therefore, examines the common opinions of the people (ἔνδοξα) to identify a

<sup>13</sup> M. M. Sassi (2012). *Felicità e virtù nell'Etica Nicomachea*, <http://gral.unipi.it/wp-content/uploads/2016/04/Felicit%C3%A0evirt%C3%B9-2.pdf>, p. 4.

<sup>14</sup> *Et. Nic.*, X, 6, 1176a–1176b.

triad of kinds of life to which men orient themselves: the βίος dedicated to the pleasure and care of material goods, the βίος devoted to political commitment, the βίος devoted to knowledge. Immediately discarded, as “non-human” but bestial, the βίος centered on physical pleasure, and having identified virtuous elements both in political and theoretical life, the question that arises is to define which “work (ἔργον) is proper to man”, carrying out that full realization of his nature in which *eudaimonìa* consists. This work or function is identified in the activity that pertains to the rational part of the soul, since it is for this reason that man is distinguished from other animals. Human good therefore consists of an “activity of the soul in accordance with virtue”, or rather “in accordance with excellence”. Here it should be remembered that the Greek term ἀρετή, which is currently translated as “virtue”, has a primary meaning of “excellence”. In other words: man takes the path to happiness when he uses his psychic endowment “at best”, in its highest component. “If all this is true, the human good turns out to be an activity of the soul according to virtue, and if the virtues are more than one, according to the best and most perfect”.<sup>15</sup>

The ability to carry out one’s task in the best possible way coincides with the virtue of those who act, and man’s own work consists in the activity of the soul according to reason and virtue. Acting according to virtue means acting according to reason, and therefore coincides with the realization of the rational essence of man. The man who acts according to reason and virtue is the happiest. The good of man therefore derives from this activity and, the greater the perfection of the activity, the higher will be the good achieved by those who act.

### 3. Living *eudaimonìa* in virtue: acting and thinking in an excellent way

The aim of man, as we have said, is to realize the potential he is endowed with. Like any living being, man has a series of functions. The specific functions of man are summed up in the word λόγος (*lògos*). *Lògos* means word, language and, more deeply, reason and therefore, says Aristotle,

---

<sup>15</sup> *Et. Nic.*, I, 6, 1097b, 22–25; 1098a, 13–17.

the peculiar function of man consists in the ability to exercise reason and everything connected to it. The specific *érgon* of man is *lógos*, or the life of reason, for a life according to reason: this is his virtue, and therefore his happiness.

Virtue in Greek is ἀρετή (*aretè*) (excellence), whose root is ἀρ-, from which ἄριστον (*ariston*), the supreme good, derives. Man has a virtue and it consists in exercising in the best way the functions that are proper to him, that is, to exercise reason in a supreme and excellent way. Aristotle, at this point, observes that there are many virtues. In fact, man is able to perform many actions, each of that can be done well realizing a virtue, or it can be done badly creating a vice. In Greek, vice is called κακία (*kakia*), from κακός (*kakòs*) (ugly), meaning an unsuccessful action.

Thus begins, starting from Book II, the treatment of the various virtues, which, as already mentioned, Aristotle first of all divides between ethical virtues—or of character—and dianoetic virtues—or of reason: in fact, in the soul of man, functions and activities that derive directly from reason are traceable and, in this case, the virtues will be those of reason (dianoetic); and there are other activities that do not derive directly from reason, and in this case we are talking about the ethical virtues, linked to daily action.

Moral virtue consists in the disposition to choose the mean, the golden means, adequate to our nature, which is determined by reason and which could determine the wise.<sup>16</sup>

Aristotle reviews the various ethical virtues: with regard to the things to be feared, virtue is courage, the golden middle between recklessness and cowardice; with regard to the use of pleasures, virtue is temperance, the middle ground between intemperance and insensitivity; with regard to the use of wealth, virtue is liberality, the golden middle between prodigality and avarice; with regard to the right opinion of oneself, virtue is magnanimity, the cross between vanity and humility; with regard

<sup>16</sup> *Et. Nic.*, II, 9, 1109b, 25–26.

to anger, virtue is meekness, the right middle between irascibility and indolence.

It is important to emphasize that this middle ground is established by reason, but it is not a mathematical calculation. The logical process that leads to the choice of the particular golden means is governed by the virtue of wisdom (φρόνησις) (*phrōnesis*) to which, as we will deepen, Aristotle assigns an irreplaceable role. The middle ground, in fact, is not always the same for every man and in every situation. Aristotle uses the concrete example of nutrition: the right amount of food is different for an athlete or for a man at rest. According to Aristotle, our choices and our actions are virtuous when they follow a fair mean (τό μέσον) (*tò mēson*) between excess (ὑπερβολή) (*hyperbolē*) and defect (ἔλλειψις) (*elleipsis*), between excess and too little: it is just a measure referred to each of us, as determined by the right reason of each.

Ethics is, therefore, a science, yes, but not an exact science and, having to do with particular situations, with the world of the possible, it must be flexible. The ethical virtues are therefore a habit of character that is based on habit and the ability to choose the right means, which excludes opposing vices, which is perfected and reinvigorated with exercise. The ethical virtues, in fact, consist in the dominion of reason over the sensitive impulses, to determine good morals.

After having spoken of the ethical virtues, Aristotle examines the virtues that directly concern the intellectual soul that characterizes man (dianoetic virtues): the intellectual function, unitary in itself, includes the ability to *intelligere* (το νοητικόν), to think (το διανοητικόν) and to reason (λόγον ἔχον).

I mean by intellect [noûs] that by which our soul thinks discursively and rationally [*dianoētai*] and intuitively understands [*hypolambànei*].<sup>17</sup>

Therefore, the Stagirite presents in Book VI the dianoetic virtues, proper to reason, which are five: three in its theoretical function (intellect, science, wisdom) and two in its practical function (art and wisdom).

---

<sup>17</sup> *An.*, 429a, 23.

Although in Aristotle the highest virtue of all is wisdom (σοφία), which is therefore placed as a guiding virtue for the attainment of happiness, or the highest state granted to men, the strategic virtue is “practical wisdom” (φρόνησις) (*phrònesis*). Aristotle describes the φρόνησις (*phrònesis*) in Book VI of the Nicomachean Ethics. It is the capacity to act properly, according to reason, about human goods. Aristotle defines it as the ability to “know how to deliberate in the best way for one’s own good, one’s family and one’s city”.<sup>18</sup> It is the ability to determine the golden means and to decide the best means to reach the good end. In fact, man does not choose the ends, but the means and this choice is free. It is precisely in this space of freedom, in which man is called to choose, that his practical wisdom is manifested. Wisdom is therefore a virtue linked to concrete action, it lies in the actions that man chooses to perform, in the individual actions that actually depend on it and which are performed in a specific context. However, *phrònesis* also includes knowledge of the universal to some extent, in the sense that it must know how to apply a general characteristic to the individual case. This happens in the corporate world, where prudence (practical wisdom) allows you to apply the general principles to the specific case, guiding the decision and action downstream.

It is the virtue of wisdom (*phrònesis*) that gives us the excellence of practical thinking: aimed at pursuing the ever-changing truth about what we should do, the best choices and actions with which to achieve what we believe is good. It is the highest virtue of the calculating part of the rational soul, that is, of practical reason. The *phrònesis* differs from wisdom: the first, in fact, deals with man, with human realities, while the second deals with higher realities of man that is divine realities.

But, *phrònesis* is not only a rational habit, but also a moral virtue.

All this shows that, although the *phrònesis* falls within the dianoetic virtues, it presents some characteristics proper to the ethical virtues. It is therefore that *phrònesis* is the highest of the virtues since “in *phrònesis* the cognitive and practical moments are intimately interpenetrated”.<sup>19</sup>

<sup>18</sup> *Et. Nic.*, VI, 5, 1140b, 10–12.

<sup>19</sup> E. Berti, *Il metodo della filosofia pratica secondo Aristotele*, in A. Alberti (1990). *Studi sull’etica di Aristotele*, Bibliopolis, Naples, p. 18.

Wanting to bring the theme of virtues back to the economic-corporate sphere, there is a need to bring moral virtues back to a specific form of entrepreneurial-corporate virtue, which favors a more integral development of the entrepreneur, worker and each stakeholder to promote the improvement of the economic enterprise, understood as the economy of the single company, of the relational dynamics connected to it and, thus, of the wider reference market.

For a long time, even the professional sphere, like the entire spectrum of human action, has suffered the loss of ethics understood in the classical sense that we are analyzing, in favor of a deontological approach, deriving from the ethics—indeed deontological—of Kantian imprint, judged more certain and objective.

All professions are characterized by the presence of their own code of ethics. Deontology means “science (λόγος) of what is proper or necessary (δέον-οντος, pr. Pt. A. n. V. Δέω, impers. Δεί)”. The deontological norm, therefore, is applied deductively to professional life and refers to the behavior of the professional, therefore to his external reality. However, there may be cases in which the understanding of what is right to do is anything but simple, so much so as to trigger ethical conflicts. “The code of ethics is not always helpful when it comes to making choices for action; choices that precede the behavior and that are taken in the context of moral conscience. We must pass from deontology to ethics, from external to internal dimension”.<sup>20</sup> A simple ethical approach seems reductive and problematic, because: (1) it shows the impossibility of dealing with the particular; (2) it shows danger of formalism; (3) it highlights the inability to intervene in the event of conflicting choices.

So, we can think of the ethics of professions consisting of two parts:

- Deontology, concerning the external and behavioral sphere of professional action and inherent in the objective dimension of moral experience;
- Ethics, concerning the inner and subjective sphere of professionalism and referring to the professional’s attitudes and his conscience.

---

<sup>20</sup> D. Loro, *Formazione ed etica delle professioni. Il formatore e la sua esperienza morale*, FrancoAngeli, Milan, 2013.

Therefore, it will be interesting to follow the implications that an Aristotelian ethics of virtues has in the field of professional ethics and, more specifically, in the business sphere.

Concern about the subjective dimension of acting comes to significant expression with the *After Virtue*<sup>21</sup> by the philosopher Alasdair MacIntyre, which is an important reference in many business ethics works. He studies the passage from a simple instrumental interpretation of the virtues, to a practice of the same as necessary and fundamental for a life that is not only good but also effective and, in a succinct way, affirms that the virtues are not a simple preparatory exercise useful for to procure happiness, but on the contrary “it could be said that the very exercise of virtuous behavior projects the subject toward happiness, making him already happy”.<sup>22</sup> He is happy living in a virtuous way, according to reason, his life, his relationships, his work.

#### 4. Actions “depend on us”: the analysis of acting

To carry out the work to which everyone, according to their faculties, is called, a series of actions of free creativity are carried out. Voluntary creativity resides in the Aristotelian “it depends on us”, which obviously entails full responsibility for our acts: “a created work is in some way its creator in act”.<sup>23</sup> But this expression, continuing it, instills a further awareness: “... therefore he loves his work because he loves his existence, since his work is extrinsic in actuality what he potentially is”.<sup>24</sup> Realization has been a fundamental aspect of success, both personal and business success, for millennia. “We exist precisely inasmuch as we implement ourselves”.<sup>25</sup> In fact, we all tend to implement our abilities, our virtues,

---

<sup>21</sup> A. MacIntyre, *After Virtues: A Study in Moral Theory*, University of Notre Dame Press, Notre Dame, IN, USA, 2007.

<sup>22</sup> M. A. Ruisi, *L'esercizio consapevole delle virtù in azienda. Verso una prospettiva di riqualificazione degli indicatori del successo per "capire e fare il bene dell'azienda"*, in AA.VV., *Il bene dell'azienda. Scritti in onore di Vittorio Coda*, Giuffrè Editore, Milano, 2012, p. 108.

<sup>23</sup> 232 *Et. Nic.*, IX, 7, 1168a, 7–9.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*



in a concrete way, whether they are practical actions, produced works, theoretical knowledge.

But what defines an action as human?

The first philosophical analysis of action is found in Aristotle and, in particular, in Book III of his *Nicomachean Ethics*. From the outset, the study of action was carried out according to its role in ethics.

An expression that recurs frequently in Aristotelian ethics, and that we can raise as a key concept, is τὰ ἐφ' ἡμῶν,<sup>26</sup> or “it depends on us”. “Our choices and our actions depend on us, they are in our power, because they have their origin and principle in us, in our desiring faculty and in our free will”.<sup>27</sup> This is the first condition that makes man an ethical subject, since his will always remains the decisive factor for his happiness.

To further understand human action, we must, with Aristotle, analyze what type of action is the object of ethics. It is therefore possible to distinguish acts, identifying them as “man actions”, from those actions through which man expresses what he has of his own and specific as a man, which we can define “human acts”, morally relevant provided that they are done in freedom and conscience. As we will see, actions are a particular type of human act.

Aristotle identifies the scope of actions based on what appears to be active and voluntary and which, due to being voluntary, is subject to moral evaluation, therefore susceptible to praise or blame, merit or punishment. Immediately after, he clarifies what is meant by volunteer, as opposed to its opposite.

Now, according to Aristotle, the characterizing element of action is the fact of having one's own principle in the subject; to attribute an action to an agent, the principle of action must be found in the one who acts, that is, the agent designates himself as master, lord of the action. But, as a second condition of being ethical, there is the freedom of choice, which consists in a power of self-determination, which makes one live according to one's will. The third condition of the ethics of action, for Aristotle, is that it is not dictated by ignorance. The Greek philosopher's

<sup>26</sup> Cf. *Et. Nic.*, III, 5, 1113b, 6.

<sup>27</sup> R. Rossi, *Il metodo della filosofia pratica secondo Aristotele*, in A. Alberti (1990). *Studi sull'etica di Aristotele*, Bibliopolis, Naples, p. 22.

analysis on this point is very acute. There are actions carried out for ignorance, that is, without knowing what one is doing; for these we feel no repentance, and they are not voluntary. Other actions, on the other hand, are performed by ignoring, that is, neglecting to do what we should have done; for these actions one feels pain and repentance, and they are involuntary. In these actions, ignorance concerns the particular situation in which one acts, or the conditions-elements of the action, since, according to Aristotle, ignorance cannot concern the universal rule, man cannot ignore the most ethical and fundamental principles.

What are these conditions-elements? Aristotle lists six: who acts, what he does, the object or area in which he acts, the means or tool used, the result, the way in which the action is performed. He claims that no one, except the insane, can ignore all these conditions. But, when those who act ignore some of these circumstances, especially the most important ones, which are the act that is performed and its result, this ignorance makes the action involuntary. Here then is that Aristotle comes to define action:

Since involuntary is what is done by compulsion and ignorance, it will be agreed that voluntary is that whose principle resides in the subject, who knows the particular conditions in which the action takes place.<sup>28</sup>

*What? Who? When? Where? Why?* These are the simple, versatile and effective questions that we have been exchanging since the time of Aristotle and that today govern the expression of our daily lives, codify the main rules of journalism, are used for *problem solving*, to tell stories, to create *apps* and from *content marketing* to increase corporate ROI (return on investment). It is an ancient acuity in the contemporary world.

In fact, philosophers and orators of antiquity used to argue starting from a set of fixed questions. The so-called *loci argumentorum* were used in the fifth century by Severino Boethius in the art of prosecution and defense and, in the twelfth century, Thomas developed an eight-element grid in the *Summa Theologiae* to describe a moral action, distinguishing between conditions of object and conditions of the acting subject (it is

---

<sup>28</sup> *Et. Nic.*, III, 2, 1111a, 21–25.

different if a thief has committed the theft to feed his children or because he is drunk): *quis* (who); *quid* (what); *quando* (when); *ubi* (where); *cur* (why); *quantum* (how much); *quomodo* (in what way); *quibus auxiliis* (by what means). Not long after, the grid was proposed by the IV Lateran Council to attribute adequate penalties to each sin and encourage confessors to examine both sins and their circumstances, with the addition of a Q: *quotiens?* (how many times?).

But the ancestor par excellence of the Five Ws is Athenian: Socrates moved the whole West with the question τί ἐστὶ? or “what?”. This is the question he asked his interlocutors to induce them to give birth to the truth. It is maieutics, *μαιευτική τέχνη*, “obstetric art” or “obstetrics”, whose root is in *μαῖα*, “mother” or, in those days, “midwife” or, in Italian, *levatrice* (to leave). Fenarete was a midwife, Socrates’ mother. Indeed, it is said that this is how good journalists are born, who bring news and eyes to the world to enter. From τί ἐστὶ to What, from the six Aristotelian conditions to 5 Ws, everything is resolved in the courage to ask a question, to undermine certain structures to remodel them by opening up to intersubjectivity; thus the answers are articulated with details and the more complete the picture of the analyzed situation is, the greater are the chances of success. This is what, we mean, is happening in the new business system that wants to keep pace with the times but also with human resources, stopping with one foot critically inside the facts and taking the other step into dreams.

It is considered useful to observe, in detail, the process of conception and implementation, as described by Aristotle, as they are concepts that are still useful today in practical life for achieving one’s goals.

After distinguishing voluntary actions from involuntary ones, recognizing properly human actions, Aristotle enters the core of the theory of action. He affirms that, when something is given origin or something is modified, there are two moments: the first consists in thinking (*νόησις*) (*nōesis*), the second consists in producing a result (*ποίησις*)<sup>29</sup> (*pōiesis*). This is how we can distinguish our internal acts (such as desires, reasoning, evaluations, decisions) from our external actions, aimed at making the goal concrete.

---

<sup>29</sup> Cf. Met., 1032b, 14–15.

In Aristotle a certain structure of human action is outlined and can be essentially schematized in this way: will (βουλήσις) (*boulèsis*)—deliberation (βουλή) (*boulè*)—intentional choice (προαίρεσις) (*proairesis*)—action (πρᾶξις) (*praxis*).

The βουλήσις is the will to establish an end that you want to achieve. For Aristotle, willing is a simple conscious orientation to an object, accomplished by the faculty of desire. This is what today, in the managerial field, can be defined as strategic ideation.

Following the will is the βουλή, the deliberation, corresponding to the consideration of the reasons for and against the action that we are mentally operating. As in the political field the βουλή was, in Athens, the assembly in which they discussed what to do, in the same way the βουλή is the discussion that occurs mentally on the reasons for and against a certain inclination (ὄρεξις) (*orexis*). It is therefore a question of deliberating and rationally seeking all the suitable and suitable means for achieving the desired ends.<sup>30</sup>

In the process of deliberation, at a certain point, we rely on reason that seems more exhaustive and reliable: therefore, the choice takes place, basically based on an act of trust in our ability to discern good from evil. It is a matter of choosing and deciding to use the best means found a sort of “tactical ideation”. The choice has two fundamental characteristics: it concerns the means and not the ends and it concerns the things that are achievable by us. For Aristotle, therefore, while willing is a simple conscious orientation to an object, which does not necessarily presuppose action, on the contrary, the choice presupposes a deliberation, that is, the examination of the good reasons for and against the choice. The προαίρεσις is therefore the action that results from a mental activity which is deliberation; you choose when, after reasoning, you orient yourself to perform a certain action.

Finally, after the mental process—which, however, is never abstract—the set of our external actions, πρᾶξις, constitutes the process of realization, or the implementation, in practice, of the rationally conceived strategy and tactics, which always remains an intermediate goal with respect to the ultimate goal which is always happiness.

---

<sup>30</sup> Cf. *Et. Nic.*, III, 3, 1112b, 13–17.

The concepts of νόησις and ποίησις are actually still very actual today, as they provide a theoretical basis for modern decision-making techniques in the managerial field.

It should therefore not seem strange, once again, to provide reflections of proven Aristotelian matrix to company working practices. In modern times, passion, personal fulfillment, fair evaluation, are sought in the workplace, especially when it comes to the corporate field. By now it is evident that, even if it is true that every philosophy is the daughter of its time and of the different state of the art of science, so that even in Aristotle's philosophy there are certainly outdated aspects, the great philosophers always preserve something perennially valid, and stimulating, on the ultimate questions of the meaning of existence, on the foundation of the reality that surrounds us, on the immutable essence of man.

By analogy, it is possible to believe that the main investment of a company is the growth of the personal qualities of human resources, which necessarily passes through a careful selection followed by effective training, not only technical but also of the person who works, taking care of aspects intellectual, relational, emotional and, ultimately, ethical.

It is therefore possible to apply to the company a question to which Aristotle answers, in his treatise on politics: "Can a *pòlis*, a city-state, be virtuous? In politics, the main virtue is Justice, at the basis of human coexistence and harmony between citizens. Can a state be fair?"<sup>31</sup> Well, it is possible. Aristotle, on the other hand, tried to convert a prince to philosophy (he wrote his "Protrepticus - Exhortation to Philosophy" dedicating it to the king of Cyprus, Themisone) and was called to educate Alexander the Great. Aristotle, however, does not believe that philosophers should rule, but rather be advisers to rulers. The good philosopher will be able to make the tyrant see that the best way to keep power will be to behave like a virtuous king, commanding in favor of the citizens and not in his own interest.

---

<sup>31</sup> G. Faro, *La virtù secondo Aristotele: può un'impresa essere virtuosa?*, Bari—Business School IPE, 2019.

Following the analogy, we can say that there can be a virtuous business and that the existence of a business philosophy, of which we advocate ourselves, is believed to be of fundamental importance.

## 5. Philosophical consultancy in the company to design the business of the future

Until a few decades ago, philosophy remained closed in the academic world, in the form of wisdom that was often self-referential: ideas and speculations for their own sake, composed in technical languages not easily understood by non-specialists in the sector, and far from real problems and everyday people.

For some years now, philosophy has returned to its original dimension: a useful practice for people capable of thinking. A knowing that becomes knowledge about how to do. The philosopher is no longer just the wise expert in theories and concepts, but a practical philosopher who makes his skills available at the service of community and personal situations, working in a dialogical form with reality and people, around personal and shared horizons of life and sense.

The National Association of Professionals in Philosophical Practices, during the national conference entitled *Communities in Dialogue for Change. Practical philosophy and interdisciplinarity*,<sup>32</sup> outlined the new face of the philosopher as an expert and competent professional inserted in diversified real and everyday contexts: Political Dimension; Primary Schools/Comprehensive Institutes; Medicine; Social sphere and Prisons; Philosopher in/of Community; Psychology; Companies and Organizations.

Practical philosophers become “entrepreneurial philosophers”, they implement the great intuitions of the Philosophers to address social and life issues in a thoughtful and full way, to think about the present and the present action projecting it into the future.

Philosophical practice is therefore configured as a project for the development of the human person, in which the individual dimension is

---

<sup>32</sup> <https://www.galatina.it/comunita-dialogo-il-cambiamento-filosofia-pratica-e-interdisciplinaria>.

completed in the social and collective construction of ideas and in the shared responsibility of choices and actions.

Philosophy becomes an exercise in humanity which must not be avoided, since it leads the individual to understand and transform himself first, then the world in which he lives. In every area of life, the new practices, supported by the rediscovery of concepts such as ethics and virtues, in fact initiate what we can define a “new humanism”, bringing man back to the center of action.

The intervention of philosophy alongside and within management is more and more frequent. There is also a new figure called CPO: Chief Philosophy Officer. CPOs are “practical philosophers”, those who use philosophical skills to lead companies. This role of responsibility develops directly within companies by far-sighted intuition even before being born within academic discussions. Today, in important Universities, academic paths are being developed to enable specifically philosophical skills for economic decisions.<sup>33</sup>

It is certain that enlightened managers and businessmen have always existed, but we believe they have always moved within a cultural-philosophical *weltanschauung* in their theories and practices. From the very beginning, on the other hand, economic and financial practices do not bear negative genesis and, the vision of a company management focused only on achieving profit, to the detriment of any other dimension, is a stereotyped and distorted vision linked to capitalistic practices. Management, economics, finance, corporate culture, cannot be seen as gray eminences. We therefore believe that the distortion derives from an alleged independence of scientificity of the economic-business practice, from the other human sciences, therefore also from philosophy, which occurred in historical periods that have alternated over time.

## 6. Towards the humanization of the company: from Corporate Social Responsibility to Philosophical Management

Since the last century, with the development of the Corporate Social Responsibility (CSR) and with the growing importance reserved to it in

---

<sup>33</sup> <https://offertaformativa.unicatt.it/master-competenze-filosofiche-per-le-decisioni-economiche>.

the business world, which is tried to undermine the strictly economic consideration of the company as an organism oriented toward the profit of its shareholders, to put it back to a more noble and ethical rank, that is that of an organization which, coming into contact with a potentially infinite number of subjects, wants to take into account and respond responsibly to its actions in a moral perspective, aware of influencing the surrounding environment. By engaging in corporate social responsibility, the activities can not only generate favorable attitudes, but, in the long run, build a positive corporate image, strengthening relations between the parties and society.<sup>34</sup>

The debate on the issue of corporate social responsibility was born in the 1920s in America with the first examples of corporate welfare, which experienced new impetus in the reflection in the 1980s—following the expansion of markets, new market logics, a growing awareness of environmental protection—but only at the beginning of the new millennium when it assumes a widespread character so as to connote the entire economic system and the consequent company management.

In fact, in 2001, the European Commission published the *Green Book* with the aim of triggering a real debate on how to promote, disseminate and adopt these practices in the European and international framework, proposed as investment and business opportunities capable of generating a change. Today, a new transition leads different stakeholders to share sustainable development plans that aim, on the one hand, at economic development, on the other, to improve social cohesion and environmental sustainability.

The 2020–21 pandemic crisis has accelerated the awareness, at every level, of the need for a transition toward sustainable development goals. The European Next Generation program and its national implementations, as in Italy the National Recovery and Resilience Plan (PNRR), place the themes of digitization, innovation, ecological transition and social inclusion as strategic priorities for development. In this panorama, benefit corporations (*B-corp*) assert themselves as a positive evolution of the concept of business for profit, which aim to create a positive impact

---

<sup>34</sup> Cf. S. Du, C. B. Bhattacharya, S. Sen (2010). *Maximizing Business Returns to Corporate Social Responsibility (CSR): The Role of CSR Communication*, in *International Journal of Management Reviews*, 12, 1, 8–19.



on people and the environment through their economic activity, while continuing to generate profit.<sup>35</sup>

The global movement of the *B Corps* works with the intention of promoting a new business paradigm for which more and more private companies from all over the world voluntarily adopt the highest standards of transparency, accountability and sustainability, pursuing a higher purpose than just earning.

The ethical approach to the globalized market ultimately appears to be the only way to pursue sustainable, successful and lasting development, for individual companies and for the whole community.

These issues should not be considered as an added value to entrepreneurial activity, but as a fundamental part of the core business of each company. Ethical choices give rise to that benchmark defined with the name of “positioning”, which represents the global perception that the public has of the company and the trust placed in it. Ethics and trust are linked to each other to the extent that, in the current economic world, companies shake off that label of greed that has always marked them, giving humanity back to the economy and returning to the market.

The incompatibility between ethics and profit therefore seems to be a big misunderstanding, the biggest misunderstanding of recent times. “The ancient contrast between values and profit is, according to philosophers, an absolutely distorted vision of the ability of values to build a corporate *vision* that leads to the creation of value in the medium to long term”.<sup>36</sup>

On the other hand, the manager who uses social and environmental values as a mere expedient to maximize shareholder wealth, and not as an end in itself, does not act correctly and is not destined to succeed. At the base of the business activity, there is a balance between two factors: observance of the law, which requires responsible conduct even

---

<sup>35</sup> For more details about *Benefit Corporation* please, consult the website <https://bcorporation.eu/>.

<sup>36</sup> L. Tickle, C. Burke (March 29, 2018). *I Work Therefore I Am: Why Businesses Are Hiring Philosophers*, in *The Guardian International Edition*, <https://www.theguardian.com/business-to-business/2018/mar/29/i-work-therefore-i-am-why-businesses-are-hiring-philosophers>.

if counter-interested in the immediate future, and the rational pursuit of the preferences of the economic subject.

A new yardstick has therefore come into play: an ethical/economic operational criterion. From Aristotle onward, as we have well illustrated, the concept of economics is reconnected to human ends and economics, together with the other practical sciences, must help politics, as the highest human action, to provide for its main purpose, that is the human good.<sup>37</sup>

In the new business landscape, there is space for the specific skills of a philosophical training, essential for a management that is authentically innovative. It is recognizing the central importance of the human being, in entrepreneurial management and in business, which calls upon the expert *par excellence* of humanity, or the philosopher, to make his contribution, in an interdisciplinary and multidimensional logic that enhances specificities. Thus, the philosophical consultant does not offer philosophical and dusty contents by taking the chair or “pre-packaged” theories, but offers philosophical skills, connected to conceptual analysis, deduction and phenomenological description, through which he recomposes the fragmentation within a *continuum* sense, restructuring and expanding the boundaries of the company itself.

It is above all in the Anglo-Saxon world that the figure of the philosopher stands out as a corporate figure.

Authors, just to name a few among the best known, such as Lou Marinoff (1999), author of *Plato, Not Prozac!* and president of the *American Philosophical Practitioners Association*, trainer of over four hundred philosophers with the task of bringing philosophy into companies, and Roger Steare (2006), well-known philosopher at the *Cass Business School* and author of the book *Ethicability*, point out how believing that profit and philosophy are incompatible remains a great misunderstanding: “Often these are very intelligent people, who are also overworked and they don’t have enough time to reflect. A lot of what we do is to create reflective space”.<sup>38</sup> “The pioneering philosopher entrepreneurs” do not

---

<sup>37</sup> Cf. A. Sen (2010). *Etica ed Economia*, Laterza, Rome-Bari, pp. 10–11.

<sup>38</sup> L. Tickle, C. Burke (March 29, 2018). *I Work Therefore I Am: Why Businesses Are Hiring Philosophers*, in *The Guardian International Edition*, <https://www.theguardian.com/business-to-business/2018/mar/29/i-work-therefore-i-am-why-businesses-are-hiring-philosophers>.

offer solutions, rather they ask questions that help the client to gain new perspectives; and again “The tension is not between philosophy and profit, but between deep wisdom and short-term profit maximization”.<sup>39</sup> Joe Garner—CEO of *Nationwide*—argues that values, the collective consciousness of the company, must be part of the business process, which is part of the community.

The reason why a company should decide to invest in the philosopher, rather than in managers, even of high level, is obvious: only a philosopher can push questions and tackle uncomfortable issues.

What is the task of the CPO, explains Andrew Taggart—Ph.D. in philosophy among the most famous CPOs in Silicon Valley. Companies such as Google, Facebook, Twitter have chosen him as CPO and he has invited company managers to change their perspective: anyone who wants to be a manager or entrepreneur, rather than wondering “how can I get greater success?” he must ask himself “why do I have to achieve success?”, arriving at identifying—following the Aristotelian teaching—the final purpose of the actions.

It is the realization of such a perspective that redefines the value of the company and its real impact on the economy and society. “Philosophical thinking is the weapon that can help companies, especially innovative ones, to combine business opportunities with corporate values, implementing codes of ethics in corporate organization and working toward corporate social responsibility objectives”.<sup>40</sup> In a historical moment in which everything seems to be dictated by data, numbers, technological advancement, the great need also comes to the surface in companies: putting human thought, its questions, its deepest reflections back at the center. New technologies such as Artificial Intelligence pose us ethical problems, but not only: the complexity of today’s world, its evolutions, its problems, brings to the fore questions as old as man: Who am I? Where I go? What role do I have in the world? almost as if the world of innovation focused on humanities to face the advance of *robots*. Therefore, this humanistic world paradoxically shows itself as the heart and

---

<sup>39</sup> Ibid.

<sup>40</sup> E. Abirascid (April 23, 2018). *È l’ora dei pratical philosopher*, in *StartupBusiness*, <https://www.startupbusiness.it/startup-e-aziende-e-lora-dei-pratical-philosopher/96490/>.

thrust of every innovation. In times when artificial intelligences and the nascent robotic era risk relegating the human being to the periphery of the world (think that 50% of current jobs will no longer exist in 2028<sup>41</sup>), enlightened managers understand the importance of putting the center of the development of a company is individuals, since only in this way is it possible to create a digital neo-humanism in which technologies are at the service of the human being and not vice versa.

Multinationals are contemporary empires and today's CEOs do what the rulers of yesterday did: surround themselves with thinkers who help to understand the present and shape the future, developing the most effective strategies to spread an idea.<sup>42</sup>

The intervention of philosophy within the company has therefore always been desirable, in the form of a “human-centered” contribution in countless fields, from marketing to communication to HR management, and today it reaches the top of the company and, not least, rises to the task of managing an entire business change. On the other hand, change management concerns all areas of action of the company and all organizational actors of the company, including leaders and managers. Here it is the Change Management.

## 7. Change Management with a philosophical vocation

With the expression “Change Management”, we mean a “strategic planning model as a structured approach to the change—carried out by a set of structured activities—in individuals, groups, organizations and companies, making a possible transition from a current structure to a desired future one”<sup>43</sup> and, in this context, we could say it is a management of change from a *CSR* perspective.

“A philosopher pushes us to question ourselves, sheds light on the gray areas, on the inconsistencies or inefficiencies of the corporate strategy

---

<sup>41</sup> U.S. Dates from Bureau of Labor Statistics.

<sup>42</sup> R. Tovazzi (October 17, 2018). *Il futuro sarà in mano ai filosofi?*, in *ManagerItalia*, <https://www.manageritalia.it/it/management/offerta-di-lavoro-per-chi-ha-studiato-filosofia>.

<sup>43</sup> R. Liguoro, A. Verrilli (2007). *Business Economics Dictionary*, Esselibri, Naples.

that are ignored from the inside or are not evident. Welcoming a philosopher inside a company means rediscovering the meaning of one's work, which is reflected in the product or offered service, not only in the reference market, but with respect to the whole economic and social system. It means wondering about the uncomfortable assumption that companies are legitimized regardless of operating. The longest-lived companies are the same companies that question their social and economic role, ask themselves why, before arriving at how. And they end up inspiring the market".<sup>44</sup> The integration of a philosophical vision into business processes is a decision that underlies the clear willingness of management to completely review their methods of approach to innovate. The real effort required to organizations today is to cultivate and contaminate business processes and specialist skills with the human dimension, with the subtle and unparalleled ability to be sensitive that distinguishes man from processes. This approach recalls and reaffirms the indissolubility between ethics and profit, rooted in the history of economic thought, abandoning the "traditionalist" vision of a tradeoff between ethics and value.

It is an articulated and complex path. Unlike the more classic forms of technical consultancy, based on expertise, which see the consultant aimed at solving complex problems thanks to his in-depth knowledge, philosophical consultancy is able to bring benefits to the entire organization by helping it, its fabric, its human resources, to find the solutions they need, bringing the value system into the company's core business. This is possible by integrating, as the philosopher does, more knowledge, more patterns, more influences. This form of consulting or of innovative management is therefore particularly suitable not only for dealing with very influential dimensions, such as the integration of an internal culture of corporate social responsibility or the strengthening of the sense of belonging to the organization, but also critical conditions such as organizational transformations. Therefore, it is the change management that has a strong impact on people and habits. Managing the human aspect,

---

<sup>44</sup> G. Abbruzzese (May 3, 2018). *Sempre più Filosofia in azienda, perché le aziende hanno bisogno di costruire conoscenza*, in *Filosofia dell'innovazione*, <http://www.filosofiadellinnovazione.it/sempre-pi-filosofia-in-azienda-perch-le-aziende-hanno-bisogno-di-costruire-conoscenza.html>.

which means accompanying people toward new goals and habits, overcoming any resistance to change, is the most delicate aspect, as well as the new aspect that the company is called upon to focus on today.

Philosophical counseling is characterized by factors that endow it with multiple potentials, possessing characteristics that we can begin to decline in three items<sup>45</sup>:

- Approach: the richness of the philosophical approach derives from drawing on an extremely flexible and integrated conceptual matrix with other knowledge and methodological references. Philosophers are able to combine different conceptual visions and this is a very different approach from the corporate one, not managerial but constructive. A flexible and integrated approach gradually leads to a critical deconstruction that allows us to reach the meaning and can transform the company's vision and mission. If we think about the new privacy challenges that technology is posing, we understand that technique is not enough, and a humanistic approach is needed to grasp the nuances of such complex phenomena, to be able to regulate and manage them from an economic and social point of view. In *Management. Mito e realtà*, H. Mintzberg (1989), thematizing the questions of the formation of strategies in the manager's activity, even studies the interaction between the analysis, produced by the left cerebral hemisphere, and the intuition, typical of the right brain hemisphere.
- Purpose: the philosophical approach does not focus on processes, strategies or the practical declination of the company's work, but acts upstream, placing the search for meaning as its purpose. Complexity and uncertainties are required steps to reach the sense/end/purpose, therefore the philosophical method of action is reflective, it requires observation, evaluation and, subsequently, action. The philosophy realigns the corporate work to the vision, generates the most creative and profitable innovation and leads companies to be aware of how to effectively use every resource to build lasting competitive advantage, even in highly uncertain and hyper-fast scenarios, such as today.

---

<sup>45</sup> Cf. E. Bastianon, *Il Change Management in una teoria complessa dei sistemi in cambiamento*, in *Academia*, [https://www.academia.edu/20196938/Change\\_management\\_in\\_a\\_complex\\_theory\\_of\\_the\\_systems\\_in\\_the\\_change](https://www.academia.edu/20196938/Change_management_in_a_complex_theory_of_the_systems_in_the_change).

- Focus on people: the philosophical approach knows that each subject, each person, is able to be guided in an evolutionary process if provided with the right tools to direct, control, evaluate, assimilate and thus favor innovation. The declination of practical thinking in the business field strengthens the behavioral and relational skills of human resources, leading them to greater degrees of accountability, realigning business operations with corporate values, generating creative and innovative productivity. The philosophy in the business field maintains the flexible and constructive approach that facilitates self-learning through experimentation and observation, therefore “freeing individual resources allows you to give access to an immense pool of talents and uniqueness without which the business cannot thrive”.<sup>46</sup> “We are all part of an organism that, in order to stay alive, must promote a harmonious relationship between its cells, even they are companies, entrepreneurs, managers, citizens, the environment”<sup>47</sup>: understanding this, corporate prosperity explodes.

But how many companies are able to have a humanistic vision of the company and to keep the brand promises? And above all, when does responsibility make a difference? The ostentation of ethical and sensitive attitudes, if not accompanied by consistent behavior, risks irreparably to compromise the image of the company and, sometimes, the brand-oriented business strategy, compared to the old product-oriented model, is not sufficient, despite “for the same product quality, it is the brand that constitutes the monetary mark-up with respect to the competition”.<sup>48</sup> The purpose of branding activities is yes to increase the target/customer conversion rate and build strong and lasting bonds based on trust, emerging in the *bazaar* full of competitors, but the new value-driven customers require greater sensitivity toward the value of the business proposal as a whole. Consumers prefer companies that base their identity on an ethical and responsible attitude and that broaden their perspective from the mere logic of profit to an overall management of the company

---

<sup>46</sup> N. Branca (2013). *Per fare un manager ci vuole un fiore*, Edizioni Mondadori, Milan.

<sup>47</sup> Ibid.

<sup>48</sup> G. Grizzanti (2011). *Brand Identikit, Trasformare un marchio in una marca*, Fausto Lupetti Editore, Bologna, p. 48.

system, in relation to the context and to all its interlocutors. Here, brands must find new meanings on which to base their reason of being. For this reason, many companies decide to take on social responsibility to demonstrate their sensitivity toward the people involved in the business system and the environment. But, to be truly differentiating, social responsibility must go beyond the internal organization and be much more than an institutional marketing element: it is not a positioning strategy around concepts, but rather it is ethics, respect, creation of value for all and, in a single word, beauty in business culture. At every level of political, cultural and economic-corporate governance, the assumption of a development model that is sustainable for the environment and for the most fragile sections of society is no longer eluding. As the last World Economic Forum 2021 in Davos also underlines, beyond the different methods of implementation, the certainty that must animate every political and academic discussion is the urgent need for a change, “reset”, in the global economic system.

It is a speech that goes too far, perhaps. But the philosopher is able to do just that: wander, grasp, trace, weave, unravel and unite.

### 7.1. Operational ideas

The traditional methodologies of mapping and process analysis are also evolving today to focus on collaboration between people, an increasingly key factor for a company's success. In order to understand how management systems are changing—if it is still appropriate to talk about them—we need to look at how the way of modeling work processes is changing. In the modern economic world, based on services, knowledge and innovation, the prerequisites of process management underlying the traditional BPM approach are inevitably lacking. Today's markets are increasingly discontinuous and internal processes, as a result, need to be flexible and adaptable. The human element is no longer the interchangeable gear of a machine but is a resource with unique experiences and knowledge that the company must know how to use to the fullest. The vision of the workflow as a structured set of activities becomes extremely limited and simplistic, because it considers the part of the process always equal to itself and is unable to grasp the collaborative flows between



people, which vary from time to time and are not definable a priori. The future of companies is increasingly, in every aspect, man. Change is inevitable and man, as a resource, manager and company, has a choice: to be reactive to the change in the competitive arena or to be proactive to manage the entire change project to maximize the benefits and reduce the negative impacts that this could result.

In such a changing context, Change Management becomes “at the same time an approach and a methodology for the integrated management of technical-functional and human aspects”.<sup>49</sup> It provides tools and processes to recognize and understand change, manage the human impact of a transition and make it successful. The context of the company within which the change manager is called to operate is a complex and dynamic system, where dynamic means having elements of stability and instability. The concept of multiplicity reminds us that we are dealing not with a single object, but with a set of objects and interactions, within which events occur due to the relationship that exists both between these objects and between them and the external world. A psycho-social assumption is at the basis of the poor success of previous organizational development models: people cannot be changed neither by edict, nor by top-down transmission of ideological messages, nor for fear of sanctions, nor for superficial psychological exercises related to them, including training. People change, even in a short time, only if they are understood. Understood or part of a whole.

Change Management takes into account three perspectives: the system perspective, the group perspective, the individual perspective.

A change framework has three macro phases with the following logical steps<sup>50</sup>:

1. Establishing the need for change: why change?
2. Designing the path of change: changing toward what? And what's the best approach?
3. Completing and evaluating change: how do you make it stable?

---

<sup>49</sup> A. Gianni, *Cos'è il Change Management e perché è importante per chi vuole risultati concreti?*, Webinar Online, <https://www.youtube.com/watch?v=4Fraw6bVjI&list=PLrsty2cbzqgVMPzKuNqxdXt0HGDOuSzY&index=4>.

<sup>50</sup> Ibid.

It is not correct to believe that Change Management is a management of organizational change that is not very specific and punctual, but it is extremely logical; much less believe that it does not use certain frameworks, which however do not mean little flexibility. In the change, the diagnostic ability must combine with the technical ability. It is important to know that there are numerous operational models of Change Management, while never forgetting that a continuous rethinking of management and of Change Management itself is necessary to “invent” the future, making possible what is not yet.

We must welcome the era of permanent revolution, in which the most significant challenge is precisely the management of complexity, unpredictability, paradox. A new mission that only (practical) wisdom can bring to fruition.

## **8. The opportunity for an epochal turning point after the Covid-19 crisis**

These days the *coronavirus* is terrorizing the world and Italy, giving rise to phenomena of collective fear, alarmism, paralysis.

The plague described by Alessandro Manzoni comes to mind: the non-management by the authorities, the inability to see reality and identify the truly urgent problems, in 1576 caused the population to be reduced to a quarter because of that pre-plague.

Dramas, difficulties and social perception can be comparable to the current situation caused by Covid-19 but, contrary to that of Manzoni, the socio-economic situation of Italy, Europe and the world, in the days in which this intervention is drawn up, we hope is faced with resolve and with concrete, effective and far-sighted decisions.

The crisis we are experiencing is not only business-economic but systemic, as it affects the entire socio-cultural-economic fabric. The *coronavirus* emergency risks having social and economic effects, in the short and long term, on various fronts. In this current and simultaneous context, the whole country system, government, institutions, companies and non-profit organizations must also face not only the already raging crisis, but must prepare for significant changes in all their areas. The priority in this situation is to improve skills and qualities. It is in

this change, which is preparing to be of epochal significance, that the contribution of the specific skills of Change Management can therefore prove to be fundamental, as we have tried to elaborate and describe. In order to face and emerge victorious from such a complex critical situation, improvements or external help are not enough, but it is necessary to develop a multidimensional change strategy, which deals with every internal and external, technical and human aspect. We need a careful reflection to bring out the most fundamental issues of our reality, as well as economic, social and human.

The current measures of social distancing are making us more sensitive to the true nature of human relationships and above all aware that, even when we judged our life totally immersed in the infosphere and in the *onlife-world*, in reality we were simply looking for another form of that relationality that pervades every aspect of our existence: that is not the totality of our life, otherwise we would not feel today the constant need to live simple gestures and actions, such as shaking hands, greeting each other, going where we congregate, staying together. While we were building an existence entirely on digital devices, what we were actually doing was accumulating an often unaware amount of human relationships. We only realize it now, “and it is like an awakening from a small empty passage of intelligence”.<sup>51</sup> Anyone of us has noticed how terribly lacking, these days, non-digital human relationships: this is because we had so many, human relationships.

All this also teaches us that, the more we interact with digital civilization, the more it will acquire value, beauty, importance, and even economic value, all that makes humans discover: bodies, natural voices, imperfections, hand skills, skills, contacts, fatigue, proximity, caresses, temperatures, laughter and real tears, fears, emotions, unwritten words, resilience. “Humanism will become our daily practice and the only real wealth: it will not be a discipline of study, it will be a space for doing that we will never allow ourselves to be stolen. Look at the fury with which

---

<sup>51</sup> A. Baricco (March 26, 2020). *Contro il Virus. Questo è il momento dell'audacia*, in *la Repubblica*.

we desire him now that a virus has taken him hostage, and all doubts will pass you by”.<sup>52</sup>

Trying to reap benefits from undefined or even tragic and unknown situations is what is desirable, trying to make business organizations “anti-fragile”, to quote Nicholas Taleb,<sup>53</sup> and benefit from discontinuities and shocks to grow and develop even when it is exposed to changeability and disorder.

A new humanism could help address the business and its management in a new, innovative way, focusing on the different people who make up the identity and life of a company. This situation amplifies a now customary condition for every manager of complex organizations. Extraordinary situations test those who today are called to give clear answers, guidelines and directions to more or less large teams. All this, amplified by the responsibility not to jeopardize individual and collective health.

The bifocal view of philosophy-managers must follow up on a clear decision-making in the short term, with a good ability to open up to different possible scenarios, knowing how to select and synthesize different data and information, for long-term survival. Furthermore, he must investigate the issue of decision-making, having to act on a multiplicity of data on which to base, sometimes difficult to interpret. In fact, in situations with a high emotional impact, such as those concerning health and situations of true or presumed impact on primary needs, such as those we are experiencing, probabilistic reasoning is influenced by heuristics, and therefore easily subject to cognitive errors and *biases* that they overestimate or underestimate information and data. “Furthermore, the probability of a negative—or even catastrophic—outcome, amplifies what is called the “Damasio’s somatic marker” which leads to precautionary and defensive decisions”.<sup>54</sup> On the other hand, the manager must leverage a mindset capable of freeing himself from heuristics and *bias*, knowing how to make courageous decisions. He takes audacity to go

---

<sup>52</sup> Ibid.

<sup>53</sup> N. N. Taleb (2013). *Antifragile. Prosperare nel disordine*, Il Saggiatore, Milan.

<sup>54</sup> V. Marmiroli (March 6, 2020). *I manager alla prova dell'incertezza*, in *Parole di Management. Quotidiano di cultura d'impresa, Cambiamento Organizzativo*, <https://www.paroledimangement.it/i-manager-alla-prova-dellincertezza/>.

against his own fears and those of others, in order to guide the own team toward a new scenario.

Management, and human action in general, still indebted to the twentieth-century idea of science, cultivates the cult of the specialist, understood as a man who, after a lifetime of studies, knows all or very much about a discipline. The intelligence needed today is different and, since it is aware of facing a very fluid and complex reality, it favors another type of wisdom: one that knows enough about everything or thinks and acts using different skills. In the Covid-19 emergency situation, *phrònesis* “would never leave doctors, alone, to dictate the line of a response to a medical emergency: he would immediately put a mathematician, an engineer, a merchant, a psychologist, a philosopher. Even a clown, if necessary. They would probably act with only one imperative: speed. With a unique methodology: making mistakes quickly, never stopping, trying everything”.<sup>55</sup>

The time has therefore come to move from rationality which uses digital technology, to a digital wisdom. The exceptionality and drama in which we find ourselves may perhaps represent an extraordinary opportunity to improve the world system. To improve the man, misled in his hypothetical happiness. But to grasp it, a renewed operational/practical wisdom is needed more than ever, which virtuously holds together the individual and the community, the economy and the humanity: philosophical *phrònesis* applied to the management of change is indispensable.

“Some things change for a well-managed shock, for some crisis converted into rebirth, for an earthquake lived without shaking.

The pieces are all there, on the board, they all hurt, but there are: there is a game that has been waiting for us for a long time.

What unforgivable nonsense it would be to be afraid to play it.”

Alessandro Baricco

---

<sup>55</sup> A. Baricco (March 26, 2020). *Contro il Virus. Questo è il momento dell'audacia*, in *la Repubblica*.

## References

- AA.VV., *La crisi della coscienza politica contemporanea e il pensiero personalista*, Libreria Editrice Gregoriana, Libreria Editrice Gregoriana, Padua.
- E. Abirascid (April 23, 2018). *È l'ora dei practical philosopher*, in *StartupBusiness*, <https://www.startupbusiness.it/startup-e-aziende-e-lora-dei-practical-philosopher/96490/>.
- G. Abbruzzese (May 3, 2018). *Sempre più Filosofia in azienda, perché le aziende hanno bisogno di costruire conoscenza*, in *Filosofia dell'innovazione*, <http://www.filosofiadellinnovazione.it/sempre-pi-filosofia-in-azienda-perch-le-aziende-hanno-bisogno-di-costruire-conoscenza.html>.
- A. Alberti (1990). *Studi sull'etica di Aristotele*, Bibliopolis, Naples.
- Aristotele, *Etica Nicomachea*, C. Natali (2018) (cared by). Laterza, Rome-Bari.
- Aristotele, *Metafisica* E. Berti (2017) (cared by). Laterza, Rome-Bari.
- E. Bastianon, *Il Change Management in una teoria complessa dei sistemi in cambiamento*, in *Academia*, [https://www.academia.edu/20196938/Change\\_management\\_in\\_a\\_complex\\_theory\\_of\\_the\\_systems\\_in\\_the\\_change](https://www.academia.edu/20196938/Change_management_in_a_complex_theory_of_the_systems_in_the_change).
- A. Baricco (March 26, 2020). *Contro il Virus. Questo è il momento dell'audacia*, in *la Repubblica*.
- N. Branca (2013). *Per fare un manager ci vuole un fiore*, Edizioni Mondadori, Milan.
- S. Du, C. B. Bhattacharya, S. Sen (2010). *Maximizing Business Returns to Corporate Social Responsibility (CSR): The Role of CSR Communication*, in *International Journal of Management Reviews*.
- A. Gianni, *Cos'è il Change Management e perché è importante per chi vuole risultati concreti?*, Webinar Online, <https://www.youtube.com/watch?v=4Fraw6bVjI&list=PLrsryt2cbzqgVMPzKuNqxdXt0HGDOuSzY&index=4>.
- G. Grizzanti (2011). *Brand Identikit, Trasformare un marchio in una marca*, Fausto Lupetti Editore, Bologna.
- D. Laerzio, M. Gigante (1976), (cared by). *Vite dei filosofi*, Laterza, Rome-Bari.
- G. Leopardi, Epictetus, C. Moreschini (1990) (cared by). *Il manuale di Epitteto*, Vol. 9, Salerno Editrice, Rome.
- R. Liguoro, A. Verrilli (2007). *Business Economics Dictionary*, Esselibri, Naples.
- A. MacIntyre (2007). *After Virtues: A Study in Moral Theory*, University of Notre Dame Press, Notre Dame, IN.
- L. Marinoff, C. Kapklein (1999). *Plato, not prozac!: Applying Philosophy to Everyday Problems. Therapy for the Sane, The Middle Way, The Power of Dao*, HarperCollins, New York.

- V. Marmiroli (March 6, 2020). *I manager alla prova dell'incertezza*, in *Parole di Management. Quotidiano di cultura d'impresa, Cambiamento Organizzativo*, <https://www.paroledimangement.it/i-manager-alla-prova-dellincertezza/>.
- H. Mintzberg (1991). *Management: mito e realtà*, Garzanti, Milan.
- R. Rossi (2018). *Aristotele: l'arte di vivere*, Franco Angeli, Milan.
- M. M. Sassi (2012). *Felicità e virtù nell'Etica Nicomachea*, <http://gral.unipi.it/wp-content/uploads/2016/04/Felicit%C3%A0evirt%C3%B9-2.pdf>.
- A. Sen (2010). *Etica ed Economia*, Laterza, Rome-Bari.
- R. Steare (2006). *Ethicability*, Jackyfitt, York.
- N. N. Taleb (2013). *Antifragile. Prosperare nel disordine*, Il Saggiatore, Milan.
- L. Tickle, C. Burke (March 29, 2018). *I Work Therefore I Am: Why Businesses Are Hiring Philosophers*, in *The Guardian International Edition*, <https://www.theguardian.com/business-to-business/2018/mar/29/i-work-therefore-i-am-why-businesses-are-hiring-philosophers>.
- R. Tovazzi (October 17, 2018). *Il futuro sarà in mano ai filosofi?*, in *ManagerItalia*, <https://www.manageritalia.it/it/management/offerta-di-lavoro-per-chi-ha-studiato-filosofia>.  
<https://bcorporation.eu/>.  
<https://www.ilgrandesalento.it/notizie/news/la-filosofia-pratica-per-aiutarci-a-vivere>.



# 7

## Catholic Social Teaching as a Foundation for Business Ethics

Domènec Melé

### Abbreviations

BE	Business Ethics
CA	<i>Centesimus annus</i> (John Paul II)
CST	Catholic Social Teaching
CV	<i>Caritas in veritate</i> (Benedict XVI)
<i>Catechism</i>	<i>Catechism of the Catholic Church</i>
<i>Compendium</i>	<i>Compendium of Catholic Social Doctrine</i>
DCE	<i>Deus Caritas Est</i> (Benedict XVI)
FR	<i>Fides et ratio</i> (John Paul II)
FT	<i>Fratelli tutti</i> (Francis)
GS	<i>Gaudium et spes</i> (Vatican Council II)
IHD	<i>Integral Human Development</i> (IHD)

---

D. Melé (✉)

IESE Business School, Holder of the Chair of Business Ethics,  
Barcelona, Spain  
e-mail: [DMele@iese.edu](mailto:DMele@iese.edu)



LE	<i>Laborem exercens</i> (John Paul II)
LS	<i>Laudato si</i> (Francis)
OA	<i>Octagesima Adveniens</i> (Paul VI)
PP	<i>Populorum progression</i> (Paul VI)
MM	<i>Mater et magister</i> (John XXIII)
PT	<i>Pacen in terris</i> (John XXIII)
QA	<i>Quadragesimo anno</i> (Pius XI)
RH	<i>Remptor hominis</i> (John Paul II)
SRS	<i>Sollicitudo rei socialis</i> (John Paul II)
VS	<i>Veritatis splendor</i> (John Paul II)

## Introduction

Underlying Business Ethics (BE), there is a certain system of morality provided by moral philosophy, moral theology (intertwining faith and reason regarding good behavior), religions (based on Sacred Books) or even wisdom traditions. In this respect, for instance, the *Handbook of the Philosophical Foundations of Business Ethics* (Lüetge 2013) presents chapters on the foundations of Business Ethics based on Jewish, Christian, Islamic and Eastern cultural, philosophical and religious traditions. It also investigates the connection between Scholastic Thought within the Christian-Catholic tradition and BE.

Catholic Social Teaching (CST) belongs to the scope of moral theology (SRS #41), which concerns the good and the evil of human acts and of the person who performs them. As we will discuss below, CST is based on both faith and reason. It presents itself as “knowledge enlightened by faith, which, as such, is the expression of a greater capacity for knowledge. It explains to all people the truths that it affirms and the duties that it demands; it can be accepted and shared by all” (*Compendium* #75). That is why CST, although primarily addressed to faithful Catholics, is also addressed to all people of good will, something explicitly stated in the presentation of some CST documents (e.g., PT, PP and FT, among others). While Christian faith provides full sense to CST, these teachings may also be attractive to non-believers because of

their internal logics and contents. Furthermore, some people may recognize the Roman Catholic Church as a moral voice coming from the oldest Western institution; one which is an “expert on humanity” (Paul VI 1965).

CST is the heir of a long tradition, which goes back to early Christian writers that reflected on ethical aspects of business (Charles 1998; Elegido 2003). In the Middle Ages, Thomas Aquinas dealt with moral issues such as fair price (Koehn and Wilbratte 2012), fraud, usury and other business issues, and presented a concept of global justice with some significance for business (Dierksmeier and Celano 2012). Between the fourteenth and seventeenth centuries what is termed *later Scholasticism*—basically, Italian Scholasticism (Schlag 2013) and the School of Salamanca in Spain and Portugal (Chafuen 1986; Melé 1999; Azebedo Alves and Moreira 2013)—developed valuable ethical insights on private property, the free market, economic transactions (including transactions between different countries), trade contracts, fair price and certain misbehaviors in business.

Modern Catholic Social Teaching started with Pope Leo XIII (1891), in response to ethical-social problems derived from the Industrial Revolution. This teaching has been formed over the course of time, through the numerous interventions of the Catholic Church on social issues (*Compendium* #72). CST is now a well-established doctrinal body, and includes many themes related to socio-economic matters and business. A good summary of this specific aspect of CST on business is a work edited by Abela and Capizzi (2014), and structured in a question-and-answer format.

The aim of this chapter is to present the essential elements of CST as a foundation of Business Ethics in a systematic way. The chapter is structured as follows. First, it discusses the ethics underlying CST. Second, it presents and discusses basic elements of CST ethics, including values, principles and virtues, and third, it tries to show how CST applies to the -macro, -meso, and -micro aspects of business ethics, along with the relevance of CST in decision-making through both principles and practical wisdom.

## Ethics Underlying CST

### A “Person-Centered” Ethics

CST, and particularly Pope Benedict XVI, is sympathetic to business ethics and to many business activities endowed with the adjective “ethical” (“ethical finance”, for instance). However, he adds that a sound criterion of discernment is necessary since the word “ethical” can be used in an abusive way, lending itself to any number of interpretations, even to the point where it includes decisions and choices contrary to justice and authentic human good. Much, in fact, depends on the underlying system of morality (CV #45).

Benedict XVI recognizes the necessity of ethics for the correct functioning of economic activity (CV #45). However, he is critical of some systems of morality. One such is ethical relativism, according to which the definition of right or wrong depends on the prevailing view of a particular individual (subjectivism) or society (cultural relativism). Thus, nothing is objectively right or wrong, and no action is considered better or worse than any other. Whether an action is right or wrong depends on the moral norms of the society in which it is practiced or even the discretionary evaluation of each individual. In contrast, CST asserts that there are objective ethical values and human virtues—that is, virtues rooted in human nature—as well as universal ethical principles and norms. According to Benedict XVI, “contemporary relativism humiliates reason because it arrives *de facto* at affirming that the human being can know nothing with certainty outside the positive scientific field” (2009b).

Ethical rationalism is another system of morality considered inadequate by CST. Rationalism assumes the existence of universal principles knowable *a priori* by reason alone, not by a rational inquiry of what is good for human flourishing, knowledge which is considered impossible by rationalists. Benedict XVI affirmed that “rationalism was inadequate because it failed to take into account human limitations and claims to make reason alone the criterion of all things, transforming it into a goddess” (2009b).

Ethics proposed by CST also differs from ethical emotivism, a stream of thought with the belief that moral judgments are expressions of the

speaker's or writer's feelings. It is not feelings nor freedom but reason that determines morality (VS #48).

CST takes neither aprioristic principles nor moral sentiments as a starting point, but a sincere approach to the human condition and what contributes to human growth. This is not far from the search of meaning and fulfillment. Benedict XVI contrasts this with relativism and rationalism by saying: “in that time, man appears as ‘a beggar for meaning and fulfillment’, constantly in quest of exhaustive answers to the basic questions that he never ceases to ask himself” (Benedict XVI 2009b). CST is, in fact, aligned with the existential questions of meaning and fulfillment through both faith and reason, as we will discuss in the next section.

Benedict XVI—and with him the whole of CST—proposes a “person-friendly” ethics (*ethica personae amica*, in the official Latin text) (CV #45). CST can indeed be interpreted as a “person-centered” ethics, which focuses on human good and promotes the full development of each person and all persons.

According to Pope Benedict XVI, CST “can make a specific contribution [to business ethics], since it is based on man’s creation “in the image of God” (Bible, *Gen* 1:27), which gives rise to the inviolable dignity of the human person and the transcendent value of natural moral norms (CV #45). This is a dense synthesis of two key ethical elements of CST, which requires an explanation.

## Faith and Reason in the Epistemology of CST

As with any ethical theory, there is an epistemology underlying CST (*Compendium* #72–78). The starting point of CST is the word of God revealed, but the human search for truth—a task of philosophy, pursued in keeping with its own rules—helps us to understand God’s word better. Thus, faith in the Divine Revelation and human reason have an epistemic function in the foundation of CST.

The relationship between faith and reason has been object of debate. While some philosophers like Kierkegaard prioritize faith even to the point that it becomes positively irrational, others, like Locke, emphasize

the reasonableness of faith to such an extent that a religious doctrine's irrationality—conflict with itself or with known facts—is a sign that it is unsound (Swindal, s.d.). According to the Catholic perspective, faith is knowledge by confidence; it is non-irrational but supra-rational. Faith is not a consequence of reasoning but a new light for our understanding.

CST epistemology is based on both faith and reason, as a twofold way to know the truth. Thus, faith and reason represent the two cognitive paths of the Church's social doctrine, based respectively on divine Revelation and on rational human nature (*Compendium* #75). Some faith truths can also be known by reason, but faith provides truths beyond reason. That means that the non-believer can attain to truth, though not to the higher truths of faith. Faith does not deprive the Church's social doctrine of rationality or, therefore, of universal applicability (*Compendium* #75).

Philosophy can help to develop contents of faith. Faith, in turn, opens new prospects to reason, since this is stirred to explore paths, which, of itself, would not even have suspected could exist “This circular relationship with the word of God leaves philosophy enriched, because reason discovers new and unsuspected horizons” (FR #73). The biblical statement that the human being—man and woman—has been created “in the image of God” (Bible, *Gen* 1:27) challenges reason to find its meaning in terms of what is specific in humans. It also invites us to reflect on what is so special in the human being that differentiates us from others, and later to discover human dignity.

CST considers anthropology for a right foundation of ethics. John Paul II writes that the guiding principle of the Church's social doctrine “is a correct view of the human person and of his unique value” (CA #11). CST itself develops an anthropology (*Compendium* #108–151). This anthropology draws on faith and reason and, as a crucial point, affirms that the human person is a creature of God, and possesses His divine image: “being in the image of God the human individual possesses the dignity of a person, who is not just something, but someone” (*Catechism* #357).

The philosophical development of this idea through Aristotelian-Thomistic philosophical tradition and modern Personalism, provides a number of characteristics of the person which are ethically significant. A

good summary is that presented by the *Compendium of Catholic Social Doctrine*:

The human being exists as an “I” capable of self-understanding, self-possession and self-determination. The human person is an intelligent and conscious being, capable of reflecting on himself and therefore of being aware of himself and his actions. However, it is not intellect, consciousness and freedom that define the person, rather it is the person who is the basis of the acts of intellect, consciousness and freedom. These acts can even be absent, for even without them man does not cease to be a person. (*Compendium* #181)

The human person exists as a whole in the unity of body and spirit (soul), with reason and free will, which are linked with all the bodily and sensory faculties. “The person, including the body, is completely entrusted to himself, and it is in the unity of body and soul that the person is the subject of his own moral acts” (VS #48). Christian revelation entails the unity of the human race, since God “from one man... created all the nations throughout the whole earth” (Bible, *Acts*, 17:26).

All people have a common human nature, but each person is unique and unrepeatable and is open to the infinite—God—and to all created beings (*Compendium* #130). Each person exists as a unique and unrepeatable being, as an “I” capable of self-understanding, self-possession and self-determination. He or she is a relational and social being, open to others, to the men and women of the world. Human persons establish interpersonal and social relations and build up communities (*Compendium* #127–130).

The CST position assumes that human reason has certain capacity to access reality. In this sense, the Church affirms that intelligence “is not confined to observable data alone, but can with genuine certitude attain to reality itself as knowable, though in consequence of sin that certitude is partly obscured and weakened” (GS #15).

The rational capacity of the human being concerns ethics. Thomas Aquinas, like Aristotle, gives a great importance to practical reason (Caro and Vaccarezza 2021), with its capacity of discerning good from evil. Practical reason establishes as its first principle: “Good is to be done

and pursued, and evil is to be avoided” (Aquinas 1981[1273], I–II, q. 94, a. 2c). Practical reason, reinforced by practical wisdom or prudence (*phronesis*) is concerned with this and other universal principles, but also considers particular situations, and, in this sense, helps one to make moral judgments or judgments of conscience.

CST, like Aquinas in emphasizing the natural human capacity to discover good and evil through practical reason, accepts the existence of a “natural moral law”. This “expresses the original moral sense which enables man to discern by reason the good and the evil, the truth and the lie” (*Catechism* #1954). Natural law is not a subjective creation but a discovering of the practical reason from something given. This means that moral norms contained in natural moral law are transcendent. In this way, the human being participates in the wisdom and goodness of the Creator who gives him or her mastery over their acts and the ability to govern themselves with a view to the true and the good (*Ibid*). The problem of rationalistic ethics, posited by Anscombe (1958), of accepting a moral law without any transcendent legislator is not present in CST, since God is the Legislator, as the author of human nature and the natural moral law discovered by human reason, at least its more basic contents. Therefore, natural law is by no means a biological approach but an ontological and rational one.

The Church’s social teaching enters into dialogue with the various disciplines concerned with the human being. “It assimilates what these disciplines have to contribute, and helps them to open themselves to a broader horizon, aimed at serving the individual person who is acknowledged and loved in the fullness of his or her vocation” (CA #59). CST respects scientific and technological advance and their essential contribution to finding the surest and most practical means of achieving the desired results, and encourages making efforts to bring about whatever people and nations need for the sake of their development (FT #185). However, it also warns that the development of technology and of contemporary civilization—marked by an ascendancy of technology—demand a proportional development of morals and ethics (RH #15).

CST also has an experiential dimension, since the teaching is seen in the efforts of individuals, families and people involved in cultural and social life, as well as in politicians and rulers to give it a concrete form and application in history (CA #59).

## Integral Human Development

CST adopts a teleological ethical perspective in terms of personal calling. In this sense, it defends the necessity of developing the potential of each person. Indeed, human life is seen as a vocation—a calling—from God to develop oneself and to fulfill a task. Beyond this human vocation, which is rationally assumable, Christian faith considers that the ultimate vocation of man is to enter in communion with God (GS #19, 22).

Pope Paul VI emphasizes the vocational sense of each human life by saying: “In God’s plan, every man [and woman] is born to seek self-fulfillment, for every human life is called to some task by God” (PP #15). And adds, “endowed with intellect and free will, each man is responsible for his self-fulfillment ... Utilizing only his [or her] talent and willpower, each man [or woman] can grow in humanity, enhance his [or her] personal worth, and perfect him [or her] self” (PP #15). This growth in humanity, as a social being, requires a proper relationship with others, since unless one relates oneself to others, he or she can neither live nor develop his or her potential (GS #12). What is more, the person cannot fully find him or herself except through a sincere gift of him or herself (GS #24). In this respect, Benedict XVI affirms: “The more authentically he or she lives these relations, the more his or her own personal identity matures. It is not by isolation that man establishes his worth, but by placing himself in relation with others and with God” (CV #53). In different ways, CST makes clear that love is crucial for a full human development. In Benedict XVI’s words, “love becomes the criterion for the definitive decision about a human life’s worth or lack thereof” (2005, #12).

Achieving personal growth goes together with striving for the development of all people. Personal development and the development of all people is at the heart of the concept of *Integral Human Development*



(IHD). This expression was first coined by Paul VI in the encyclical-letter *Populorum progressio*, where he says of development, “to be authentic, it must be integral [*integra sit oportet*, in the official Latin text]; it must foster the development of each man and of the whole man” (PP, 14). Aligned with this idea, John Paul II insisted on the necessity of an integral human development (SRS, 32, CA, 43) and Benedict XVI has devoted great attention to the matter (CV #8, 9, 11, 18, 10, etc.). He stresses that if development does not involve the whole man and every man, it is not true development, adding that this is a central message “valid for today and for all time” (CV #18).

Benedict XVI advocated for contributing to IHD insistently, especially of those who are Christians. Promoting the advancement of all men and of the whole man is seen as a response to a vocation from God the Creator, and one which demands self-fulfillment in a “transcendent humanism which gives [to man] his greatest possible perfection: this is the highest goal of personal development” (CV #18, PP #16).

Integral human development is a rich but complex concept, which, like many others presented here, would require a long explanation. Nevertheless, it should be sufficient for now to say that the correlation between the multiple elements of IHD requires a commitment to “*foster the interaction of the different levels of human knowledge* in order to promote the authentic development of peoples” (CV #30).

## Fundamental Values, Principles and Virtues

The inviolable dignity of the human person and the transcendent value of natural moral norms, mentioned above by Benedict XVI, are certainly crucial, but CST as a foundation for business ethics is more complex than that. Benedict XVI himself presents “love in truth” (*caritas in veritate*) as “the principle around which the Church’s social doctrine turns, a principle that takes on practical form in the criteria that govern moral action” (CV #6). Love (“charity” in theological terminology) in truth, and their associated values, justice and freedom, are closely connected with human dignity and entail transcendent moral norms.

## Love in Truth

Justice has been central in Western ethics in the last three centuries. However, love of benevolence—meaning in its genuine sense, “wanting to do good”—has always been crucial in most religions and wisdom traditions (Templeton 1999). Related to benevolence, there is the so-called Golden Rule of treating others as one wants to be treated, which is contained in most cultures and religions (Wikipedia), albeit expressed in different ways. Furthermore, it seems there are virtues common worldwide (Peterson and Seligman 2004). All of these can be crucial elements in developing a universal ethics. Christian ethics includes love of benevolence, the Golden Rule and common virtues based on Jesus Christ’s teaching and behavior.

Jesus Christ is indeed the main moral reference for Christian ethics. As Pope John Paul II points out, “every believer is called to be a follower of Christ (cf. Bible, Acts 6:1). Following Christ is thus the essential and primordial foundation of Christian morality” (VS #19). Along with the life and teaching of Christ, Christian ethics considers the whole Bible and the Christian tradition, which in a certain sense are preparation or development of the Jesus’ teachings. This basis does not weaken or exclude the role of reason, as noted above.

Christ placed loving God and one’s neighbors as the supreme ethical precept, above all the other precepts given by God to the people of Israel (Bible *Mt* 22:40). What is more, Jesus asks his disciples to follow him and to imitate him along the path of love: “This is my commandment, that you love one another as I have loved you” (Bible, *Jn* 15:12). Thus, love is essentially fulfilled in Christian ethics (Melé 2018). In addition, Jesus explicitly mentions the Golden Rule. “Do to others as you would have them do to you” (Bible, *Lk* 6:31). Love is the crucial Christian virtue, which entails others virtues (*1 Cor* 13: 4–7).

Drawing from the supreme Christian commandment of love, Benedict XVI affirms: “Love is at the heart of the Church’s social doctrine” (CV #2), adding that love is inseparable from truth. This makes sense, since truth is also at the core of Christ’s message, as is love. Jesus presents Himself as the Truth and affirms that He has come to bear witness to the truth (Bible, *Jn* 14:6 and 18:37, respectively). On the other hand, it is

reasonable to introduce truth to specify what kind of love we are talking about. According to Benedict XVI,

*Only in truth does charity [love] shine forth, only in truth can charity be authentically lived. Truth is the light that gives meaning and value to charity. That light is both the light of reason and the light of faith, through which the intellect attains to the natural and supernatural truth of charity [love]. (CV #3)*

Love in this context is very close to the disposition to do good. As Benedict XVI clarifies, “to love someone is to desire that person’s good and to take effective steps to secure it” (CV #7), and pursuing what is really good denotes searching for the moral truth. Love without truth could easily become sentimentalism or something more or less interchangeable with a pool of good sentiments (CV, 4). Love without truth can also be helpful for social cohesion, but of little relevance from ethics.

In addition, Benedict XVI advises about the necessity of truth, saying that truth preserves and liberates love in the ever-changing events of history. On the other hand, without truth and love for what is true, there is no social conscience and responsibility, and social action ends up serving private interests and the logic of power, resulting in social fragmentation, especially in a globalized society at difficult times like the present (CV #5).

Combining love and truth allows Benedict XVI to affirm, as noted above, that “love in truth (*caritas in veritatis*, in Latin) is the principle around which the Church’s social doctrine turns” (CV, 6). He also states that CST is “*caritas in veritate in re sociali*: the proclamation of the truth of Christ’s love in society” (CV #5).

Love in truth not only regards the personal relationship with God and with individuals, but also social relations. As Benedict XVI writes, “love is not only an ethical principle for micro-relationships (with friends, with family members or within small groups) but also of macro-relationships (social, economic and political ones) (CV #2). In this sense, CST has been talked of “social love” (or social charity”), at least since Pius XI (QA #88, 126). Social love grows by incrementing “respect for the rights of others-for every man, nation and people” (RH #15). On his part, Pope

Francis insisted that social love “makes it possible to advance towards a civilization of love, to which all of us can feel called” (FT #183). Social love is a “force capable of inspiring new ways of approaching the problems of today’s world, of profoundly renewing structures, social organizations and legal systems from within” (*Compendium* #207; FT #183).

## Justice and Responsible Freedom

Love entails justice—giving to each what is due—as its first requirement. Justice demands respecting all types of rights, keeping legitimate contracts, and honoring one’s word. In the business context, justice leads us to honest and fair behavior in any activity. Justice is therefore particularly important in the business ethics field. However, love in truth goes beyond justice by offering what is “mine” to the other, not only giving what is strictly his or her right. Love in truth also entails compassion, mercy, care and whatever related to wanting to do good.

CST highly values freedom as a gift from God. God created humanity in the beginning, and he left us to the power of our choices (Bible, *Sir* 15:14). “Authentic freedom is an exceptional sign of the divine image within man ... so that he can seek his Creator spontaneously, and come freely to utter and blissful perfection through loyalty to Him” (GS #17). Along with freedom, the human being has been endowed with capacity for moral discernment to use it well, that is, with responsibility.

In exercising their freedom, people perform morally good acts that are constructive for the person and for society when their freedom is guided by love in truth. “Truth enlightens man’s intelligence and shapes his freedom, leading him to know and love the Lord” (VS, Preamble). Respect and love freedom is, therefore, a central aspect of Christian ethics, but under the condition of using freedom in a responsible way. As the Bible says, “As free, and not using your liberty for a cloak of maliciousness, but as the servants of God” (Bible, 1 *Pet* 2, 16).

Love, truth, justice and freedom (exercised responsibly)—are ethical values for social life which CST particularly emphasizes (PT #35; GS #26; *Compendium* #197). Significantly, CSR affirms that social order

“must be founded on truth, built on justice and animated by love; in freedom it should grow every day toward a more humane balance (GS #26).

These basic values are related to a number of principles, serving as points of reference for the proper structuring and ordered leading of life in society. These values require both the practice of the fundamental and permanent principles of social life and the personal exercise of virtue (*Compendium* #97). These principles are so relevant that they “constitute the very heart of Catholic social teaching” (*Compendium* #160). These involve, among others the dignity of the human person, the common good; subsidiarity; and solidarity.

## **Human Dignity, Human Rights and Universal Fraternity**

CST strongly defends the intrinsic dignity of every human being, a transcendent dignity, because their deep roots are in God, the Creator, and holds that social justice can be obtained only in respecting the transcendent dignity of each human being (*Catechism* #1929). In Pope Francis’ words:

The dignity of others is to be respected in all circumstances, not because that dignity is something we have invented or imagined, but because human beings possess an intrinsic worth superior to that of material objects and contingent situations. (FT #213)

That every human being possesses an inalienable dignity is not only a matter of faith; this can easily be grasped by reason too. In practice, many people recognize human dignity beyond cultures and historical situations and can agree with Pope Francis in that “human beings have the same inviolable dignity in every age of history and no one can consider him or herself authorized by particular situations to deny this conviction or to act against it” (FT #213).

In practice, the inviolable dignity of the human person requires dealing with each person as someone intrinsically worthy and deserving

of respect, care and benevolence, and never to be treated, in any circumstance, as a mere resource:

In virtue of a personal dignity, the human being is *always a value as an individual*, and as such demands being considered and treated as a person and never, on the contrary, considered and treated as an object to be used, or as a means, or as a thing. (John Paul II 1988, #17)

This statement seems similar to the second formulation of the Kantian Categorical Imperative, but the foundation is different. Human dignity is not an a priori formulation, but a crucial principle derived from Christian faith and a deep rational understating of the reality of the human being as a person endowed with dignity.

Human work, an important topic in CST, is also endowed with dignity, because of the dignity of the person who is the subject of work: “The sources of the dignity of work are to be sought primarily in the subjective dimension, not in the objective one” (LE #6).

A consequence of the dignity of all persons is that there is an essential equality of all human beings, and any form of discrimination contrary to this dignity is unacceptable, as it values people’s work by the results and not for the very fact that the subject of work is a person.

Respect for human dignity entails respect for the human rights that flow from this dignity, including rights in the context of labor (labor rights). Because these rights belong to each person, they are prior to society. Legislation should recognize them. Human rights “are the basis of the moral legitimacy of every authority: by flouting them, or refusing to recognize them in its positive legislation, a society undermines its own moral legitimacy” (*Catechism* #1930).

The recognition of human dignity is closely related to another significant concept of CST: universal fraternity: “everyone must consider his every neighbor without exception as another self, taking into account first of all his life and the means necessary to living it with dignity” (GS #27). A consequence of this is that “no legislation could by itself do away with the fears, prejudices, and attitudes of pride and selfishness which obstruct the establishment of truly fraternal societies” (*Catechism* #1931).

Ongoing globalization with its increasing interconnections could foster a sense of universal fraternity, however, as Benedict XVI commented: “as society becomes ever more globalized, it makes us neighbors but does not make us brothers” (CV #19).

As noted above, CST defends the unity of humankind. In practice, it frequently talks of the “human family” (20 times only in GS), a family founded in our common origin in God. Moreover, “the union of the human family is greatly fortified and fulfilled by the unity, founded on Christ, of the family of God’s sons” (GS #42). According to Benedict XVI, “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” (CV #19). However, a certain sense of fraternity can be reached by considering other people dignity.

Pope Francis expressed his desire that, “in this our time, by acknowledging the dignity of each human person, we can contribute to the rebirth of a universal aspiration to fraternity” (FT #8). A sincere rational recognition of human dignity may develop a certain sense of solidarity and even fraternity, though this will never be as strong as that which comes from Christian faith. As Francis recognizes, “as believers, we are convinced that, without an openness to the Father of all, there will be no solid and stable reasons for an appeal to fraternity. We are certain that only with this awareness that we are not orphans, but children, can we live in peace with one another” (FT #272).

## **The Common Good and Related Principles for Social Life**

As noted above, the relational and social dimension of persons and their capacity to build up communities are important anthropological aspects. Some theories on society see it as an aggregation of free individuals with interests, who agree on living together, based on a hypothetical social contract, while others see it as an impersonal whole where persons are diluted in the collectivity. Thus, the view of society proposed by CST is

far from both individualistic and collectivistic ideologies. It is rather an association of free individuals with a sense of unity, which allows persons to achieve the ends of human life through mutual cooperation.

Each person is involved in a network of relations and belongs to different communities, from one's own family to society at large, and even the global community. One of these communities is the business firm, as we will discuss below.

CST affirms the centrality of the human person in every sector and expression of society, and the necessity of recognizing the person as an active and responsible subject. Every expression of society must be directed toward the human person. Human society is therefore the object of the social teaching of the Church since she is neither outside nor over or above socially united men, but exists exclusively in them and, therefore, for them. Thus, persons should not be a passive element of social life, but rather the subject, foundation and goal of social life (*Compendium* #106). "For the beginning, the subject and the goal of all social institutions is and must be the human person which for its part and by its very nature stands completely in need of social life" (GS #25). This includes the economic activity carried out in society, and leads to an important principle consistent with the previous statement, and highly relevant for economics and business ethics: The person is "the source, the center, and the purpose of all economic and social life" (GS #63). The ultimate purpose of economic activity is therefore to serve the person and the society, and so too is that of the business firm.

Love, as noted, leads to wanting the person's good and to taking effective steps to secure it, but this not only entails the good of the individual, but also a good shared by those who live in society, that is, the "common good". As Benedict XVI explains, the common good is the good of "all of us" made up of individuals, families and intermediate groups who together constitute society. "It is a good that is sought not for its own sake, but for the people who belong to the social community and who can only really and effectively pursue their good within it" (CV #7).

The common good has been defined by CST as "the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfillment" (GS #26). Consistent with the Christian view of society, this notion



differs from the individualistic view of the common good, as the sum of individual interests of the majority. It also differs from the collectivistic view, where the common good of the collective eliminates the freedom to achieve personal fulfillment within the community. In this line of thought, CST warns against an excessive intervention by the state, since this can threaten personal freedom and initiative. CST presents instead what is called a “principle of subsidiarity”, according to which,

A community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to co-ordinate its activity with the activities of the rest of society, always with a view to the common good. (CA #48)

Related with the common good principle are concern for future generations (*sustainability*), and carrying out business and other activities with a sense of stewardship, and taking “care of our common home” (LS, Introduction). This concern, acting with a sense of communion with people and other beings—which are seen as God’s creatures—embraces the whole of nature. Related to sustainability, CST defends an *integral ecology* (LS #124, 137ff), which focuses on the relationship between living organisms and the environment where they develop and on conditions required for the life and survival of society and people development. Integral ecology includes the different interrelated aspects of the planet—physical, chemical and biological—and human, social and cultural dimensions of the human life.

In addition to the “principle of subsidiarity”, CST proposes the “principle of solidarity”, which requires everybody to contribute to the common good of society at all its levels. It is related with intrinsic human sociability, the equality of all in dignity and rights, and the common path of individuals and peoples toward an ever more committed unity (*Compendium* #192).

Freedom and the human dignity of all people demands participation (OA #22, GS #75). Thus, the “participation principle” adds to the previous principles. This principle states that in any community, people can take part directly or through representation and in ways appropriate

to each situation. Participation is a duty to be fulfilled consciously by all, with responsibility and with a view to the common good (*Catechism* #1913–1917, *Compendium* #189).

Acting in consistence with the common good gives moral legitimacy to institutions, groups and social and economic activities. “A society that wishes and intends to remain at the service of the human being at every level is a society that has the common good—the good of all people and of the whole person” (*Compendium* #165). The common good involves, first, respect for the person and the inalienable rights of the human person; second, the social well-being and development of the group itself, and peace, that is, the stability and security of a just order (*Catechism*, 1907–1909). The determination of the common good needs practical wisdom in considering each situation, exercised by each, and even more by those who exercise the office of authority (*Catechism*, #1906).

Thus, the society, at every level, should seek the common good as its primary goal, and this also applies to economic activity. In this regard, CST recognizes the positive value of the market and of enterprise, but at the same time points out that these need to be oriented toward the common good (CA, #43).

## Relevance of Virtues

Virtues, central in the Aristotelian ethical tradition, are also encouraged by CST. Virtues of character—stable attitudes and dispositions—favor good behavior. The relevance of virtues underlines in the virtues themselves, necessary for an integral human development and on the idea of authentic social changes are effective and lasting only to the extent that they are based on resolute changes in personal conduct (*Compendium* #134).

The Bible and the Christian tradition emphasizes practical wisdom or prudence (*phronesis* in Aristotelian terminology), the virtue which disposes one practical reason to discern our true good in every circumstance and to choose the right means of achieving it (*Catechism* #1806). The Bible says that wisdom “teaches temperance and prudence, justice and fortitude” (*Wis* 8:7). Thus, along with practical wisdom, three

fundamental virtues are presented: justice, fortitude and temperance. These four virtues are termed “cardinal virtues” (“cardinal” means, “hinge”) because around them the other virtues are grouped. Human virtues, acquired with effort, make possible ease, self-mastery and joy in leading a morally good life (Catechism #1804–1809).

Human virtues, in the Christian tradition, are related with the central virtue of love. They dispose the person to love. Pope Francis, drawing from Christian tradition, points out that CST “without charity [love], we may perhaps possess only apparent virtues, incapable of sustaining life in common” (FT #91). This is an interesting point, which leads us to a particular understanding of virtue ethics.

## **CST as a Foundation for Business Ethics**

### **Transcendent Moral Norms for Business Ethics**

Human freedom is the autonomy to act in one way or another, but is different from the autonomy to invent or define what is morally correct: “the autonomy of reason cannot mean that reason itself creates values and moral norms” (VS #40). In fact, as noted above, CST defends transcendent moral norms, beyond subjective and cultural values. The person is not exhaustively defined by culture. Cultures change over time and there is something in the person which transcends cultures. “This ‘something’ is precisely human nature, which is itself the measure of culture and the condition ensuring that man does not become the prisoner of any of his cultures, but asserts his personal dignity by living in accordance with the profound truth of his being” (VS #53).

In other words, what contributes to authentic human fulfillment is related to what is human beyond cultures and subjective perception. Thus, achieving human fulfillment, which entails human virtues, is seen as the source of moral norms, valid for all people. In this sense, CST defends the existence of “objective norms of morality” (GS #16), which can be discovered—not invented—by practical reason, at least in their very basic requirements. Thus, a moral law emerges rooted in human nature and, in different ways, expresses the dignity of the person and

determines the basis for his fundamental rights and duties” (*Catechism* #1954–1960).

The ends of human virtues (justice, truthfulness, mercy, loyalty, etc.) included in “love in truth” entail moral norms. Practical wisdom applies these norms to make moral judgments in each particular situation, that is, judgments of conscience.

Among these moral norms, positive and negative ethical precepts can be distinguished. Universally binding positive precepts order us to perform certain actions and to cultivate certain dispositions. The negative precepts prohibit certain actions in every circumstance (VS #52). In business ethics, negative norms are, for instance, avoiding fraud, embezzlement, bribes and so on. Positive precepts are even more relevant and have no limit. It is required to do as much good as possible in each circumstance. John Paul II makes this clear by saying: “the commandment of love of God and neighbor does not have in its dynamic any higher limit, but it does have a lower limit, beneath which the commandment is broken” (VS #52). This provides a positive perspective of business ethics, without corseting it to what is unacceptable.

Pope Francis recognizes that acknowledging the existence of certain enduring values, however demanding it may be to discern them, makes for a robust and solid social ethics. However, he does not reject dialogue with other views nor searching for common points on which to build up social norms that transcend our concrete situations and remain non-negotiable (FT #211).

## **Ethics in the Economic System and in Organizations**

Three different levels of business ethics are usually distinguished: macro, meso and micro. Macro-level regards the economic system where businesses operate and the business and society relationship, while the meso-level refers to the organization and micro-level concerns the individual within the organization.

A free market economy is morally suitable as an economic system if it is oriented to the common good. More specifically, John Paul II stated that a free market economy (Capitalism) is acceptable if it means an

economic system, which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector. Freedom in the economic sector must be circumscribed within a strong juridical framework which places it at the service of human freedom in its totality (CA #42).

The role of business within the economic system leads us to consider the purpose of the business firm. Like any other community, the business firm is defined by its purpose, but this should be oriented to people, since, as noted above, the person is the purpose of the economic life. According to CST,

The purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavoring to satisfy their basic needs, and who form a particular group at the service of the whole of society. (CA #35)

Of course, profits are important. Among other things, they make the investments that ensure the future of a business possible and they guarantee employment. John Paul II emphasizes that profit is a regulator of the life of a business, but it is not the only one; other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business (CA #35).

The ethical consideration of the organization entails understanding, designing and managing it in ethical terms. The understanding of the organization as a mechanism for efficient production composed of a set of contracts or an aggregate of individuals with particular interests can reflect a certain mindset. CST, without denying the necessity for efficient production in any business organization, goes beyond this by stressing the character of an association of free persons, with the structural organization a consequence of a free agreement. It explicitly affirms: "In economic enterprises it is persons who are joined together, that is, free and independent human beings created to the image of God" (GS #68). John Paul II adds:

A business cannot be considered only as a “society of capital goods”; it is also a “society of persons” in which people participate in different ways and with specific responsibilities, whether they supply the necessary capital for the company’s activities or take part in such activities through their labor. (CA #43)

This understanding should guide the designing of the organization and, in a more practical way, fundamental principles of CST can play a crucial role. The “principle of the common good”, apart from shedding light on the purpose of the firm, also suggests that the organization should be managed for the common good of the whole organization, not for any particular group of stakeholders. CSR prevents the risk of focusing on short-term profits (CV #32) and exhorts the upholding of high principles and thinking of the long-term common good (LS #178).

The principle of the inviolable dignity of the human person suggests organizational structures respectful of human dignity and human (and labor) rights. This entails dealing with people with respect and care, and promoting their development. Solidarity means promoting cooperation at all levels, and the managers and employees being aware that they are part of a whole and contribute to the common goals and needs of the organizations. Subsidiarity requires respecting initiative, creativity and capacity for taking decisions within the organization.

Participation within the organization is also crucial. Because enterprises are formed by free and independent human beings, CST encourages considering the functions of each—owners or employers, management or labor—and without doing harm to the necessary unity of management, an active sharing of all in the administration and profits of these enterprises in ways to be properly determined. Participation is also necessary in socio-economic institutions on a higher level to individual enterprises (GS #68).

To sum up, integral human development suggests organizations where people can grow as human individuals. This growth affects the whole person and all persons, as noted above.

As regards the individual within the organization, respect for human dignity, and love in truth and its related virtues provide guidelines for right behavior.

## Moral Judgments in Decision-Making

Decision-making is of particular importance within this micro-level of business ethics. As has been said above, justice must be applied to every phase of economic activity, because this is always concerned with the person and his or her needs (CV #37). This means including moral judgments within the decision-making process by considering each decision in terms of justice and other relevant virtues. Acting with practical wisdom for an appropriate moral judgment in any situation is especially important in this process.

CST goes beyond evaluating a number of ethical issues or solving dilemmas; rather it focuses on the moral core of any human activity. “We cannot allow economics to be separated from human realities, nor development from the civilization in which it takes place. What counts for us is man—each individual man, each human group, and humanity as a whole” (Lebret 1961, mentioned in PP #14). In fact, authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity (CV #36).

[The economic sphere] is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner... The Church’s social doctrine has always maintained that justice must be applied to every phase of economic activity, because this is always concerned with man and his needs. (CV #36–37)

Benedict XVI more specifically points out that locating resources, financing, production, consumption and all the other phases in the economic cycle inevitably have moral implications. Consequently, every economic decision has a moral consequence not only some of them (CV #37).

Principles apply to each situation, but practical wisdom (or prudence)—the crucial virtue of good judgment mentioned above—is also highly relevant in making sound moral judgments in particular situations.

Contrasting with emotivism, CST presents moral conscience not as a result of feelings, but a consequence of a sincere deliberation with

practical wisdom. The moral conscience of each person has this specific capacity to apply universal knowledge of the good in a specific situation and thus to express a judgment about the right conduct to be chosen here and now (VS #32).

## Conclusion

CST provides a system of morality which gives primacy to love (charity), without forgetting the rational capacity to know reality and deal with it properly. It is a realistic ethics based on biblical teachings and on Christian tradition, but also on human nature from an ontological—not biological—perspective. It is a person-centered ethics with values, principles (and norms) and virtues, which differs from relativism, rationalism and emotivism. It is close to virtues ethics, although it gives great centrality to human dignity and human growth, and puts love in truth at the center of virtues, principles and values.

It is important to note that CST, rather than focusing on particular issues and dilemmas, centers on the person as a whole and on the ethical consequences of any human action. Moreover, the anthropology underlying CST invites one to consider not only particular decisions, but also the whole sense of business and economic activity, stimulating further and deeper reflection on the meaning of the economy and its goals (CV #32). This opens horizons to conventional business ethics and posits the necessity to change a paradigm centered on the techno-economic vision of business dimension in which ethics is only a constraint, and to move to another more humanistic model, based on reciprocal enrichment and the dynamics of cooperation. However, this is a matter for further research.

## References

- Abela, A. V., and Capizzi, J. E. 2014. *A Catechism for Business: Tough Ethical Questions and Insights from Catholic Teaching*. Washington, DC: Catholic University of America Press.



- Anscombe, E. 1958. Modern Moral Philosophy. *Philosophy* 33: 1–19. Reproduced in R. Crisp and M. Slote (ed.) *Virtue Ethics*. Oxford: Oxford University Press, 1997.
- Aquinas, Thomas. 1981[1273]. *The Summa Theologica*. London, Burns Oates and Washbourne.
- Azebedo Alves, A., and Moreira, J. M. 2013. Business Ethics in the School of Salamanca. In C. Lüetge (Ed.), *Handbook of the Philosophical Foundations of Business Ethics*: 207–225. Heidelberg, Germany: Springer.
- Benedict XVI. 2005. *Encyclical Letter 'Deus caritas est'*. Available at: [https://www.vatican.va/archive/hist\\_councils/ii\\_vatican\\_council/documents/vat-ii\\_cons\\_19651207\\_gaudium-et-spes\\_en.html](https://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_cons_19651207_gaudium-et-spes_en.html).
- Benedict XVI. 2009a. *Encyclical Letter 'Caritas in veritate'*. Available at: [http://www.vatican.va/holy\\_father/benedict\\_xvi/encyclicals/documents/hf\\_ben-xvi\\_enc\\_2009a0629\\_caritas-in-veritate\\_en.html](http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_2009a0629_caritas-in-veritate_en.html).
- Benedict XVI. 2009b. *General Audience in Castelgandolfo*, August 5. [http://www.vatican.va/holy\\_father/benedict\\_xvi/audiences/2009b/documents/hf\\_ben-xvi\\_aud\\_2009b0805\\_en.html](http://www.vatican.va/holy_father/benedict_xvi/audiences/2009b/documents/hf_ben-xvi_aud_2009b0805_en.html).
- Bible, New American. Available at: [http://www.vatican.va/archive/ENG0839/\\_INDEX.HTM](http://www.vatican.va/archive/ENG0839/_INDEX.HTM).
- Caro, M. D., and Vaccarezza, M. S. (Eds.). 2021. *Practical Wisdom: Philosophical and Psychological Perspectives*. New York: Routledge.
- Catholic Church. 2003. *Catechism of the Catholic Church*, 2nd ed. London: Random House. Available at: [www.vatican.va/archive/ENG0015/\\_INDEX.HTM](http://www.vatican.va/archive/ENG0015/_INDEX.HTM).
- Chafuen, A. A. 1986. *Christians for Freedom: Late-Scholastic Economics*. San Francisco: Ignatius Press.
- Charles, R. 1998. *Christian Social Witness and Teaching: The Catholic Tradition from Genesis to Centesimus annus*. Herefordshire, UK: Gracewind.
- Dierksmeier, C., and Celano, A. 2012. Thomas Aquinas on Justice as a Global Virtue in Business. *Business Ethics Quarterly*, 22(2): 247–273.
- Elegido, J. M. 2003. *Business Ethics in the Christian Tradition*. Lagos (Nigeria): Spectrum Books Limited.
- Francis. 2015. Encyclical Letter 'Laudato si', on the Catholic Vision of Ecology. [http://w2.vatican.va/content/dam/francesco/pdf/encyclicals/documents/papa-francesco\\_20150524\\_enciclica-laudato-si\\_en.pdf](http://w2.vatican.va/content/dam/francesco/pdf/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si_en.pdf).
- Francis. 2020. *Encyclical Letter 'Fratelli tutti'*, on Fraternity and Social Friendship. Available at: [http://www.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco\\_20201003\\_enciclica-fratelli-tutti.html](http://www.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20201003_enciclica-fratelli-tutti.html).

- John Paul II. 1979. *Encyclical Letter 'Redemptor Hominis'*. Available at: [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_04031979\\_redemptor-hominis.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_04031979_redemptor-hominis.html).
- John Paul II. 1981. *Encyclical Letter 'Laborem exercens'* on Human Work. Available at: [http://www.vatican.va/holy\\_father/john\\_paul\\_ii/encyclicals/documents/hf\\_jp-ii\\_enc\\_14091981\\_laborem-exercens\\_en.html](http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html).
- John Paul II. 1987. *Encyclical Letter 'Sollicitudo Rei Socialis'*, on Development of People. Available at: [http://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_30121987\\_sollicitudo-rei-socialis.html](http://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html).
- John Paul II. 1988. *Apostolic Exhortation 'Christi fideles laici'*, on The Vocation and the Mission of Lay Faithful in the Church and in the World. Available at: [http://www.vatican.va/content/john-paul-ii/en/apost\\_exhortations/documents/hf\\_jp-ii\\_exh\\_30121988\\_christifideles-laici.html](http://www.vatican.va/content/john-paul-ii/en/apost_exhortations/documents/hf_jp-ii_exh_30121988_christifideles-laici.html).
- John Paul II. 1991. *Encyclical Letter 'Centesimus annus'*, on Socio-economic Order. Available at: [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_01051991\\_centesimus-annus.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html).
- John Paul II. 1993. *Encyclical Letter 'Veritatis Splendor'*, on Christian Moral. Available at: [http://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_06081993\\_veritatis-splendor.html](http://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_06081993_veritatis-splendor.html).
- John XXIII. 1961. *Encyclical-Letter 'Mater et Magistra'*, on Socioeconomic Order. Available at: [http://www.vatican.va/content/john-xxiii/en/encyclicals/documents/hf\\_j-xxiii\\_enc\\_15051961\\_mater.html](http://www.vatican.va/content/john-xxiii/en/encyclicals/documents/hf_j-xxiii_enc_15051961_mater.html).
- John XXIII. 1963. *Encyclical-Letter 'Pacem in Terris'*, on Human Rights and Peace. Available at: [http://www.vatican.va/content/john-xxiii/en/encyclicals/documents/hf\\_j-xxiii\\_enc\\_11041963\\_pacem.html](http://www.vatican.va/content/john-xxiii/en/encyclicals/documents/hf_j-xxiii_enc_11041963_pacem.html).
- Koehn, D., and Wilbratte, B. 2012. A Defense of a Thomistic Concept of the Just Price. *Business Ethics Quarterly*, 22(3): 501–526.
- Lebret, L.-J. 1961. *Dynamique concrète du développement*. Paris: Economie et Humanisme, Les éditions ouvrières.
- Leo XIII. 1891. *Encyclical-Letter 'Rerum Novarum'*, on The Labor and Social Order. Available at: [http://www.vatican.va/content/leo-xiii/en/encyclicals/documents/hf\\_l-xiii\\_enc\\_15051891\\_rerum-novarum.html](http://www.vatican.va/content/leo-xiii/en/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum.html).
- Lüettege, C. (Ed.). 2013. *Handbook of the Philosophical Foundations of Business Ethics*. Heidelberg, Germany: Springer.
- Melé, D. 1999. Early Business in Spain: The Salamanca School (1526–1614). *Journal of Business Ethics*, 22(3): 175–189.
- Melé, D. 2018. Christian Ethics. In R. W. Kolb (Ed.), *The SAGE Encyclopedia of Business Ethics and Society*: 465–468. Thousand Oaks, CA: Sage.

- Paul VI. 1965. *Address to the United Nations Organization*. Available at: [http://www.vatican.va/content/paul-vi/en/speeches/1965/documents/hf\\_p-vi\\_spe\\_19651004\\_united-nations.html](http://www.vatican.va/content/paul-vi/en/speeches/1965/documents/hf_p-vi_spe_19651004_united-nations.html).
- Paul VI. 1967. *Encyclical Letter 'Populorum Progressio'*, on Human Development. Available at: [www.vatican.va/holy\\_father/paul\\_vi/encyclicals/documents/hf\\_p-vi\\_enc\\_26031967\\_populorum\\_en.html](http://www.vatican.va/holy_father/paul_vi/encyclicals/documents/hf_p-vi_enc_26031967_populorum_en.html).
- Peterson, C., and M. Seligman. 2004. *Character Strengths and Virtues: A Handbook and Classification*. Washington, DC: American Psychological Association.
- Pontifical Council for Justice and Peace. 2004. *Compendium of the Social Doctrine of the Church*. Città del Vaticano: Libreria Editrice Vaticana. Available at: [http://www.vatican.va/roman\\_curia/pontifical\\_councils/justpeace/documents/rc\\_pc\\_justpeace\\_doc\\_20060526\\_compendio-dott-soc\\_en.html](http://www.vatican.va/roman_curia/pontifical_councils/justpeace/documents/rc_pc_justpeace_doc_20060526_compendio-dott-soc_en.html).
- Pius XI. 1931. *Encyclical Letter 'Quadragesimo anno'*. Available at: [http://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf\\_p-xi\\_enc\\_19310515\\_quadragesimo-anno.html](http://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html).
- Schlag, M. 2013. Economic and Business Ethics in Select Italian Scholastics (ca. 1200–1450). In C. Lüetge (Ed.), *Handbook of the Philosophical Foundations of Business Ethics*: 178–205. Heidelberg, Germany: Springer.
- Swindal, J. s.d. “Faith and Reason.” *Internet Encyclopedia of Philosophy*. <https://iep.utm.edu/faith-re/#SH4e>.
- Templeton, J. (1999). *Agape Love: Tradition in Eight World Religions*. Radnor, PN, Templeton Foundation Press.
- Wikipedia, Golden Rule: [https://en.wikipedia.org/wiki/Golden\\_Rule](https://en.wikipedia.org/wiki/Golden_Rule).



# 8

## Ideas of Organization and Ideas of Justice

Massimo Neri

### Introduction

This chapter aims to connect the concepts of “organization” and “justice.” The purpose is to provide a useful frame of reference for the study of the extensive body of research on justice in the organizational setting, proposing a bridge between social sciences and organizational reflection.

Referring to the epistemology of social sciences contextualized within the organizational field, we propose a systematization of the ideas of organization to represent the different investigation alternatives with which to confront questions of theoretical and methodological order implied in the study of the relationship between social systems and acting subjects.

We shall then try to identify the appropriate way to conceive justice for each of these alternative ideas of organization. We will begin with an

---

M. Neri (✉)

Department of Communication and Economics, University  
of Modena and Reggio Emilia, Modena, Italy  
e-mail: [massimo.neri@unimore.it](mailto:massimo.neri@unimore.it)

analysis of the concept of justice consistent with the objectivist mainstream organizational thought, according to which the “right” attribute is to be associated with a *result* or a *procedure*, focusing on the *distributive* and/or *procedural* dimension of justice. We then propose two different points of view according to which justice is either to be associated with *subjective experiences* or interpreted in a *processual* logic (not to be confused with “procedural justice”).

Since the objective of this chapter is to reflect upon some of the possible interpretations of the notion of justice in the different ways organizations are conceived, we do not have the ambition to evaluate their *correctness* in absolute terms. Instead, we will try to draw attention to their strengths and weaknesses, offer a conscious confrontation, and highlight their implications for organizational practices.

## Ideas of Organizations

It is possible to recognize the existence of three ideas of organization, which means three alternative ways to face the study of organizational phenomena.

These three ideas (or conceptions) have far-reaching philosophical sources, retraceable in the Ionic-Pythagorean schools, the Sophistic movements, and the Heraclitan sensitivity,<sup>1</sup> and are parallelly found in the debate on methods (*methodenstreit*) within economic and socio-historical disciplines at the turn of the nineteenth and twentieth centuries. According to Maggi (2003/2016), they serve as a compass to navigate between the alternative conceptions of knowledge: they are ideal-type constructions that transmit into the organizational field the

---

<sup>1</sup> With all due precaution, considering that of most of the pre-Socratic philosophy we have only indirect evidence, it is possible to suppose a link between the modern objectivist view and the thought of the Ionic School started by Thales, and subsequently, with Pythagorean ethics (according to which justice is a matter inherent to objective and immutable mathematical proportions), as well as between subjectivism and the Sophistic, as they considered the ethical sphere to depend upon contingent circumstances in need of a case-by-case evaluation. The idea that fundamental components of reality are not entities persisting in time but rather processes in constant becoming was present too in ancient philosophical thought, as a processual interpretation of reality that can be traced back to Heraclitus' declaration that *everything flows*.

underlying positions expressed in the epistemological debate of the social sciences.<sup>2</sup>

First, the vision that has usually distinguished organizational thought since the early twentieth century interprets organization as a *system* regulated according to general laws. The main characteristic of this understanding of the organizational system is its supposed pre-determination and pre-determinability with respect to the action of the subjects taking part in it.

This conception of organization upholds the idea of an “objective” reality studied by means of causal relation. Rationality is considered a prerequisite of action, oriented toward prioritizing the satisfaction of objectives, needs, and interests of the system over those of the subjects. The idea of objectivity is central in this conception, referring both to the possibility of “sure” knowledge of phenomena and to the reification of the organization and its components. We shall then qualify this idea of organization as *objectivistic*, and within it, we can distinguish between a closed-mechanistic and an open-organic conception.

In the first of these conceptions, the planning (of tasks, units, etc.) takes place in conditions in which uncertainty does not exist, implying that the alternative actions have perfectly known consequences necessary for the identification and adoption of the “one best way.” An example of this is Taylor’s scientific management theory (1911), which clearly presupposes the closed mechanistic system perspective.

In contrast, in the open organic system conception, the emphasis shifts to the search for the internal–external equilibrium, which may be guaranteed by different conditions in different ways. The response to uncertainty is a crucial element in this perspective, and flexibility is consistent with the functioning of the system. In this vision, there are

---

<sup>2</sup> In this chapter, we choose to adopt Maggi’s tripartite conception of organization rather than other classifications commonly used in organizational studies, exactly because it is rooted in the essential “debate over method” (*methodenstreit*) developed at the end of the nineteenth century and is considered the highest level of epistemological reflection on social sciences. Other notable classifications are those by Burrell and Morgan (1979) and Hatch (1997). Johnson (2008) applies the modern, symbolist-interpretivist, and postmodern perspectives proposed by Hatch (1997) to classify theoretical orientations on social justice. We adopt “idea” as a synonym of “conception” adhering and paying homage to the famous *The Idea of Justice* by Sen (2009). “Vision,” “way of seeing,” “perspective,” and “orientation” (all referencing to the “mode of seeing”) may be considered further synonyms.

no tasks, but roles; that is, expected behaviors that allow for a margin of discretion, legitimized as long as it is functional to the equilibrium of the system. The Contingency School (Lawrence and Lorsch 1967), the Socio-Technical School (Emery and Trist 1960), and the Neo-Human Relation School (McGregor 1960; Herzberg 1968) represent the most remarkable theoretical contributions oriented toward the open organic system perspective, and after the 1960s became so-called mainstream organizational theory.

A second view interprets organizations as *socially constructed* entities, emerging from the behavior of the *actors* of which they are made. Such a conception is based on the assumption that reality is a social construction and that actions precede decisions: rationality is assumed to be *ex post* rationalization. This conception has a clearly anti-positivistic matrix and translates social phenomenology and symbolic interactionism<sup>3</sup> into the organizational field. According to this view, the rationality and values (including ethical ones) involved in an organization are self-produced and cannot be considered to precede actions.

The interpretation of behavior and social phenomena must first be carried out by referring to the sense meant by the agent. Therefore, the task of the scholar is to reconstruct the experiences, attitudes, and values of the actors, as well as their culture and symbolic-linguistic universe. In this logic, the “real” structure emerges *ex post* from the typification of behavior rather than from the *ex ante* planning stage.

This approach is descriptive, because the possibility of foreseeing and prescribing social action is deliberately compromised by the impossibility of identifying universal laws. In mainstream logic, the actor-system relationship is organized in a top-down fashion that causes a disequilibrium of power, which may constrain the collaborators’ expression, “incentivizing” them to align their objectives with those of the management. On the contrary, the anti-objectivistic approach focuses on practices restricted

---

<sup>3</sup> The culturalist studies by Geertz (1973), as well as the analysis of power by Crozier and Friedberg (1977), or Weick’s *enactment* (1977) and the organization’s *sense-making* (1995) are some of the most important studies on the actor’s perspective. At the same time, currents of thought such as Organizational Postmodernism (Cooper and Burrell 1988) and Critical Management Studies (Alvesson and Willmott 1992) can be considered oriented toward the same perspective.

to facilitating the emergence of contexts that may foster self-developing and non-constrictive relationships between people. We shall discuss this perspective as the *subjectivistic* idea of organization.

Finally, it is possible to recognize a sort of “third way” in the study of organizations that conceives organizations in *processual* terms. This last stream of studies rejects the actor-system separation and the relative antinomy, which means moving away from the pre-determinable vs. emergent system vision. At the same time, this conception must not be considered a “synthesis” of the other two, as it is not based on “entities” but on actions and decision: its core interest is the study of organizational phenomena considering them as processes of action, instead of focusing on the reification of either the system or the subject. The organizational structure is not a concrete element, but the order regulating the process: the structuration of processes is a “structural or structuring action” (Maggi 2003/2016, p. 27; Giddens 1979). The individual is constrained by this order, while at the same time contributing continuously to its production. From this perspective, structures, powers, and generally all social phenomena are conceived in an essentially processual way.

Here, rationality is not specified as an objective, absolute guide for the implementation of a decision-making strategy, but rather qualified as intentional and bounded (Simon 1947, 1955). The knowledge of different possible alternatives is always incomplete and, at the same time, it is always possible to steer actions toward the outcomes/objectives without surrendering to an idea of the organization as a totally unintended product of agents in interactions. It is a heuristic path of decisions and research, continually correctable through the acquisition of new knowledge and values (Maggi 2011).

Taking inspiration from Weber (1922), both the refusal of positivistic canons of investigation and the anti-positivistic renunciation of explaining social phenomena in favor of an exclusively interpretive approach are consistent with this perspective: the fundamental methodological reference is the conditional explanation of actions based upon “judgments of objective possibility,” qualifying the explanation as causal rather than necessary or probabilistic.



With these assumptions, this perspective tries to recognize in the study of social reality the objective nature with which social or organizational structures present themselves to the actors and, at the same time, the relative autonomy of individual behaviors, adopting a distance from both the positivistic-objectivistic and the actor-centered epistemological stances. This third perspective can be associated with theories that refuse the postulate of the “hypostasis of organization” as consequence of a determinism of either social or individual matrix.<sup>4</sup>

Considering the polysemous quality that terms like *system*, *actor*, *process*, *objectivistic*, *subjectivistic*, or *processual* receive in (and beyond) the literature on organization, the proposed typification of conceptions of organization can be a source of interpretational ambiguities. At the same time, it is exactly because of this polysemy that this effort may be useful. It is in this spirit that, in the following paragraphs, we shall highlight the polysemous character of the notion of “justice,” with the intent to specify its significance by the conception of organization to which it refers.

## Association Between the Ideas of Organization and the Ideas of Justice

In the following paragraphs, we discuss the link between justice and organizations, using the typology of conceptions outlined above.

Apart from the consistent body of research proposed by organizational justice theorists starting the second half of the 1980s, organizational literature rarely referred to the theme of justice in a systematic way. The awareness that the organizational experience is characterized by situations linked to the experience of justice was frequently translated into a focus on contiguous concepts (i.e., ethics and power). In what follows,

---

<sup>4</sup> Simon's (1947) decision theory, Giddens' (1984) structuration theory, as well as influential organizational declinations like that of the Tao of Italian scholars Maggi (2003/2016) and de Terssac's (2003) theory of organizational work may all be considered close to the processual conception.

we shall consider some contributions that, in the organizational context, can help to understand the issues of right and wrong in a given action, with or without an explicit reference to the term “justice.”

## **Justice and the Idea of Organization as Pre-Determinable and Closed System: The Predominance of the Distributive Dimension**

From a pre-determinable and mechanistic system perspective, the organization is interpreted as a closed system, governed by the logic of rationality as optimization and universal managerial principles; the contribution of organizational actors is pervasively predetermined by programs and procedures.

In this kind of conception, justice represents one of the values an actor should (or must) adhere to necessarily, regardless of the position he occupies, as these principles are “objectively determined.” Their “function” is to preserve the system, with a meaning of universality that assumes an “ideological” connotation.

The most influential theory inspired by the pre-determinable and closed-mechanistic system is Taylor’s theory. The scientific approach at the heart of his theoretical-methodological proposition is useful for both the correct functioning of the system and fair behavior toward workers: the scientific analysis, control, and measurements of the product of individual labor are deemed necessary to guarantee the absolute objectivity of supervisors, as well as for the elimination of any kind of subjective distortion of judgment. Taylor affirms that the idea underlying his system is justice, and that there cannot be a scientific management without its exercise, mirroring the need for an “objective” and impartial analysis. In the fourth principle of *Scientific Management*, he explicitly expresses the tension toward achieving equity in the division of labor and responsibility between management and workers.<sup>5</sup>

---

<sup>5</sup> “There is an almost equal division of the work and the responsibility between the management and the workmen. The management take over all work for which they are better fitted than the workmen, while in the past almost all of the work and the greater part of the responsibility were thrown upon the men” (Taylor 1911, p. 37).

Following research and studies published both before and after Taylor's assertion, we can observe a general sensibility about social and ethical dilemmas in the American scientific community, "whose main goal was to demonstrate, according to a functional logic, how their theories or models could have collective utilitarian values" (Zuffo 2011, p. 27).

We may therefore assert that, in the early decades of the twentieth century, the closed-mechanistic system rose to prominence as the organizational mainstream conception; the issue of justice was already present in the researchers' speculations and was frequently introduced among the principles for effective management. In this vision, attention toward justice and equity cannot but depend on the role played by executives, the sole interpreters of universal managerial principles.

The more-or-less explicit orientation toward justice is of a *distributive* and *instrumental* nature: the prescription is to share the gains of a scientifically structured production in a correct, scientific, and objective way, maintaining conditions of justice and equity consistent with great organizational efficiency. The premise is that organizational analysis may be carried out under conditions where uncertainty is considered negligible, or, in any case, it does not prevent identifying (and measuring) the terms of exchange.

The absence of uncertainty also refers to the possibility of interpreting the motivational dynamics of the collaborator, whose preferences are flattened and objectified in the process of abstraction, which assumes him to be a *homo economicus* bearer of given preferences.

This initial predominance of the distributive dimension of justice is subjected to different (and often quite distant in time) influences, unified by unconditioned trust for the naturalistic observation of reality. One can think of the Ionian School mentioned above, or the distributive justice that Aristotle was the first to discuss. Most of all, it is possible to retrace, in the closed-mechanistic system formulation, the influence of the utilitarian ethical framework (Cropanzano and Stein 2009)<sup>6</sup>: the pursuit of collective well-being, according to the utilitarian conception, is the

---

<sup>6</sup> Distinguishing the ethical predisposition, Cropanzano and Stein (2009, p. 208) stated that "formalism and utilitarianism bear an interesting parallel to procedural and distributive justice, respectively." Formalism is means-oriented and seems similar to procedural justice; utilitarianism emphasizes outcomes and appears closer to distributive justice.

expression of an idea of justice where the single actor is subjected to the logic of the system. This is a *consequentialist* approach that can effectively avoid the problem of moral pluralism and can go beyond the complexity of the phenomenon using an ambiguous but potentially computable “object” (“utilities”), incorporating at the same time an explicit orientation toward efficiency. Moreover, it has been affirmed that individuals characterized by the utilitarian framework seem to be more sensitive to distributive justice issues (Schminke et al. 1997).

### **Justice and the Idea of Organization as a Pre-Determinable, Open System: The Introduction of the Procedural Dimension**

The idea of the organization conceived as a pre-determinable, organic, and open system overcomes the logic of predefined formalized tasks; in conditions of inevitable uncertainty, a variable field of discretion is left to the subjects in order to enhance organizational efficiency and efficacy.

Adopting the strategy of functional explanation, the integration (-adaptation) of the actor to the system is crucial, and the emotions, experiences, and values of the subject may become *resources* for the organization; at the same time, the expected input and output of the exchanges are not always clearly identifiable with objective precision.

The “justice factor” is always functional to the conservation of the system, and this outlines two distinct directions of research. In the first case, the focus on individuating the correct (“just”) distribution of resources is enriched through successive theoretical proposals, connecting sociology and psychology while explicitly contextualizing the issue of justice within an organizational setting. The notion of perceptions was introduced in the process of assessment of the exchange, with an approach to distribution based on multiple contingent allocation norms. In the second case, facing the difficulty of interpreting the exchange in terms of “objectively valid” results, the study of procedures capable of producing a particular outcome is introduced. The formal dimension of organizational decisions is associated with the study of the perception

of justice, even in the interactions that are developed in their actuation path.

Regarding the first of these two guidelines, the seminal works on organizational justice are Homans' (1961) and Adams' (1963) theories. Other researchers (e.g., Deutsch 1975) have focused their attention on the different principles of distributive justice. Although aware of the relevance of the principle of balancing between the inputs provided and the outputs expected, they remarked on the legitimacy of alternative criteria, including equality and need. The conviction that fair distribution of resources may be inspired by multiple and not necessarily mutually exclusive principles makes it possible to study the conditions for their contingent adoption, as well as the characteristics of the context in which they are applied. The comparative analysis is based on the characteristics of the resources to be allocated, the subjects and groups, the work situations, and the consequences expected from their use.

The second line of research postulates the necessity to consider justice as a multidimensional construct that is more complex than that referring only to decision outcomes. The contributions of the Human Relations School since the late 1920s attracted the attention of both the scientific community and practitioners to the importance of the human factor and the informal texture typical of organizational dynamics as well as the forms of participation and cooperation between workers.<sup>7</sup> It is possible to assert that the HR School's sensibility to the question of participation has encouraged taking into consideration the procedural dimension of justice in the organizational field. This legacy was a determinant for the Neo-Human Relations School: the active participation and the valorization of differences are in fact listed among the so-called philosophical entrepreneurial principles enunciated by McGregor (1960).

The greater attention to the procedural dimensions finds its philosophical reference in the work of J. Rawls (1971) and in the neo-contractualism of the 1970s that criticized the utilitarian approach. Rawls' notion of justice as correctness is translated in terms of attention to the formal dimension of the system: the consensus on the principles

---

<sup>7</sup> These assumptions gave birth to aligning the employers' expectations with those of the workers, as shown by Roethlisberger (1941).

and/or procedures of justice to be adopted does not necessarily imply sharing the same ethical stance or content; in other words, the whole moral dimension regards everyone and is contained in the choice of universal formal principles.

Rawls' analytical categories have been developed in Thibaut and Walker (1975) and in the influential Leventhal (1980) that propelled the line of studies on procedural organizational justice: the last has been the most influential contribution from the point of view of managerial implications, defining the guidelines for the design of "just" workplace procedures, proposing a set of meta-rules including consistency and coherence, bias suppression, accuracy of information, correctability, representativeness, and ethicality. Leventhal proposed procedural justice rules to systematize the elements necessary for structuring the decision-making context preliminary to the perception of justice and the fair evaluation of a decision-making process. This formulation has inspired numerous applications in every field of human resource management (HRM).

Linked to the idea of *how* to manage a specific decision, the study of the interactive dimension was introduced by Bies and Moag (1986): the judgment developed on the quality of organizational relations is delineated through the four rules that govern the perception of fair interpersonal treatment: truthfulness, justification, respect, and propriety. This conception of justice focuses on the characteristic that the system of interaction requires to realize a morally acceptable relation preparatory for the achievement of "just" results. Some of its references are moral and political philosophy, such as the theories of difference (Young 1990) and conflict resolution (Ceva 2016).

The integration of the distributive, procedural, and interactional dimensions helped to develop the "Organizational Justice Theory"<sup>8</sup>

---

<sup>8</sup> Within the organizational justice literature, *Organizational Justice Theory* became a term of common use, most often indicating the specific approach that views justice as an overarching concept that encompasses distributive, procedural, and interactional dimensions. A significant contribution came from Greenberg's works (1987, 1990).

(OJT), constituting an influential research line<sup>9</sup> in the study of organizations, whose main characteristics are discussed in the following paragraph.

## Justice and the Idea of Organization as a Pre-determinable System: Synthesis and Criticisms

As mentioned above, the classical contributions from Scientific Management to Neo-Human Relations (notwithstanding their importance) have rarely proposed a systematic reflection on justice; for this reason, it was rarely thematized autonomously in the organizational field. Since the second half of the 1980s, the affirmation of the OJT has permitted the emergence of the question, inspiring countless research projects published in the main journals of the discipline, and has become the prevailing approach with a specific set of conceptual premises (see Guo et al. 2011).

First of all, “justice” is neither explicitly defined nor postulated in positive terms,<sup>10</sup> while the multidimensional nature of the construct is recognized.<sup>11</sup>

Operatively, the object of analysis is the perception of justice, along with the reactions and consequences it entails, and the regularity of the phenomena is researched using quantitative methods. These perceptions of the distributive, procedural, and interactional dimensions are often related to work attitudes (e.g., job satisfaction and commitment)

---

<sup>9</sup> The different theoretical models that account for the motivation that could “sensitize” people to the *fairness* of their working environment are complementary to the development of the OJT empirical studies. A synthesis of these perspectives is found in Cropanzano, Byrne et al. (2001) and Cropanzano, Rupp et al. (2001).

<sup>10</sup> Since the origin of OJT, its founders have distanced themselves from the prescriptive approach to justice typical of philosophy and defined their approach as descriptive, operating without an *apriori* definition of justice and focusing on the perception of justice (Greenberg and Bies 1992). In the OJT, justice is approached as an empirical and perceived notion: “Something is ‘fair’ or ‘just’ not because it should be so but because some person or persons believe it to be” (Cropanzano et al. 2005, p. 63). We criticize this position below.

<sup>11</sup> The distinction between the distributive, procedural, and interactional dimensions of justice is surely one of the founding elements of the OJT perspective. Alternatively, the notion of *overall justice* has been recently proposed (Ambrose et al. 2015).

and behavioral/organizational outcomes (e.g., organizational citizenship behavior and intent to stay). From the results of these supposedly generalizable relations, scholars have attempted to deduce managerial implications for organizational design, leadership, and HRM systems. The research design adopted focuses predominantly on the cause-effect relationships of a necessary or probabilistic nature.<sup>12</sup>

Without arguing against the use of the perceptions construct,<sup>13</sup> it is noteworthy that justice, even when not explicitly defined, is valued on the basis of criteria and indicators defined *ex ante* by the researcher.<sup>14</sup> As happens in most studies on organizational behavior, the social actor referred to in the OJT is abstract and universal, conceptualized as a collection of properties (“receptacles of data,” as in Guo et al. 2011, pp. 4–6) that can be objectively observed, measured, and universalized. The subjective-perceptive dimension is watered down in the generalizing process of the correlation between variables typical of the (neo-)positivist approach.<sup>15</sup>

Thus, the problem of determinism implied in the legitimization of organizational provisions of a general nature appears in a different form: “implicitly the field of Organizational Justice has developed something like its own normative justice framework, whereby a set of ‘traditional’ justice rules has come to be understood as more than a mere description of what rules our research participants tend to use. (...) Thus, empirical justice research raises the expectation that ‘real’ (normative) improvements of justice can follow from their work, not only perceptual improvements” (Cropanzano et al. 2015, pp. 289–290). This research attempts to provide the scientific and managerial community

---

<sup>12</sup> An extensive review is found in Cohen and Spector (2001). An alternative to this kind of study is the design of “experiments where justice is manipulated and its effects on attitudes and behaviors explored” (Guo et al. 2011, p. 4).

<sup>13</sup> As happens when its validity is contested, as in Barclay and Whiteside (2011).

<sup>14</sup> “As researchers, our efforts have been primarily dedicated to the precise measurement of ‘perceptions’ and ‘judgements’ as if we are ‘intuitive philosopher’ attempting to define objective concepts of justice” (Bies 1987, p. 90) and the focus shifts on subjective reactions to a *given stimulus*, i.e., on how people react to a given outcome, procedures, or interpersonal interaction (Cropanzano et al. 2005).

<sup>15</sup> To underline again the concept, we can say that answering a “standard” questionnaire, perceptions—built through a single lived experience—are reified and translated in the record of a supposedly objective reality.



with general laws and principles that are useful for management. This mirrors the role of the researcher-observer in relation to the subjects whose perceptions are studied: knowledge is developed from the analysis of the *etic* type (see Morey and Luthans 1984; Morris et al. 1999). Human resource issues tend to be considered implicitly instrumental to the requisites of the system in an attempt to identify the conditions under which stable individual differences are linked to changes in the work environment.

On this basis, we interpret the OJT research program as consistent with the functionalist theoretical perspective, notably with the pre-determinable, organic, and open system conception, and searching for the best balance between distributive principles and procedural guidelines for the design of organizational practices.

Moreover, as long as organizational phenomena are considered in open-system terms, legitimation through procedural rationality<sup>16</sup> becomes essential to stabilize expectations in conditions of uncertainty, and this explains why most of these studies highlight the importance of procedural and interactional justice dimensions.

Admittedly, through the development of the OJT, justice takes on a relevance previously unknown to management studies, stimulating the formalization of an organizational *ex ante* context, a sort of “moral grammar” suited to the perception of justice, all the while encouraging the connection to other relevant lines of research (as corporate social responsibility, see Rupp et al. 2006).

However, the problematic issues inherent in this theoretical approach and its typical research design must be highlighted, as they necessarily derive from the premises characterizing the conception to which OJT refers and they have concrete important implications.

For example, these critical aspects may refer to the tension between customization and integration of HRM policies. We can consider the relationship between managerial instruments that imply coherent HR

---

<sup>16</sup> Even if Simon (1976) cannot be considered a theorist of the open systems school, his ideas have been seminal in the reflection on procedural rationality and legitimacy.

strategies (e.g., diversity management tools or work-life balance solutions) and the notion of justice (more or less oriented toward equality) to be shared.

In conclusion, as long as the OJT approach is consistent with the idea of organization as a pre-determinable organic system and the structural-functionalist mainstream, it re-proposes their fundamental characteristics in its modality of interpreting organizational phenomena: values or justice are studied within the nomothetic frame of reference and considered exogenous factors independent of the experience of the subjects. The role of what we could define as *objectified systemic justice* is its contribution to the maintenance of a condition of equilibrium based on the requisites of the system.

## Justice and the Idea of the Organization as a Socially Constructed System

The idea of the organization as a system unintentionally emerging from the behavior of social actors and their interactions is based on the conviction that reality is socially constructed and defined by subjective meanings. This perspective puts at its center the actor's experience, whose sense is reconstructed through the *ex post* rationality involved in an organizational action influenced by values and culture. The study of the specific and contextualized experience is fundamental for an understanding of the organizational phenomena and is enriched by the analysis of the *sense* of justice and the *significance* of ethical actions.

In sociology and philosophy, the contributions focused on justice that have assumed an anti-positivistic, subjectivistic, and/or actor-based stance are many and heterogeneous, as the Greek sophists distinguished between the “naturally righteous” (*dikaion physei*) and the “conventionally righteous” (*dikaion thesei*).

Here, it will be sufficient to remember the phenomenological tradition<sup>17</sup> and Heider's socio-psychology (1958), which is an approach to

---

<sup>17</sup> Gadamer (1977, p. 131) wrote that “the phenomenological method leads the philosopher to see phenomena such as the idea of justice or punishment [...] as endowed with their own meaning.”

juridical psychology oriented toward a phenomenological analysis of the naïve conceptions of justice that laid the basis for the study of the so-called *common sense justice* conceptions (Finkel 1995).<sup>18</sup>

Mead,<sup>19</sup> considered the father of symbolic interactionism, has highlighted how the legitimacy of judgments is intrinsically bound to the symbolic dimension: the symbolic process underlying the communication between social actors and the emergence of shared meanings from the “collective mind” that must be studied to understand the formation of value judgments about actions and objects.

In the same trajectory traced in ethnomethodology by Garfinkel (1967), other scholars (e.g. Maynard and Manzo 1993) focus on “factive” social practices aiming at the study of how the meaningful and ordered character of social life is methodically produced through discourses, competences, and other resources that let justice emerge as a “phenomenon of order.”

Philosophers such as Levinas (1985), Derrida (1994), or Ricoeur (1995) have faced the question of justice through the idea of “being with others” (usually developing Heidegger’s *mitsein*) as the theater of moral action. Their contribution, which for our purpose can be associated with postmodernism, has been to deconstruct the meaning of rules and clarify their nature of product of the actions taken in their legitimation, thematizing at the same time the power and the foundation of the authority of the law as something “external” to justice.

Scholars that specifically face the question of justice in the context of organizational phenomena from this perspective reject the idea of a universal-objective justice while proposing a subjectivistic conception whose focus is on the convergence of meanings that emerge in a given moment and in a given social context. The effort is to understand the

---

<sup>18</sup> According to Finkel (1995, p. 2), “there are two types of law (...) ‘the law on the book (...) that legislators enact (...) and another law, although ‘law’ may be too lofty or lowly a term to describe it: I call it the ‘commonsense justice’ and reflect what ordinary people think is just and fair.”

<sup>19</sup> Mead (1934, p. 379) stated that “the universality of our judgments [...] is a universality that arises from the fact that we take the attitude of the entire community, of all rational beings. [...] Sociality gives the universality of ethical judgments and lies back of the popular statement that the voice of all is the universal voice.”

cultural, symbolic, and emotional processes that characterize such an emergence.

Mikula and his team have effectively contributed to the development of a path of research alternative to the OJT. According to Mikula (1986, p. 104), “in typical social psychological studies of injustice, subjects are confronted with situations the experimenter believes to be unjust (e.g., inequitable payment). Even if subjects are asked to rate the fairness or unfairness of the situation, very little is known about how relevant and common the situation is for the subjects.” Their primary objective is to study real-life subjects, trying to interpret the experience of justice (and lack thereof) in the light of the cognitive, emotional, and action sequences that characterize the specific events linked to the circumstances that qualify it; the main result is to propose a path to individuate the most common events and situations that surround the feeling of injustice, the typical contexts in which such events are situated, and the influence of the individual characteristics on this experience. To remain consistent with the phenomenological perspective, this proposition can only have an ideal-typic function to avoid a generalizing and normative approach.

Guo et al. (2011) defined a “person-centric perspective” based on a phenomenological framework, focusing on the meaning of justice experience, adopting heterogeneous methodologies, such as the study of narratives, the analysis of verbal protocols, or magnetic resonance imaging. In their work, they proposed an enrichment of the concept of experience, considered not completely idiosyncratic and individual: the subject is always considered in relation to a context that is common to other actors and manifests aspects of repetitiveness that make the “typologization” of the same experience possible.

A social construction perspective and a sensemaking framework have been used to study the social and psychological processes of enactment of norms of justice in a number of different fields and situations, such as group dynamics (Roberson and Colquitt 2005) and the interpretation of diversity (Roberson and Stevens 2006).

Hollensbe et al. (2008) analyzed the rules used in forming justice judgments, comparing the assessment process about entities (i.e., organizations, supervisors, etc.) and events (e.g., organizational activities)

through a qualitative method, while Bisman and Highfield (2012) started with an explicit criticism of the traditional approach to propose an innovative study based on the constructivist outlook from which it is possible to highlight the elasticity of justice, that is, the tendency (well-known in non-deterministic perspectives) to modify one's aims, values, and sensitivity over time and in different situations.<sup>20</sup>

Watson (2003) investigated the process of formation of justice: following the hermeneutic tradition (Ricoeur is explicitly mentioned), he focuses on the organizational change discourse examining the strategies utilized by managers to shape their employees' perceptions of fairness, trying to reveal the symbolic construction of managerial identities.

The contributions developed according to the Critical Management Studies (CSM) perspective usually stand for the "reform of both workplace organizations and development practices directed towards individuals and groups with purposes of justice, equity, and participation" (Fenwick 2005, p. 228). This movement proposes to use the question of justice to make explicit the meanings mobilized by symbolic forms (contained in discourses, texts, etc.) and how these meanings are functional in maintaining the *status quo* of social and power structures; the only way to oppose them is to renounce the (utopistic) idea to act with limited interventions based on the commitment of the managers.

This short review of some of the most remarkable contributions that propose an idea of justice that can be associated with that of organization as an emergent social-constructed system demonstrates the vitality and variety of this field of study. In the next section, a critical analysis is offered.

---

<sup>20</sup> "The positivist alternative of reducing people to research 'objects' and their feelings to numerical descriptions and statistical generalizations, was inconsonant with the aims of the research, and may have alienated participants, discouraged trust, and resulted in superficial and/or inaccurate data" (Bisman and Highfield 2012, p. 7).

## Justice in the Conception of the Actor: A Critical Reading

If we analyze as a whole the contributions that concern justice along with the conception of organization as an emerging system, we may recognize the following common elements useful to identify the salient features of a *subjectivistic, person-centered* idea of *emergent justice* in the organizational setting.

The analysis is centered on the study of the experiences that subjects link to justice (or rather what is qualified in terms thereof). The focus on this unit of analysis is translated into a multiform material emergent in an independent way from the *ex ante* systematization by the researchers; context-bound explanatory categories have usually been developed aiming at a deeper understanding of the phenomenon of organizational justice.

The aim of this kind of study is the evaluation of an experience in which the subjects are at the same time actors and interpreters who are constructing a sense of justice. It is possible to juxtapose these studies to the experientialism or experiential realism currents of philosophy, according to which the recurring interactions with the environment and the others bring about the formation of categories that contribute to the comprehension of experience, of truth, and, in our case, of the analysis of justice that for this reason is considered emergent from acting in the world.<sup>21</sup>

From this perspective, the perception of justice does not necessarily have the role of a predetermined antecedent of the course of action capable of facilitating the integration process of subjects within the system. Justice values are unconsciously and unpredictably shaped by human interactions and give meaning to social life; as unintentional consequences, they can possibly facilitate stability and order.

The work of social reconstruction of meanings and practices associated with justice can contribute to reveal its rhetorical function in

---

<sup>21</sup> In our opinion, these formulations are compatible with the actor perspective and the conception of organization as a system emerging from subjective behaviors, and their fundamental reference is Lakoff and Johnson (1980).

the maintenance of the capitalistic *status quo* as well as the role of power in management, and can highlight the limits of “instrumental” interpretations in improving motivation and encouraging emancipation, as maintained by the CMS school theorists (e.g., Fournier and Gray 2000; Legge 1998). From this perspective, it is assumed that injustice is inherent rather than incidental to organizational life, and the effort is to disclose “structural” injustice enforced upon the dominated actors. The critical objective is the “orthodox” OJT formulation,<sup>22</sup> as only locally accepted values are considered significant: there are neither context-free beliefs nor moral codes, and in-depth observation is privileged at the same time. This means that the researcher is a medium or a participant integrated within the observed reality. These works follow the idiographic tradition of research, based on *emic* knowledge, and depart from the study of judgment perceptions of facts as identified and codified measurements by experts. Proposing this focus means leaving space for the gathering of the subjects’ narratives through semi-structured interviews and other qualitative instruments in the investigation.

This orientation is fundamentally *descriptive* in nature: the development of informal dynamics is regarded favorably, but at the same time, it is not possible to legitimize the *ex ante* design. Change in organizational practices could only be conceived as an unintentional result that may not be translated into formal managerial guidelines but only observed retrospectively.

After all, no intervention in support of the emergence of a particular idea of justice is abstractly coherent: the intrinsic character of this approach may be understood as a limit that prevents the efforts to go beyond self-reflection and deconstruction devoid of any practical value. Moreover, the great heterogeneity of these studies and their results have not led to any systematic sedimentation of knowledge.

In conclusion, we can highlight the tension between the exigence to face the practical demands of justice in organizations<sup>23</sup> while keeping the

---

<sup>22</sup> Based on the consolidated articulation of distributive, procedural, and interactional dimensions (and operated prevalently through instruments of quantitative investigation as the one proposed by Niehoff and Moorman, 1993), as stated before.

<sup>23</sup> An example of this tension is in Wooten and White (1999, p. 16): “Justice theory also relates to constructivism (...) in that application of justice concepts to an organizational intervention

anti-positivistic claims, which result in a clear impasse: their assertion is centered around the idea that organizational practices must be oriented toward developing, empowering, and refining the ability to comprehend the phenomena that constitute social reality and the basis of organizational justice, all the while facilitating justice-oriented courses of action that could contrast the coercive aspects of the system. However, this orientation potentiality does not resolve the questions of responsibility and evaluation of the practices (of the *management*). The proposals of theoretical and methodological hybridization risk exacerbate the limits of these perspectives rather than contributing to the solution of this impasse.

## Justice in the Conception of the Process of Actions and Decisions

In the preceding paragraphs, we have reflected upon organizational justice, outlining the contraposition between the research of values, norms, and practices “objectively” to be able to guarantee the good functioning of organizations and the “opposite” approach centered around subjective experiences that become subjectively significant only following their legitimation in a specific context.

It is possible to recognize a third option that follows a different path: the processual perspective of justice, focusing on the flow of actions and decisions, rejects reification, and eventually tries to influence its course.

First, it is important to elucidate the definitory question that derives from the extensive use of the term *process*, which has been utilized

---

creates the architecture for a socially constructed organizational reality (i.e. openness, trust, commitment),” or in Alvesson and Deetz (2000, p. 35): “Conflicts among different interests may be reclaimed, openly discussed, and resolved with fairness and justice. The research aims at producing dissensus and providing forums for, and model of, discussion to aid in the building of more open consensus. (...) People can and should act on these conditions through improved understanding as well as access to communication forums.”



in research ranging from organizational studies<sup>24</sup> to other social disciplines,<sup>25</sup> making it difficult to provide a unidirectional definition of its meaning.

The notion of process that we shall utilize in our third typization is somehow different from that used in the *objectivistic* conception of organization, where the system is qualified as constituted by a predefined chain of activities. From this deterministic perspective, focusing on understanding how and why some entities (e.g., organizations or products) change over time, the relationship between *process* and *procedure* can emerge only by referring to the predetermination of activities (see Maggi 2011, p. 70).

The third option is also distinct from the idea of process bound with the conception of emergent organization (the *subjectivistic* view) that we can trace back to Whitehead and Weick (see Bakken and Hernes 2006). According to this view, organization is in a perpetual state of becoming, and processes consist of “actual occasions” corresponding to experiential events (“drops of experience,” according to Whitehead [1929]). In this case, a processual analysis means the interpretation of the flux of experience according to the sense given to social actors, while excluding the projectual possibility.

In the third conception, the constitutive elements of organization are not the system and the actor,<sup>26</sup> but actions and decisions developed on multiple levels along countless chains of means-ends.

The processual analysis focuses on the *congruence* of the choices that shape the processes of action themselves; it is legitimate to reflect *ex ante* on the coherence of choices that can be configured beforehand as orientating (in relation to the defined objectives), facilitating and transforming (through the explication of technical contents of actions), and regulating (in terms of management, coordination, and control) but, at

---

<sup>24</sup> Sandberg et al. (2015) recognize the trend of a “process turn” in management and organization studies.

<sup>25</sup> For example, in psychology, motivational theories are distinguished based on the process of content theories. The link between these theories and the study of organizational justice has been proposed by Cropanzano, Rupp et al. (2001).

<sup>26</sup> As explained by Maggi, “the action process does not coincide with the individual, with his conduct, behavior or activity” (2011, p. 73).

the same time, they will be subject to contextual rethinking, revision, or restructuring, in a continuous heuristic flow.

In this third conceptual alternative, justice is a constitutive element of the organizational process itself and cannot be separated from each other analytically. In a processual and non-objectivistic reading, justice (and the same could be said for well-being) can be the end orienting the action, but the means to achieve the expected results as well.

To frame the question of ethics in a processual conception that goes beyond the subject-system dichotomy, it is important to recall Weber (1919) and Elias (1939) and their reflections on the role of values in the development of social action.<sup>27</sup>

In the organizational field, when structure and action are implemented in one theoretical processual framework (e.g., Simon 1947; Giddens 1984; Maggi 2003/2016), the issue of justice is usually not thematized, but implicitly considered as a premise of value decision.

Although not explicitly dealing with the issue of organization,<sup>28</sup> an analytical justice framework that can be considered compatible with the conception of organization as a process was proposed by Sen (2009) and associated with the so-called Capability Approach (CA) proposed specifically to reflect upon the notion of well-being.<sup>29</sup>

In associating justice and freedom, Sen does not interpret man abstractly but considers the biological and cultural identity and proposes the idea of a conscious, self-monitoring, and purposeful man. The

---

<sup>27</sup> Weber notoriously distinguished instrumental- and value-rationality; the last refers to aims and goals that come from the actor's subjective source of values, such as an ethical system. Nonetheless, the relation between the two forms of rationality is embodied in the selection of means, and this distinction has been often subject to criticisms.

<sup>28</sup> Sen's approach has been used in several studies that include the merely organizational level. It is not possible to discuss here the extensive literature, and we have to refer back to the interesting Julhe (2016) as well as Subramanian et al. (2013). For all these studies, the objective is to stimulate the application of Sen's framework within the organizational field in a manner that is often different from the processual interpretation proposed here.

<sup>29</sup> Sen's work has often been interpreted as a political theory, belonging to the field of social justice and socio-economic development, notwithstanding that the author himself has stated on various occasions that his work is neither a systematic theory of justice nor confined to a macro-level analysis. While referring predominantly to his work it must not be forgotten that Sen's reflection upon freedom, development, and justice followed a long and complex path.

subject's action, while indeed bounded to the situation, is never determined only by exogenous factors, but it is oriented according to a "weak sense of rationality" (Sen 1987, p. 104)<sup>30</sup> that influences the perception of aims and values: the action must be considered in relation to the factors that made it objectively possible, in a way that has nothing to do with relativistic formulations.

In contrast to Rawls, Sen (2009, p. 10) criticizes what he defined as *transcendental institutionalism*, according to which justice "should be conceptualized in terms of certain organizational arrangements—some institutions, some regulations, some behavioral rules—the active presence of which would indicate that justice is being done." This brings about a criticism of the notions of justice based on the equality of goods and resources. According to Sen, what matters the most is what an individual is capable of doing with them. Sen also opposes the general tendency to hypostatization that is typical of social sciences in the analysis of the nature of subjects and of the "place" in which these subjects interact (system, market, organization, etc.), therefore rejecting the hypostatization of justice.

The means-end relation is often problematized in Sen's writings, and he argues against any kind of static or deterministic interpretation of it. "The outcome is meant to be the state of affairs that results from whatever decision we are concerned with, such as action, rule, or disposition. [...] There is no particular reason to insist on an impoverished account of a state of affairs in evaluating it. In particular, the state of affairs, or the outcome in the context under examination, can incorporate *processes* of choice, and not merely the narrowly defined ultimate result" (Sen 2009, p. 215).<sup>31</sup>

He proposes a heuristic approach that offers the possibility to analyze the practical reasons that come into play in individual and collective choices and decisions, and this opens the opportunity to study

---

<sup>30</sup> In his use of the notion of intentional and limited rationality, Sen makes explicit reference to Simon (see Sen 2009, p. 108).

<sup>31</sup> It is interesting to remark that a lot of discussion was concerned with the hypothesis of the processual view of reality proposed by Aristotle and its influence on Sen and Nussbaum (2011).

competing parameters that can originate from various alternative hierarchies: “The capability approach is fully compatible with the adoption of partial hierarchies and limited agreements” (Sen 2009, p. 243).

Starting with these premises,<sup>32</sup> it is possible to utilize the CA as a frame of reference for the analysis of justice in processual terms.

The CA makes it possible to analyze the relations between the so-called “building blocks”: scopes of opportunities, systems of preferences of social actors, goods and resources, rights and entitlements, and the functioning they allow. These elements cannot be interpreted in terms of distinct entities: as they are entirely distinguishable only at an analytical level and are not otherwise separable.

In a non-deterministic way, the effort is to understand if and in what measure the functionings that such processes activate may also represent an opportunity for the improvement of justice, which is based on an ideal-typic structure to reflect upon the potential congruence of organizational choices and how they relate to the expected outcomes.

For example, the possible identification of a list of functionings that constitute the ends toward which the resources are means should not have a “metaphysic” and “objectifying” meaning, but rather should be a typization capable of acquiring concrete value only in combination with other elements and conditions.

Operatively, the study can make use of research techniques of different origins,<sup>33</sup> as long as they are combined in a coherent epistemological frame that could, for example, utilize the achieved expected behaviors and results as empirical starting points to subsequently reconstitute the set of choices available in the course of action. Although often interpreted in monodirectional terms,<sup>34</sup> the relation between the CA components in this context is *not* predetermined, as only some of the contingencies

---

<sup>32</sup> We discussed a more in-depth analysis of Sen’s conception of justice from a processual perspective in Neri (2018).

<sup>33</sup> The point is to identify the empirical solutions more adequately (and also in a more efficient and controllable way) to analyze the process. The research can be based upon methods of either quantitative or qualitative nature, as long as it is coherently oriented according to the principles outlined above.

<sup>34</sup> The graphic representations of CA often use “arrows” that, by linking elements (resources, conversion factors, capabilities, choices, and functionings), point out the tendency toward a monodirectional, simplistic orientation that is deterministic in nature.

can be assumed and considered in the analysis of the course of action that in the concrete execution will be subject to constant development, adaptation, and eventual re-orientation.

Justice is assumed to be generated in a dynamic process of negotiation that can tend toward a never-definitive reconstruction of the multitude and eventual conflict of needs, interests, and values through what Sen (2009, pp. 324–325) calls “public reasoning on rational comparison.”<sup>35</sup> In the organizational setting, this kind of analysis may be conducted while the actors involved are assisted by experts with which they share the frame of reference, process components, and analytical tools.

In short, as long as justice is concretized in the (relative) freedom of action and in his (relatively free) analysis, lack of participation is impossible: the development of justice is not dissociable from the concepts of *empowerment* and *achievement*. For this reason, we shall call *empowering*<sup>36</sup> the configuration of justice defined in *processual* terms.

## Justice in the Conception of Process of Action and Decision: A Critical Reading

We have proposed an interpretation in strictly *processual* terms of justice in the organizational field, consistent with the conception of organization as a process made of actions and decisions that, even if minoritarian in organizational studies, is deeply rooted in both this field and the social sciences.

In short, from the observation of organizational phenomena in terms of actions and decisions, arises the opportunity to study the regulation and orientation of every action process (and of its links with other action

---

<sup>35</sup> The explicit reference is Habermas (1994), who says inspiration, confrontation, dialogue, and comparison make it possible to generate justice alongside an expression of justice. They can, at the same time, enable discussion, influence the contents of the norms as well as the structure of institutions, and constitute a principle that is neither procedural nor substantial. In organizational terms, this approach is concretized substantially in legitimizing “never-ending” negotiating dynamics within companies.

<sup>36</sup> The term “empowering justice” has been proposed in a way different from what we are using here, particularly in association with “restorative justice” in the field of gender studies (see Riley 2017).

processes) as a result of the conjunction between heteronomous conditionings (rules and norms as interpreted by the acting subjects) and their autonomous actors' production.

Justice, exactly like interests or preferences, is conceived processually, and for this reason it can be studied as intrinsic to action and decisional processes, and only the process of analysis can separate them. In the study of the process of work (e.g., the study relative to the process of introduction in a system of smart working), one can think of justice as an "auxiliary"<sup>37</sup> process, concerned with the study of the orientation and regulation of the main process. One can think of it eventually as the main decisional process under observation in the situation in which justice itself (in its interpretation, development, and change) is specifically subject to analysis. An example could be a research whose question is "how is the question of justice configured in the process of introduction of a smart working process?"

In both cases, the micro-organizational literature theorized by Sen and concretized in the CA can constitute a useful reference for this processual analysis.

The problem is that trying to define a "third way" in the study of justice risks losing its effectiveness exactly on the terrain of unreality from which the critic of positivistic and anti-positivistic perspectives starts, as it is not possible to operationalize in a sufficiently clear way the concept of justice itself.<sup>38</sup>

For this reason, it is useful to remind some of the methodological and theoretical questions that underlie the complexity of the perspective examined.

Referring to the practical potential and the dispute between normative and descriptive perspectives that we have outlined above, this third vision is consciously based on the idea that the concrete expression of justice is unexplainable and projectable *ex ante* on the basis of its intrinsic and objective characteristics; nevertheless, the possibility of an *ex ante* analysis is left open on the basis of the relationship between possible choices of

---

<sup>37</sup> Not to be intended as "of secondary importance" or as a temporal consequence.

<sup>38</sup> We are referring to the potential limits of the processual interpretation of justice we have outlined referring to Sen's CA and not to "intrinsic" limits of the CA itself, extensively discussed in the scientific literature.

the agent and the contextual limits, utilizing a conception of intentional and limited rationality. In so doing, this analysis, even without a formal “projectual” objective, has a concrete impact on the orientation of the process of action.

Regarding the critical issues reflected in the empirical application, we must remark that the question of the distinction between micro and macro, political or organizational action, or individual/collective cannot be theoretically proposed from a perspective in which these levels are reconfigured in the analysis of the process of action.<sup>39</sup> At the same time, we must recognize the concrete difficulty to reintegrate within the analysis those aspects of the context considered relevant without neglecting the nature of the reciprocal constitution and transformation of environment and agency in the course of action.

The matter of the subjects that, in varying degrees, can participate in the analysis of justice (conceived as a process) is linked to the two aspects outlined above. It is evident that if it is up to the experts (but, ideally, also to managers, syndicates, etc.) to contribute to the possibility that people could operate the functionings, it becomes a slippery ground. While it is obvious that, from this perspective, we do not try to impose what the subjects have to do effectively, or to assert predetermined modalities to activate functions, it is at the same time incoherent, in relation to the foundational assumptions, to hold a libertarian or paternalistic logic: justice is configured as but one of the values capable of structuring social actions, and it may take on a dissonant or disruptive nature, as well as a consonant and integrating one. In the processual analysis, it is necessary that the crossing point occurs between knowledge and interests from different fields and not between subjects with a different power or legitimation. In fact, the study of the phenomena according to this conception puts methodological, disciplinary, and *emic* knowledge on the same plan. The researcher becomes the facilitator of the confrontation, favoring the possibility for the subjects to elaborate *their* instruments of analysis and evaluation.

---

<sup>39</sup> An action is always socially oriented, both when carried out by a single individual or by a group. For a further discussion, see Maggi (2011).

The fact that this kind of formulation can have a considerable impact on the activities and structures of HRM and industrial relations is not to be neglected. The conception of organization and justice as processes opens up the possibility for a deep rethinking of these activities, delegitimizing politics that affirm themselves either as formal-structural entities or characterized by an assisted configuration; this may have important consequences for the eventual resistances of actors dispossessed of the traditional forms of power.

## Conclusions

In this chapter, we parsimoniously try to understand the question of justice in the context of organizational phenomena, and we attempt to link contributions rooted in different traditions.

Having referred to the typology that allows confronting the ideas of organization as a process either predetermined, emergent, or made of actions and decisions, these conceptions are associated with the ideas of justice resulting in what can be schematized in Table 8.1.

This confrontation can help to systematize and simplify alternative theories and methodologies that characterize the conjoined study of justice and organization.

The assumption of the chapter's contribution is that the speculative work that associates the two phenomena on the basis of a common epistemological stance can account for the different concrete effects of the alternative understandings of justice.

The first is more "legalistic," focused on the architecture of the system, and is characterized by the tentative to postulate an objective vision of what is right or wrong from which to deduce norms to be applied. The second is more "deconstructive," and is focused on the emergence of subjective instances and in the idea that moral values are relative and socially constructed: they reflect the interests of a specific group or community in an "occasional" position of power. The third opens to a more "negotial" perspective and is focused on confronting the components of the process of action: the comprehension and regulation of the



**Table 8.1** Ideas of organization and ideas of justice

Idea of organization	Idea of justice	Theoretical approaches	Research methods/managerial implication
<p>Organization as <b>Predetermined mechanistic system</b>  <b>Predetermined organic system</b></p>	<p><i>Objectified Systemic justice:</i>                      The "right" attribute is to be associated with a <i>result</i> or a <i>procedure</i>, belonging to the system</p>	<p>Organizational justice theory (Leventhal, 1980) (Greenberg 1987)</p>	<p>Mainly quantitative, generalizing techniques / Organizational design (especially on HRM)</p>
<p>Organization as <b>Emergent system</b></p>	<p><i>Subjective Person-centered justice:</i>                      The "right" attribute is to be associated with <i>subjective experiences</i></p>	<p>Justice experience theory (Mikula 1986) (Guo et al. 2011)</p>	<p>Mainly qualitative research / Emersion and interpretation of events that make sense of justice in working experience facilitation and improvement intervention</p>
<p>Organization as <b>Process of actions and decision</b></p>	<p><i>Empowering Processual justice:</i>                      Justice is to be interpreted in a <i>processual/ logic</i> (not to be confounded with a "procedural" one)</p>	<p>Capability approach (Sen 2009)</p>	<p>Process analysis based on different kinds of research methods / Interpretation and regulation of work process, oriented toward justice values</p>

Source Author

phenomenon derive from the analysis of how values are acting and may facilitate or obstruct the same process of action.

Following the idea (the author's choice, concerning his values) that it would be pointless to consider justice as definitely reachable.

## References

- Adams, J. S. (1963). Toward an understanding of inequity. *Journal of Abnormal and Social Psychology*, 67: 422–436.
- Alvesson, M., Willmott, H. (1992). *Critical Management Studies*. London: Sage.
- Alvesson, M., Deetz, S. (2000). *Doing critical management research*. London: Sage.
- Ambrose, M. L., Wo, D. X. H., Griffith, M. D. (2015). Overall justice: Past, present, and future. In R. S. Cropanzano & M. L. Ambrose (Eds.), *Oxford library of psychology: The Oxford handbook of justice in the workplace* (pp. 109–135). Oxford: Oxford University Press.
- Bakken, T., Hernes, T. (2006). Organizing is both a verb and a noun: Weick meets Whitehead. *Organization Studies*, 27, 11:1599–1616.
- Barclay, L., Whiteside, D. (2011). Moving beyond justice perceptions: The role of experience and intensity. In S. Gililand, D. Steiner, & D. Skarlicki (Eds.), *Emerging perspectives on organizational justice and ethics*. Greenwich, CT: Information Age Publishing.
- Bies, R. J. (1987). The predicament of injustice: The management of moral outrage. In L. L. Cummings & B. M. Staw (Eds.), *Research in organizational behaviour* (Vol. 9, pp. 289–319). Greenwich, CT: JAI Press.
- Bies, R. J., Moag, J. S. (1986). Interactional justice: Communication criteria of fairness. In R. J. Lewicki, B. H. Sheppard, & M. Bazerman (Eds.), *Research on negotiation in organizations* (pp. 43–55). Greenwich, CT: JAI Press.
- Bisman, J. E., Highfield, C. (2012). The road less travelled: An overview and example of constructivist research in accounting. *Australasian Accounting, Business and Finance Journal*, 6, 5: 3–22.
- Burrell, G., Morgan, G. (1979). *Sociological paradigms and organizational analysis*. London: Heinemann.
- Ceva, E. (2016). *Interactive justice: A proceduralist approach to value conflict in politics*. New York: Routledge.

- Cohen-Charash, Y., Spector, P. (2001). The role of justice in organizations: A meta-analysis. *Organizational Behaviour and Human Decision Processes*, 86, 2: 278–321.
- Cooper, R., Burrell, G. (1988). Modernism, postmodernism and organizational analysis: An introduction. *Organization Studies*, 9, 1: 91–112.
- Cropanzano, R., Byrne, Z. S., Bobocel, D. R., Rupp, D. E. (2001). Moral virtues, fairness heuristics, social entities, and other denizens of organizational justice. *Journal of Vocational Behaviour*, 58, 164–209.
- Cropanzano, R., Rupp, D. E., Mohler, C. J., Schminke, M. (2001). Three roads to organizational justice. *Research in Personnel and Human Resources Management*, 20: 1–113.
- Cropanzano, R., Goldmann, B., Benson, L. III. (2005). Organizational justice. In J. Barling, E. K. Kelloway, M. R. Frone (Eds.), *Handbook of work stress*. London: Sage.
- Cropanzano, R., Stein, J. H. (2009). Organizational justice and behavioural ethics: Promises and prospects. *Business Ethics Quarterly*, 19, 2: 193–233.
- Cropanzano, R., Fortin, M., Kirk, J. (2015). How do we know when we are treated fairly? Justice rules and fairness judgments. *Research in Personnel and Human Resources Management*, 33: 279–350.
- Crozier, M., Friedberg, E. (1977). *L'acteur et le système. Les contraintes de l'action collective*. Paris: Seuil.
- Derrida, J. (1994). *Spectres of Marx: The state of the debt, the work of mourning, and the new international*. London: Routledge.
- de Terssac, G. (2003). Travail d'organisation et travail de régulation. In G. de Terssac (Ed.), *La théorie de la régulation sociale de Jean-Daniel Reynaud: débats et prolongements* (pp. 121–134). Paris: La Découverte.
- Deutsch, M. (1975). Equity, equality and needs: What determines which value will be used as the basis of distributive justice? *Journal of Social Issues*, 31: 137–150.
- Elias, N. (1939). *Über den Prozeß der Zivilisation*. Berlin: Taschenbuch. (English ed.) *Civilizing process*. New York: Urizen Books, 1978.
- Emery, F. E., Trist, E. L. (1960). Socio-technical systems. In C. W. Churchman, M. Verhulst (Eds.), *Management science. models and techniques* (Vol. 2, pp. 83–97). Oxford: Pergamon Press.
- Fenwick, T. (2005). Conceptions of critical HRD: Dilemmas for theory and practice. *Human Resource Development International*, 8, 2: 225–238.
- Finkel, N. J. (1995). *Commonsense justice: Jurors' notions of the law*. Cambridge, MA: Harvard University Press.

- Fournier, V., Gray, C. (2000). At the critical moment: Conditions and prospects for critical management studies. *Human Relations*, 1: 7–32.
- Gadamer, H. G. (1977). The phenomenological movement. In D. Linge (Ed.), *Philosophical hermeneutics* (pp. 130–182). Berkeley: California University Press.
- Garfinkel, H. (1967). *Studies in ethnomethodology*. Englewood Cliffs, NJ: Prentice-Hall.
- Geertz, C. (1973). *The interpretation of cultures*. New York: Basic Books.
- Giddens, A. (1979). *Central problems in social theory*. London: Palgrave.
- Giddens, A. (1984). *The constitution of society*. Cambridge: Polity Press.
- Greenberg, J. (1987). A taxonomy of organizational justice. *Academy of Management Review*, 12, 1: 9–22.
- Greenberg, J. (1990). Organizational justice: Yesterday, today, and tomorrow. *Journal of Management*, 16: 399–432.
- Greenberg, J., Bies, R. (1992). Establishing the role of empirical studies of organizational justice in philosophical inquiries into business ethics. *Journal of Business Ethics*, 11: 433–444.
- Guo, J., Rupp, D., Weiss, H., Trougakos, J. (2011). Justice in organizations: A person-centric approach. In S. W. Gilliland, D. D. Steiner, & D. P. Skarlicki (Eds.), *Emerging perspectives on organizational justice and ethics*. Greenwich, CT: Information Age Publishing.
- Habermas, J. (1994). Three normative models of democracy. *Constellations*, 1, 1: 1–10.
- Hatch, M. J. (1997). *Organization theory: Modern, symbolic, and postmodern perspectives*. Oxford: Oxford University Press.
- Heider, F. (1958). *The psychology of interpersonal relations*. New York: Wiley.
- Herzberg, F. (1968). One more time: How do you motivate employees? *Harvard Business Review*, 46: 53–62.
- Hollensbe, E. C., Khazanchi, S., Masterson, S. S. (2008). How do I assess if my supervisor and organization are fair? Identifying the rules underlying entity-based justice perceptions. *Academy of Management Journal*, 51, 6: 1099–1116.
- Homans, G. (1961). *Social behaviour: Its elementary forms*. New York: Harcourt.
- Johnson, B. L., Jr. (2008). Exploring multiple meanings and pursuits of social justice: A reflection on modern, interpretive, and postmodern possibilities. *Teacher Development*, 12, 4: 301–318.
- Julhe, S. (2016). The capability approach to work. *Revue française de sociologie*, 57, 2: 321–352.

- Lakoff, G., Johnson, M. (1980). *Metaphors we live by*. Chicago: Chicago University Press.
- Lawrence, P., Lorsch, J. (1967). *Organization and environment*. Cambridge, MA: Harvard University Press.
- Legge, K. (1998). Is HRM ethical? Can HRM be ethical? In M. Parker (Ed.), *Ethics and organizations* (pp. 53–75). London: Sage.
- Leventhal, G. S. (1980). What should be done with equity theory? New approaches to the study of fairness in social relationships. In K. Gergen, M. Greenberg, R. Willis (Eds.), *Social exchange: Advances in theory and research* (pp. 27–55). New York: Plenum Press.
- Levinas, E. (1985). *Ethics and infinity: Conversations with Philippe Nemo*. Pittsburgh: Duquesne University Press.
- Maggi, B. (2003/2016). *De l'agir organisationnel. Un point de vue sur le travail, le bien-être, l'apprentissage*. Bologna: TAO Digital Library. <http://amsacta.cib.unibo.it>.
- Maggi, B. (Ed.). (2011). *Interpretare l'agire: una sfida teorica*. Roma: Carocci.
- Maynard, D. W., Manzo, J. (1993). On the sociology of justice: Theoretical notes from an actual jury deliberation. *Sociological Theory*, 11:171–193.
- McGregor, D. (1960). *The human side of enterprise*. New York: McGraw Hill.
- Mead, G. H. (1934). *Mind, self, and society*. Chicago: University of Chicago Press.
- Mikula, G. (1986). The experience of injustice toward a better understanding of its phenomenology. In H. W. Bierhoff, R. L. Cohen, & J. Greenberg (Eds.), *Justice in social relations* (pp. 103–123). New York: Plenum Press.
- Morey, N. C., Luthans, F. (1984). An emic perspective and ethnoscience methods for organizational research. *Academy of Management Review*, 9, 1: 27–36.
- Morris, M. W., Leung, K., Ames, D., Lickel, B. (1999). Views from inside and outside: Integrating emic and etic insights about culture and justice judgment. *Academy of Management Review*, 24, 4: 781–796.
- Nussbaum, M. (2011). *Creating capabilities: The human development approach*. Cambridge, MA: Harvard University Press.
- Neri, M. (2018). *Justice and organization: Confronting conceptions*. Bologna: TAO Digital Library. <http://amsacta.cib.unibo.it>.
- Niehoff, B. P., Moorman, R. H. (1993). Justice as a mediator of the relationship between methods of monitoring and organizational citizenship behaviour. *Academy of Management Journal*, 36, 5: 527–556.
- Rawls, J. (1971). *A theory of justice*. Cambridge, MA: Harvard University Press.

- Ricoeur, P. (2000). *The just*. Chicago: The University of Chicago Press. (English ed.) *Le Juste*. Paris: Editions Esprit, 1995.
- Riley, K. (2017). Empowering justice: An intersectional feminist perspective on restorative justice in the sex trade. *American Journal of Economics and Sociology*, 76: 1157–1190.
- Roberson, Q., Colquitt, J. (2005). Shared and configural justice: A social network model of justice in teams. *Academy of Management Review*, 30: 595–607.
- Roberson, Q., Stevens, C. K. (2006). Making sense of diversity in the workplace: Organizational justice and language abstraction in employees' accounts of diversity-related incidents. *Journal of Applied Psychology*, 91, 2: 379–391.
- Roethlisberger, F. J. (1941). *Management and morale*. Cambridge, MA: Harvard University Press.
- Rupp, D. E., Ganapathi, J., Aguilera, R., Williams, C. (2006). Employee reactions to corporate social responsibility: An organizational justice framework. *Journal of Organizational Behaviour*, 27, 4: 537–543.
- Sandberg, J., Loacker, B., Alvesson, M. (2015). Conceptions of process in organization and management. In R. Garud, B. Simson, A. Langley, & H. Tsoukas (Eds.), *The emergence of novelty in organizations*. Oxford: Oxford University Press.
- Schminke, M., Ambrose, M., Noel, T. (1997). The effect of ethical frameworks on perceptions of organizational justice. *Academy of Management Journal*, 40, 5: 1190–1207.
- Sen, A. (1987). *On ethics and economics*. Oxford: Basil Blackwell.
- Sen, A. (2009). *The idea of justice*. Cambridge, MA: Harvard University Press.
- Simon, H. (1947). *Administrative behaviour*. New York: Macmillan.
- Simon, H. (1955). A behavioural model of rational choice. *Quarterly Journal of Economics*, 69, 1: 99–118.
- Simon, H. (1976). From substantive to procedural rationality. In S. P. Latsis (Ed.), *Method and appraisal in economics* (pp. 129–148). Cambridge: Cambridge University Press.
- Subramanian, D., Verd, J., Vero, J., Zimmerman, B. (Eds.). (2013). Bringing Sen's capability approach to work and human resource practice. *International Journal of Manpower* (Special Issue), 34, 4.
- Taylor, F. W. (1911). *The principles of scientific management*. New York: Harper.
- Thibaut, J., Walker, L. (1975). *Procedural justice*. Hillsdale, NJ: Erlbaum.

- Watson, G. (2003). Ideology and the symbolic construction of fairness in organizational change. *Journal of Organizational Change Management*, 16, 2: 154–168.
- Weber, M. (1919). *Politik als Beruf*. München: Duncker & Humboldt. (English ed.) *Politics as a vocation*. Philadelphia: Fortress Press, 1968.
- Weber, M. (1922). *Wirtschaft und Gesellschaft* (Vol. I). Mohr: Tubingen. (English ed.) *Economy and society*. Berkeley: University of California Press, 1978.
- Weick, K. E. (1977). Enactment processes in organizations. In B. M. Staw, & G. R. Salancik (Eds.), *New directions in organizational behaviour* (pp. 267–300). Chicago: St. Clair Press.
- Weick, K. E. (1995). *Sensemaking in organizations*. Thousand Oaks: Sage.
- Whitehead, A. . (1929). *Process and reality*. New York: Macmillan.
- Wooten, K. C., White, L. P. (1999). Linking OD's philosophy with justice theory: Postmodern implications. *Journal of Organizational Change Management*, 12, 1: 7–20.
- Young, I. (1990). *Justice and the politics of difference*. Princeton, NJ: Princeton University Press.
- Zuffo, R. (2011). Taylor is dead, hurray Taylor! The “human factor” in scientific management: Between ethics, scientific psychology and common sense. *Journal of Business Management*, 17, 1: 23–41.



# 9

## How to Ground Corporate Governance Practice on African Ethics

Diana-Abasi Ibanga 

### Introduction

Corporate governance is one of the biggest challenges for companies in the African continent whether such a firm is multinational or local. Companies in Africa generally face a lot of challenges and in turn create severe hardships for the continent in many ways. From North Africa to southern Africa and from West to East and Central Africa, the state, communities and companies are entangled in a web of crises that arise from the operational activities of these firms (Bu 2015; Daouda 2014; Maiangwa and Agbiboa 2013). This problem is more acute when it involves the multinational companies, particularly those with headquarters in Europe and North America. Governments, researchers and the firms have tried to arrest this problem in meaningful ways but their efforts have yielded very marginal results (Ayandele and Isichei

---

D.-A. Ibanga (✉)

Department of Philosophy, University of Calabar, Calabar, Nigeria

e-mail: [ibanga.letters@gmail.com](mailto:ibanga.letters@gmail.com)



2013). There are still a lot of setbacks in the relationships between the state, communities and companies despite these efforts. It seems that, in Africa, companies have lost their ability to entrench corporate governance practice as it is done elsewhere around the globe.

Much of this relational problem can be traced to the corporate governance framework of corporate Africa (Okeahalam 2004). A number of scholars have blamed this problem on insincerity on the part of multinational companies (Bu 2015; Daouda 2014; Maiangwa and Agbibo 2013) and some multinational firms themselves have admitted to adopting double standard in dealing in Africa (Ekine 2010). This essay holds that the blame of double standard, though significant, is not sufficient ground to explain the crisis of governance in Africa. This argument is based on the fact that African indigenous firms are equally part of this crisis and do exhibit similar corporate governance ineptitude as their foreign counterparts operating in the continent. On the contrary, the argument of this essay is that the crisis of corporate governance is fundamentally a problem of contextual disorientation. This describes the issue whereby companies use wrong conceptual tools to define corporate governance practice in the continent. It is largely resulting from what Mesembe Edet (2017) describes as 'Descriptive Chauvinism', that is, a mental attitude that assumes uncritically that paradigms from Western traditions ask questions or construct responses in similar manner as those in African contexts. Companies operating in African economies largely depend on Western corporate governance paradigms, which they adopt uncritically to define corporate governance practice in Africa (Lutz 2009). This is the source of the crisis of corporate governance in the continent. Note that this is a unique and novel way to understanding this problem in that it proposes to apply hermeneutics to issues of corporate governance by examining the meaning of the concepts that define a firm, which is quite different from all previous approaches.

Companies are adopting Western conceptual schemes in their corporate governance practice in a way that is inconsistent with African contexts. This problem is addressed in this work, by principally analyzing the meaning of the concept of the 'firm' (juridically defined as 'a legal person') in African context in Sect. 2.1 and drawing from the analysis to demonstrate the ways by which corporate governance practice

can be grounded on African ethics. The justification for this approach is that this is a problem of contextual disorientation, which can be addressed only via proper contextualization in African thinking. African ethics generally describe and demonstrate the norms, values and ethos that characterize indigenous thinking in much of African society. In this essay, African ethics are conceptualized in the most generalized sense to illustrate the central theme and goal of African ethics and the means by which this goal is designed to be accomplished. It emphasizes the notions of 'person' and 'community', which are the vortex of African ethics. The essay shows how the general concept of African ethics can transform corporate governance practice in the continent in terms of how it might affect the conceptual status of a company. Finally, the essay develops Conversational Space Model (CSM) to demonstrate the practical ways corporate governance practice might be grounded on African ethics. This is shown with some principles identified with African ethics and philosophy.

## **A Generalized Conception of African Ethics**

The goal here is to describe a general concept of African ethics. There is a balance of opinions among scholars that African ethics is not a straight line of principles and values that are found in all the communities that make up African continent. Part of the reason for this is that ethics are place-based; and they are a set of values that represent the finest heritage of a culture or community, which are accepted to guide behaviour in the community (Ibanga 2018a; Janz 2009). Therefore, there are a number of different doctrines of ethics in the continent; some of them are marginally at variance. But this does not mean that one cannot paint a general concept of African ethics. This can be achieved by defining the general theme and goals of African ethics and the means by which this goal can be accomplished.

What is the central theme of African ethics? African ethics have a general doctrine that is common to most cultures in Africa. This central theme that runs through all variants of African ethics is communitarianism or communalism. This is the central strand that defines African

ethics in a general sense, and it runs through the different epochs of African society from pre-colonial, colonial and postcolonial times. Many scholars both within and outside the continent have identified communitarianism or communalism as the most enduring African value (Nze 2007; Metz 2007; Iroegbu 2007). This claim remains generally true despite studies that have shown non-communitarian side of Africa (Oguejiofor 2007; Simiyu 1987). Communitarianism or communalism can be summarily characterized as the doctrine that recognizes human beings and nonhuman entities as linked up together in a community (Ekei 2014). That is to say, human beings and nonhumans occupying a given geographical space are interrelated, interconnected and interdependent; on the basis of this, they jointly owned the resources in that space and are entitled to participate in the activities and decision-making processes that defined that space. This is the general attitude to ethics in African contexts. However, it is important to note that this communitarianism strand that characterizes African ethics are not peculiar to African thinking (Bell 2020). It also exists in some parts of the West although not as dominant as it is in the African society, and it cannot be held to be salient in Western thinking (Metz 2015a). Despite this, the African communitarian philosophy is peculiar on the account of its peculiar human ontology as shown in Sect. 2.1.

Now, why do African ethics exist? What does it aim to achieve? This ethics aim to protect present and future people, animals, plants and landscapes, communities and cultures. That is the aim of African ethics, namely, to guarantee social justice to humans, nonhumans and ecosystems. African ethics aim to improve the wellbeing of all entities that make up a community and the processes that hold the community in place (Ekei 2014). This means that African ethics are a holistic rendition of values. It seeks to insure the health of every entity in nature but in doing this it recognizes the interrelation, interconnection and interdependency of all beings in nature. To this extent, all beings are mutually depending on one another and the interest of one involves the interest of all. In this direction, the wellbeing of one entity depends on the wellbeing of all other entities. This is why one can conclude that African ethics aim to provide holistic health to communities or ecosystems.

To achieve this goal of holistic health or wellbeing, a number of strategies must be taken into consideration. There are two outstanding means by which the goal of African ethics can be accomplished. First, communal living has been identified as one of the most effective ways that African ethics have been operationalized in African communities (Oluwagbemi-Jacob 2014). Studies demonstrated that communal living has been the attitudinal orientation of most African communities from the pre-colonial through the colonial to the postcolonial times (Metz 2015b; Iroegbu 2007). Although some studies have shown that colonial experience has impacted on African communal living (Oluwagbemi-Jacob 2014; Oguejiofor 2007), this attitude of communal living has remained significant in wider parts of the continent up till today (Ekwealo 2017). Communal living has been described with several nomenclatures, but generally communal living is defined as mutual living, mutual sharing and joint-ownership (Nze 2007). African ethics advocates that resources in a community should be jointly owned and mutually shared by every member of the community. The community membership here does not restrict to only the human beings presently living there but includes future people (Ibanga 2018a; Nyerere 1968) and nonhuman animals, plants and metaphysical entities (Ibanga 2018a; Ekwealo 2017). Every member of the community, both humans and nonhumans, are said to jointly own resources that are available in a given community; on that basis they are stakeholders and should mutually share in the resources (Ekei 2014). This approach allows the interest, concerns and wellbeing of every member of the community to be taken into consideration whenever decision-making is taking place in relation to the resources and the community. So, by adopting communal living models, communities can realize the goal of African ethics.

The second strategy through which the goal of African ethics can be accomplished is by means of institutionalizing the concept of communal justice. Communal justice is defined as 'the disposition to belong and live with others in a communal experience of their lives' (Ekei 2014, 200). John Ekei (2014) has identified four essential modes or expressions of communal justice, namely: justice-as-coexistence, justice-as-acceptance, justice-as-care and justice-as-concern. Justice-as-acceptance refers to the willingness to execute the role demanded by a particular stage of life.

These roles are obligated to the individual by virtue of one's age, status, circumstance, etc. These roles are carried out for its own sake because the survival and flourishing of the community depend on it. Justice-as-care coincides with extension of sympathy to the general objects of morality. In caring, one organizes oneself or teams up with others, to tackle problems that exceed individual capacities. In effect, the act aids in promoting survival and flourishing of human society. Justice-as-concern refers to the act of compassion, sympathy and fairness given exclusively to the disadvantaged segment of a community. This includes 'the physically handicapped, the poor, the destitute, the ignorant, the less advantaged and the indigent... this group is at the very mercy of the community for their material and moral sustenance' (Ekei 2014, 196). It is an act of justice inflected on members of community by natural conditions and social circumstances. Communal justice integrates others' interests or needs with one's own interest or need. The goal is to ensure the survival and flourishing of the community as a whole. Therefore, in adopting the communal justice model, a community can accomplish the goal of African ethics which is designed to ensure integration and survival of the community.

## Person and Community

The notions of person and community are the most central in African ethics. The system of African ethics is founded on African traditional theory of being, which is defined in terms of person and community. Generally, there are two types of persons: communal person and individualistic person. These two categories of person are each dominant in different parts of the world. For example, scholars generally agree that we have more of individualistic persons in the Western world and more of communal persons in the sub-Saharan Africa (Metz 2015a; Amaeshi and Idemudia 2015). On one hand, the Western conception of personhood is traditionally individualistic. On the other hand, the African conception of personhood is traditionally communal. These two conceptions of a person differ to the extent that it helps configure the orientation in societies where these perceptions are dominant, which in turn produce

the different categories of person. In other words, a person is a person to the extent of and in relation to the societal and cultural influences that defined his/her personhood. The idea is that what an individual accepts and believes is what configures his/her personhood.

African ethics recognizes the communal person as the authentic type of person. The definition for the communal person is derived from the maxim—‘a person is a person through other persons’ (Ramosé 2005; Menkiti 2004). That is to say, a person is only a person to the extent of which her existence positively affirms the existence of others. One is not simply born a person but only becomes a person (Ibanga 2020; Menkiti 1984). Personhood is earned through certain moral dispositions, such as integrating the interest of other persons and things with one’s own. Moral dispositions are those virtues that contribute to the harmony, wellbeing, flourishing and survival of the community (Ekei 2014). In addition, personhood is hierarchically modelled based on ontological references and capabilities. The structure is dynamic, to allow for mobility between the different levels of placement (Anyachie 2007; Menkiti 1984). One ascends the hierarchy through moral virtue and hardwork (Ibanga 2020; Anyachie 2007). This explains that personhood is not acquired automatically at birth or adulthood. One has to earn one’s personhood by progressing into it. Once one is recognized as a person, it elevates one in the eyes of the community with access to certain benefits not opened to non-persons—such as setting up a business. Also, attainment of personhood comes with certain moral obligations (such as contributing to the economy of the community) of which the person must discharge. To abdicate these responsibilities is to abdicate one’s status, thus lose the benefits associated thereof. Personhood is a moral status and a stage in life.

‘A person is a person through other persons’. ‘Other persons’ here refers to the community. ‘To be is to belong and to participate’ (Mkhize 2008, p. 40). Belongingness is a necessary condition to acquiring personhood but it is not a sufficient criterion; one has to participate in the community affairs (Ibanga 2020). As Nhlanhla Mkhize (2008, p. 39) explains, ‘A sense of community exists if people are mutually responsive to one another’s needs’. Belongingness and participation are what characterize a community, and these are the same criteria that characterize

personhood. That is why there cannot be a person without community and vice versa. Personhood is derived from community. Take away the two criteria, an individual is considered an alien; and would be disapproved of if one attempts to benefit from the community's resources. Conversely, a community is made up of persons who must be treated with respect and dignity. The Annang aphorism states: *iba nsaha, ita abio*, (two is a companion, three is a community). Once there is a third party (i.e. 'the other') a community is formed.

Community is made up of both statutory and nominal members. Statutory members are those who are considered the actual members of the community either by birth or naturalization. These are those who can be identified with the community—that is, those who belong and participate in the community. Nominal members are those whose stay in the community is temporal or who come around to transact business—that is, the come-and-go members. They only come to participate in the community affairs, and not to *be-long*. They *belong* in another community. But their *participation* must contribute to the community's harmony, wellbeing, flourishing and survival; otherwise their participation (or intention to participate) would be disapproved of. This distinction—between the statutory and nominal—is extrapolated from the Annang traditional conception of community as comprising *mme ntitie* (literary meaning 'the two-legged') and *mme ndada* (literary meaning 'the one-legged'). *Mme ntitie* (the two-legged) have their two legs in the community, which is here exemplified as one leg representing 'to belong' and the other leg symbolizing 'to participate'. *Mme ndada* (the one-legged) have only one of their legs in the community. The leg they have in this community is the 'to participate'. The 'to belong' leg is rooted in their original/actual community. If they choose, *mme ndada* can progress to become (naturalize) as *mme ntitie*. These two groups have differing rights, with *mme ntitie* having more rights in the community. But all are deserving of respect and dignity on their moral status.

## Linking African Ethics and Corporate Governance Practice

The objective here is to show how the general concept of African ethics can transform corporate governance practice in the continent in terms of how it might affect the conceptual status of the firm. There are two standard types of company: one, corporation (big firm), and two, micro-enterprises (small firm). A corporation includes entities such as multinational and transnational companies as well as national firms can be listed. The category includes only big firms with wide market reach and big capital base. The firms have identity of their own separate from the founders of the firm. In law, they are regarded as legal persons who can sue and be sued. Conversely, small firms are micro-enterprises. Sometimes, they are defined as Micro, Small and Medium Enterprises (MSMEs). Their capital base is small, and their market share is very limited. Most times, the identity of the firm is synonymous with the founder or promoter. The point here is that African ethics can affect the conceptual status of these categories of company. First, take into consideration the first category—the big firm. A description of the big firm has been given above, and this includes the legal categorization of the big firm as ‘a person’. The dictum that firms are persons is generally accepted in jurisdictions all over the world.

The underlying question here is: what sort of person is the firm? If the corporation is a person, then what sort of person is the firm? It is important to note that companies derived their statuses as persons from legal pronouncements in Western jurisprudence (Lutz 2009). This means that when the company was proclaimed as a person, the jurisprudence that underpinned the decision was the Western philosophy of law. Western jurisprudence conceptualizes a person in the individualistic mould (Lutz 2009). Therefore, the personhood status that was conferred on the company was the Western type of person, namely, the individualistic person. Corporate law in Africa, which firmly hold on to its colonial roots (see Obilade 2009), also conferred the individualistic personhood on African indigenous firms. In this wise, companies, whether indigenous or foreign, are unable to adequately fit in to the African society. They operate as aliens in the communities where they are domiciled. The



promoters of the firms do not see their firms as part of the communities that they operate from. This is because the firms are not considered to be communal persons. For this reason, the firms are designed to exploit their host communities rather than contribute to the wellbeing of the communities.

Following from this, it is pertinent that African ethics are adopted as the underpinning philosophy of business management in Africa. This would impact on corporate governance in the continent. Precisely, this can be demonstrated by how African ethics can/will transform the personhood status of the company. Firms are conferred the status of a person instantaneously by the force of law (Watson 2019). This differs with what is obtainable in African philosophy. However, this can be excused since the firm is not a human being who progresses to personhood from birth. So, in a way, within the theoretical framework of African ethics, firms can be admitted into personhood as *indirect persons*. They derive their personhood status vicariously from the personhood of the human beings setting up the business. As shown in the previous section, a non-person cannot set up a business. In this sense, a firm is a person with all the associated benefits and liabilities in the community accrue to its mode of personhood. As a person, the firm is hierarchically placed by age, spread and capability ('Spread' here refers to the 'market reach'; and 'capability' refers to the 'capital base'). Age alone without spread and capability is not enough for a firm to ascend the hierarchy.

However, the firm's responsibility to the community increases as it ascends the ladder. This can be further explained with the Ubuntu maxim 'I am because we are', which apportion importance based on the level of participation in the economy of the community (Ramose 2005). But the elevation in status correspondingly increases the obligation to discharge social responsibilities. More is expected of a bigger firm than a smaller one. But all firms, small and big, have the moral obligation to contribute to the harmony, wellbeing and flourishing of the community of their operations (Ibanga 2018b). This moral responsibility comes with their status as persons-in-community. As the firm draws the community's tangible and intangible resources it draws socio-economic benefits from the community, and this places on it the moral obligation to use the resources partly in a way that would benefit the community in terms of

ecological wellbeing and social wealth (Ibanga 2018b). By being founded in the community of its operations, the firm has become a member of the community. It belongs in the community as long as it operates there. To belong is to participate. Therefore, the firm has to participate actively in the affairs of the community, in its development and sustenance.

As a member-of-community, a person, the firm has to discharge all the duties a person owes its community. A firm's membership in a community has to be understood based on the distinction of statutory and nominal membership. On the one hand, statutory membership applies to firms making Domestic Direct Investment (DDI), to indigenous firms, those whose ownership can be traced to the indigenous persons in the community or country. On the other hand, nominal membership applies to firms making Foreign Direct Investment (FDI), to transnational and multinational companies, those whose ownership lies outside the community or country. Since statutory members enjoy more rights compared to nominal members, firms considered to be statutory members of community are considered to enjoy wider benefits than nominal members, including exemptions from certain taxes and tariffs, monopoly or exclusive rights, subsidies, etc. This difference in benefits is justified since the statutory-member firms have their both *legs* rooted in the community. Nominal-member firms come only to participate in the economy of the community or country, with no clear intention to stay or nationalize. The bulk of their wealth is funnelled back to their home communities or countries.

Meanwhile, as community members, differences in benefits notwithstanding, all firms are regarded in kin-related terms as familial part of the wider community. Therefore, their economic behaviour, which is expressed in their striving for market share, must reflect the African moral maxim, namely, *I am because others are*. This means that rather than encourage negative competition in their operations (such as taking the other out of the market through economic power), the firms in the African moral view would have to seek self-realization via communal or harmonious relationships within the economy. For example, they would buy from each other and, perhaps, only go outside the local market to source for goods and services that fellow firms in the economy do not offer. This would make the firms to interact closely and routinely. This in

turn would increase the sense of togetherness and solidarity among the firms, and positively impact on the existing interpersonal relationships in the wider community. This communal practice of mutual patronage can lead to greater propensity to developing and sustaining communal or harmonious relationship in the marketplace, which is emphasized in African ethics.

Also, in the African moral lens, firms and their employees are considered not see themselves as competitors (or even enemies) in and out of the business context. This is expected to improve their perceptions of each other as co-workers (though working at different firms), who are working for the overall interests of the wider community's wellbeing. Emmanuel Eze (1997) opines that conflict is rife nowadays in the African place because the various parties believe that their economic interests and survival needs are diametrically opposed. This means that if it can be shown that the economic interests of the various parties are essentially the same, the economic conflict would be nipped. To counter-pose this, one can draw from the Asante art motif, depicting a crocodile with one stomach and two heads locked in struggle over food. Wiredu (1995, p.57) observes that 'if they could but see that the food was, in any case, destined for the same stomach, the irrationality of the conflict would be manifest to them'. This is the same thing as saying that marketplace conflict by firms will be reduced if the firms are made to see the wellbeing of community as the ultimate purpose of being in business.

Further, a firm is both a member-of-community (a person) and a community (made up of persons and things). In the African communitarian sense, being a person, a firm would be seen as existing as 'we'. This differs with the tradition in the dominant Western jurisprudence whereby a firm is seen in the individualistic sense existing as 'I'. The firm therefore is a community within a community. Being seen as a community in this sense means that it is perceived in kin-related terms—as a family. This means that all the stakeholders at the firm (including employers, employees, shareholders, clients, etc.) are to be treated with respect appropriate for family members. One's dignity must remain intact while working in the firm. Stakeholders—particularly employees and clients—are not to be exploited since they are more like family members. Their welfare has to be paramount in and out of the company.

Since the firm is a family, resources have to be distributed in a balanced way within the firm—so that there is no great income inequality between the workers who are invariably seen as family members. Wage difference between various ranks need not be too wide. When the wage difference is too wide, it leads to financial stratification and instantiates economic inequality in the firm and the wider community, and in turn would create divisive attitudes, which is at variance with harmonious relationship emphasized in African ethics (Metz 2015b).

On one hand, the firm must itself build and maintain a caring relationship with its employees and clients. On the other hand, it must work to develop persons' capacity for harmonious relationship and caring for others within and outside the firm. For example, incentives can be given to workers and clients whose relationship at the firm promote harmony in and out of the firm. Additionally, recruitment may not just be based simply on educational qualifications. Job opportunities may have to be opened especially to those who see their jobs as a means by which to discharge their obligations to others (the community). In this way, a firm's existence in a community would promote mutual living and mutual sharing, and actively contribute to the community's harmony, social wealth, wellbeing, flourishing and survival. Also, the conditions it create would enable the community to produce moral competent individuals who would be able to serve creditably at the leadership of the community and society at large.

## Conversational Space Model

Conversation is crucial in the African moral worldview (Ibanga 2017). Beyond participating in communal activities, there should be some sort of formal channel for the firm to engage the community. The idea is to enable the community to see its reflection in the firm, just as the firm sees its reflection in the community via communal participation. One may argue that community workers in the firm are enough reflection of the community image in the firm. That is true to an extent. However, since the firm is considered a part of the community, the community

always feels the need to be ‘carried along’ in its social policy formulation—particularly those that affect core norms of the community. So, a shared space has to be created to deal with such. This often would apply to a big firm. In this section, what may be described as Conversational Space Model (CSM) is proposed to demonstrate practical ways corporations operating in African economies may further integrate their interests with that of the host communities as proposed in African ethics. CSM is a proposed corporate governance practice whereby a firm and the host community jointly appoint a committee that comprises key decision-makers of the company and the community. This joint committee will act as a Conversational Space (CS) where interests that affect/concern both the community and the company are discussed, and common grounds are found. The purpose is to enable the firm and the community to engage each other on matters that are common to each. The CSM allows continuous participation/engagement of the host community in the firm’s decision-making processes. An illustration of this model is shown the Fig. 9.1 below.

Generally, ethics are rooted in conversation (Janz 2009). The CS is a sort of clearing that allows specific values or ethos to emerge. In conversation, individuals or groups can facilitate emergence of common ethics, including re-evaluating or recalibrating the prevalent norms to fit into the new scheme (Ibanga 2018a). The CS is a space shared by both the firm and the community. Diana-Abasi Ibanga (2018a, p. 121) posits that during space sharing, people are likely to ‘involve in *gesprekke* [conversations] that span social, political, economic, ecological, and

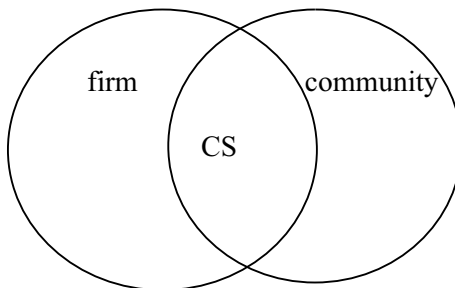


Fig. 9.1 Conversational space model (CSM)

cultural themes’ and this ‘may lead to discovery of more facts, concepts, values, etc.’ about the environment or ecosystem (p. 121). Further, ‘in attempting to provide answers, the persons who had come together for a *braai* [i.e. space sharing] would ultimately develop ethical thinking, and eventually act sustainably towards other existents in nature and towards themselves’ (Ibanga 2018a, p.122).

The CSM is inter-intuitive with many traditions and theories in African philosophy including Ibu-Anyi-Danda (Asouzu 2011), Conceptual Mandelanization (Edet 2017), Ndu-Mmili-Ndu-Azu (Ekwealo 2017) and Braai ethic (Ibanga 2018a). Particularly, Braai ethic urges for ‘frequent summoning’ of people to the common space for the purpose of engaging in deep conversation about the future of the community.

Braai ethic enjoins people coming together to share space to converse and ask one another deep questions about society and environment. Such *diep gesprek* [deep conversation] that may raise our consciousness about our place in nature/environment, in terms of the structure of our relationship to nonhumans, future people and less advantaged humans – and our obligations to them. ...[it] calls for *diep ondervraging* [deep questioning] of our everyday beliefs, probing of our mental attitudes, to dialogue differences and to synthesize common ideations towards shaping the Africa of the future. (Ibanga 2018a, p. 124)

Furthermore, ‘once the pertinent questions are asked, often on a conversational mode that should include the host community, we can begin to construct the right responses to address the potential grey areas... in a way that benefits all parties’ (Ibanga 2018b, p. 376). In this way, the CSM serves to benefit the company, host community and the larger community. This therefore repositions the firm to pursue the wellbeing of the whole community as its cardinal objective. The CS should be set up as soon as (or before) the firm starts its operations, in order to forestall any misunderstanding between itself and the community.

## Conclusion

African ethics are based on the concept of communal personhood. It recognizes all entities in the community as entitling to communal relationship, whether such entities are human beings, metaphysical entities, nonhuman animals, plants, ecosystems or objects. Everything that exists in an African community has a stake in the community by virtue of its existence, and the stakeholder's status imposes duty of care on it, to ensure the survival and flourishing of the community as a whole. Therefore, when African ethics are adopted as the underpinning philosophy of corporate governance in Africa, it would affect the personhood status of the company. The firms operating in African economies would no longer be seen as persons with no communal obligations. African philosophy would transform their personhood statuses from individualistic person to communal persons. In transforming the firms, the obligations of the firms to the host communities would also change to align with the moral dispositions of communal persons. This means that the firm would have to integrate the interests of the whole community with its own business interests. Since the company would be regarded as communal person, it would share in the obligations and expectations of communal justice.

**Acknowledgements** The title of this essay is the title I used for my unpublished essay that won the '2019 Early Career Sirkku K. Hellsten Memorial Essay Award on African Governance, Corporate Responsibility and Global Justice' at the 3rd World Congress on African Philosophy held at the University of Dar es Salaam, Tanzania, in 2019. I have made substantial revisions of the original essay, including adding new sections and over 3000 words that were not part of the original essay I submitted for the competition. I thank the editors and the two anonymous reviewers for their suggestions, which have contributed to improve this essay.

## References

- Amaeshi, K., and U. Idemudia. 2015. Africapitalism: A Management Idea for Business in Africa? *Africa Journal of Management* 1(2): 210–223.
- Anyaehe, M. 2007. African Communalism and Poverty in Nigeria. In *Perspectives on African Communalism*, ed. Ike Odimegwu, 346–355. Victoria, BC: Trafford Publishing.
- Asouzu, I.I. 2011. *Ibuanyidanda and Philosophy of Essence*. Calabar: University of Calabar Press.
- Ayandele, I.A. and E.E. Isichei. 2013. Corporate Governance Practices and Challenges in Africa. *European Journal of Business and Management* 5(4): 51–59.
- Bell, D. 2020. Communitarianism. *Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta. <https://plato.stanford.edu/entries/communitarianism/>
- Bu, Q. 2015. Chinese Multinational Companies in Africa: The Human Rights Discourse. *African Journal of Legal Studies* 8(1–2): 33–86.
- Daouda, Y.H. 2014. CSR and Sustainable Development: Multinationals Are They Socially Responsible in Sub-Saharan Africa? The Case of Areva in Niger. *Cadernos de Estudos Africanos* 28: 141–162.
- Edet, M.I. 2017. *Afroxiology, Conceptual Mandelanization and the Conversational Order in the New Era of African Philosophy*. Calabar: 3rd Logic Option Publishing.
- Ekei, J.C. 2014. *An Introduction to African Philosophy*. Lagos: Smagh & Co. Nig. Ltd.
- Ekine, S. 2010. We Are Sorry! *New Internationalist*, April 1. <http://www.newint.org>. Accessed 26 March 2019.
- Ekwealo, C.J. 2017. *Ndu Mmili Ndu Azu: An Introduction to African Environmental Ethics*, ed. Diana-Abasi Ibanga. Lagos: Redcom.
- Eze, E.C. 1997. Democracy or Consensus? Response to Wiredu. In *Postcolonial African Philosophy: A Critical Reader*, ed. Emmanuel Chukwudi Eze, 313–323. Oxford: Blackwell.
- Ibanga, D.A. 2018a. Renewable Energy Issues in African Contexts. *Relations: Beyond Anthropocentrism* 6(1): 117–133.
- Ibanga, D.A. 2018b. Is There a Social Contract Between the Firm and Community: Revisiting the Philosophy of Corporate Social Responsibility? *International Journal of Development and Sustainability* 7(1): 355–380.



- Ibanga, D.A. 2020. Paths to African Personhood and Identity in the Diasporas: The Case for Reburial of African Enslaved Ancestors. *Journal of Contemporary African Philosophy* 1(1). <https://journal.domuni.eu:443/jocap/index.php?id=167>
- Ibanga, D.A. 2017. Philosophical Sagacity as Conversational Philosophy and its Significance for the Question of Method in African Philosophy. *Filosofia Theoretica: Journal of African Philosophy, Culture and Religions* 6(1): 69-89.
- Iroegbu, P. 2007. Individual-Community Dialectics in Communalism. In *Perspectives on African Communalism*, ed. Ike Odimegwu, 142–158. Victoria, BC: Trafford Publishing.
- Janz, B. 2009. “Thinking Like a Mountain”: Ethics and Place as Travelling Concepts. In *New Visions of Nature: Complexity and Authenticity*, ed. Martin Drenthen, Jozef Keulartz and James Proctor, 181–195. New York: Springer.
- Lutz, D.W. 2009. African Ubuntu Philosophy and Global Management. *Journal of Business Ethics* 84(3): 313–328.
- Maiangwa, B., and D.E. Agbiboa. 2013. Oil Multinational Corporations, Environmental Irresponsibility and Turbulent Peace in the Niger Delta. *African Spectrum* 48(2): 71–83.
- Menkiti, I. 1984. Person and Community in African Thought. In *African Philosophy: An Introduction*, ed. Richard A. Wright, 171–181. Maryland: University Press of America.
- Menkiti, I.A. 2004. On the Normative Conception of a Person. In *A Companion to African Philosophy*, ed. Kwasi Wiredu, 324–331. Oxford: Blackwell Publishing.
- Metz, T. 2007. Toward an African Moral Theory. *The Journal of Political Philosophy* 15(3): 321–341.
- Metz, T. 2015a. How the West was One: The West as Individualist, the African as Communitarian. *Educational Philosophy and Theory* 47(11): 1175–1184. <https://doi.org/10.1080/00131857.2014.991502>.
- Metz, T. 2015b. An African Egalitarianism: Bringing Community to Bear on Equality. In *The Equal Society: Essays on Equality in Theory and Practice*, ed. George Hull, 203–226. Lanham: Lexington Books.
- Mkhize, N. 2008. Ubuntu and Harmony: An African Approach to Morality and Ethics. In *Persons in Community: An African Ethics in a Global Culture*, 35–44. Pietermaritzburg: University of KwaZulu-Natal Press.
- Nyerere, J.K. 1968. *Ujamaa: Essays on Socialism*. Dar es Salam: Oxford University Press.

- Nze, C.B. 2007. Aspects of African Communalism. In *Perspectives on African Communalism*, ed. Ike Odimegwu, 558–619. Victoria, BC: Trafford Publishing.
- Obilade, A.O. 2009. *The Nigerian Legal System*. Ibadan: Spectrum Books Ltd.
- Oguejiofor, O.J. 2007. How African Is Communalism? Ed. Ike Odimegwu, *Perspectives on African Communalism*, 5–23. Victoria, BC: Trafford Publishing.
- Okeahalam, C.C. 2004. Corporate Governance and Disclosure in Africa: Issues and Challenges. *Journal of Financial Regulation and Compliance* 12(4): 359–370.
- Oluwagbemi-Jacob, D. 2014. Communalism as a Theory of Justice and the Human Person in African Culture. *Philosophy Study* 4(4): 245–258.
- Ramose, M.B. 2005. *African Philosophy Through Ubuntu*. Harare: Mond Books Publishers.
- Simiyu, V.G. 1987. The Democratic Myth in the African Traditional Societies. In *Democratic Theory and Practice in Africa*, ed. W.O. Oyugi and A. Gitonga, 49–70. Nairobi: East African Educational Publishers Ltd.
- Watson, S.M. 2019. The Corporate Legal Person. *Journal of Corporate Law Studies* 19(1): 137–166. <https://doi.org/10.1080/14735970.2018.1435951>
- Wiredu, K. (1995). Democracy and Consensus in African Traditional Politics: A Plea for a Non-Party Polity. *The Centennial Review* 39(1): 53–64.

# **Part II**

**Philosophical Explanations for Systemic,  
Organizational, and Social Mechanisms**



# 10

## Care Ethics in the Era of Artificial Intelligence

Carolina Villegas-Galaviz   
and José-Luis Fernández-Fernández

### Introduction

Since the pre-industrial society, technology has changed the way that humans work (Liker et al. 1999; Aronowitz and Difazio 1996). For decades, some technologies' arrival has changed the nature of business (Hill and Rothaermel 2003): the steam engine, electricity, and ICT are some examples. We are now at the beginning of the Fourth Industrial

---

C. Villegas-Galaviz (✉) · J.-L. Fernández-Fernández  
Universidad Pontificia Comillas, ICADE, Madrid, Spain  
e-mail: [cvillegas@comillas.edu](mailto:cvillegas@comillas.edu); [cvillega@nd.du](mailto:cvillega@nd.du)

J.-L. Fernández-Fernández  
e-mail: [jlfernandez@icade.comillas.edu](mailto:jlfernandez@icade.comillas.edu)

C. Villegas-Galaviz  
University of Notre Dame, Notre Dame, IN, USA

Revolution (Schwab 2016; see also Ghobakhloo 2020). Nowadays, technology companies mark the rhythm of business and technology innovations as Artificial Intelligence (AI), Big Data, and Business Analytics mark enterprises' rhythm (Wiener et al. 2020). In this scenario, the accelerated pace of science and technology leaves many ethical gaps to address (Jonas 1984; 1985): automation and unemployment (Dodel and Mesch 2020; Kim and Scheller-Wolf 2019; Wright and Schultz 2018), AI and decision-making (Cervantes et al. 2016; Robbins and Wallance 2007), and the like. There are many studies on business ethics and many journals dedicated to the compilation of studies on this subject. Moreover, the implications of technology in business ethics have been studied from different points of view (Buchholz and Rosenthal 2002; Davies 2002; Peace et al. 2002; Yuthas and Dillard 1999), and different philosophers have studied the philosophical side of technology and its implications in society (Heidegger, 1977), and in work (Marx 1932; Bell 1973).

However, fewer studies have covered the morality and values of technology development in business and the moral consequences of introducing innovations such as Business Analytics and AI can have in society. In this line, one of the main problems of ethics is the accelerated way in which technology advances, as change is an essential part of technology (Jonas 1984; 1985). Hence, ethics for the Fourth Industrial Revolution must continuously adapt to change, technology development, and social evolution. The latter means adapting to changing values (Van de Poel 2018). Since society changes, moral values can change (Van den Hoven et al. 2015). With the application of new technology, new values and moral problems arise, and with them appears the need for an adapted moral code. In this scenario, the aim of this chapter is to propose the ethics of care to impact the well-design of AI, guiding ethical behaviors in management and business. This aim will be materialized in the proposition of a care-based principle for designing and applying algorithms to the management decision-making process while considering all stakeholders' needs.

The chapter's structure is as follows: first, we present the context of the arrival of AI and its ethical implications. Second, we present the ethics of

care, its main premises, and its application in business ethics and stakeholder theory. Finally, we approach ethical problems in management decision-making from a care ethics perspective, and then, we propose a principle for companies. We ended up with some conclusions and propositions for future research.

## Context

In the White Paper *On Artificial Intelligence—A European approach to excellence and trust*, recently published in February 2020, the European Commission defines AI as a collection of technologies that combines data, algorithms, and computing power. In this research, we will focus on the ethical implication of AI in its relationship with companies, leaving aside the moral aspects of responsible innovation of AI as a separate discipline. In its informative document, the European institution presents AI applications as high-risk tools, although it is specified that they can bring significant benefits to nations. We investigated both sides of AI, on the one side, the risks that it can imply, and, on the other side, we centered our efforts to make a contribution in which the ethics of care palliates the “dark” side of AI or the fact that AI is usually associated with lack of privacy, problems with algorithms bias (i.e., socioeconomic inequality, racism), and the like.

Despite being a recent topic, several high-quality journals have published articles that address specific issues about AI ethics in business organizations, i.e., the *Journal of Business Ethics* and the *California Management Review* edited two journal special issues. Within this scheme appears the so-called machine ethics (Anderson and Anderson 2011), which study the moral issues that arise with the implementation of AI technologies, such as decision-making by autonomous systems (Awad et al. 2018; Shank et al. 2019). Some scholars in this branch of ethics presuppose that autonomous systems work with algorithms loaded with an unneutral moral intent, but others defend the opposite (see Martin 2019a, b, where the author presents algorithms as value laden). However, the problem is usually to find a consensus to create a moral guide for machines (Anderson et al. 2019).

In the search for moral principles that guide machine ethics, several moral guides on AI have been proposed (Anderson et al. 2019; Awad et al. 2018; Cervantes et al. 2016; Floridi 2018). Most of the models allude to what they identify as universal principles of all ethical agents, such as not killing, not lying, or not stealing (Cervantes et al. 2016), that is, the respect of agents other than the self. Furthermore, these guides refer to the social and cultural differences that lead an agent to decide (Awad et al. 2018). In machine ethics, the work of Anderson and Anderson is quite notable. In addition to their many research articles, it is particularly illustrating their edited book *Machine Ethics*, 2011. For them, “it is better for machine ethics to be principle-based” (Hooker and Kim 2018, 130 following Guarini 2011), which implies non-consequentialist elements to respect dignity.

In the context of business ethics, companies carried out ethical codes of AI to address the problem of self-regulation (Vidgen et al. 2020). However, from other areas, the need for legislation to clarify the horizon and establish limits for these tools has been investigated. Thus, digital governance appears as the new challenge of technological innovation (Floridi 2018; Floridi and Taddeo 2016; Kaplan and Haenlein 2020), in which ethics must be considered both in the drafting of legislation and at the time of ensuring legal compliance. Likewise, for governance to be effective, it is necessary to govern not only the implementation of innovations but also to attend to the entire process: from the moment of designing, developing, and deploying AI systems (Kroll 2018).

To analyze the AI ethical propositions in academic literature, we conducted a systematic literature review. We examined all the references indexed in the Web of Sciences (WoS) up to January 2020. We collected the data using the keywords “artificial intelligence” and “ethics,” we found 1,370 documents; and refined the search to “journal articles” and to areas of social sciences and technology, which gave us a total of 262 study units and 13,415 references cited in them. By selecting the research areas, we wanted to make sure we get everything published on AI ethics in the three main disciplines of the study: then we searched in **management**, **philosophy**, and **technology** journals. We were not interested in journals from areas such as medicine or other health sciences.

Our study showed us that there is a lack of definition of **the role of stakeholders**. According to the information analyzed, we identified several profiles in the AI business ethics scenario like companies, employees, citizens (which are users and providers of data), governments, and practitioners (like engineers). It is essential to delineate each of the parties' roles and responsibilities to enhance responsible innovation of AI for business.

To undertake the task of defining the role of stakeholders, we have focused on designers' role for management decision-making (developers) and on the role of companies that use algorithms in their decision-making process. There we analyze the ethical implication of the decision process from the perspective of the ethics of care. According to Weltzien Hoivik and Domenec Melé (2009), "within business organizations, ethics of care focuses on relations between persons, on such relations as trust, mutual responsiveness, and shared consideration."

Since AI is usually associated with negative connotations for society and always related to unemployment, lack of privacy for citizens, or algorithms' bias discrimination, we see the study of the role of AI from the perspective of the ethics of care as the perfect antidote to mitigate some of the essential AI issues in business organizations. The importance of social relations and context that the notion of care brings could help solve some of the ethical problems that usually appear with AI tools. AI is here to stay, and we must make the best out of it.

Today, there are three major ethical theories used within business ethics: deontology, utilitarianism, and virtue ethics (Melé 2014). Of these three, utilitarianism is the most used to analyze phenomena in the business world (Cranenburgh and Arenas 2014).

We thought it would be worthwhile to explore the possibilities implicit in the perspective derived from the ethics of care. Some authors (Rachels 2003) consider this approach to be close to virtue ethics. Some of them seem to be more oriented to elaborating proposals in the key to a good life than emphasizing the strict and rigid fulfillment of duty. From an alternative perspective, the ethics of care could perhaps provide some more adequate intuitions to make constructive proposals to cope with nowadays-new realities. On the one hand, what has to do with the need to provide answers to current versions of old ethical problems. On



the other hand, it will be unavoidable to address the ethical dimension of new scenarios that the development and deployment of AI poses at the micro-individual level and the meso-organizational, and the macro-space of society.

In this chapter, we will also take the ethics of care as a complementary aspect of justice, not limited to the personal, but connected to society.

## Care in Business Ethics

Care ethics appears as a theory in the twentieth century with Carol Gilligan's and Nel Noddings's approaches to caring. In her book *In a different voice* (1982), Gilligan presented care as a psychological theory for women's development, which is why it is often related as a feminist ethic (Borgerson 2007). Nevertheless, points out, a "different voice" is not limited to women but extends to men and is influenced by different social, political, and economic contexts (French and Weis 2000).

Ethics of care appears as a response to the orthodoxy of ethics of justice since it is not bolstered on inviolable impartial principles but instead appeals to care relationships for personal well-being (French and Weis 2000; see also Held 2006). The perspective of care put aside the general standard to ask about the concrete situation and give an answer concerning circumstances and context (Gilligan 1982); this implies a moral vision centered on the individual. As Weltzien and Melé (2009) explained, while justice responds to ethical principles and duties, the theory of care focuses on attention to people's needs and their relationships; in this scheme, care is taken as a fundamental category, understood as a value and as an activity. In this sense, it can be argued that the ethics of care proposes solutions according to the interests of each party and not to previously established norms (Reiter 1996).

Since its inception, the notion of care has been developing, starting from the first definitions of care that seemed more ambiguous into a more rigorous definition. Based on previous works (as the work of Bubeck 1995; Clement 1996; Engster 2007; Fineman 2004; Held 2006; Kittay 1998; Noddings 2002; Slote 2001, 2007; Tronto 1993; Walker 1998; With 2000, cited in Engster 2011), Daniel Engster (2011, 98)

proposed a definition of care ethics as a “theory that associates moral action with meeting the needs, fostering the capabilities, and alleviating the pain and suffering of individuals inattentive, responsive, and respectful ways.” That is the definition that we will follow.

The ethics of care has been applied to different areas in the business world since the 1990s (Melé 2014). Also, there is an insightful edited handbook about the topic, *Applying Care Ethics to Business* (Sander-Staudt and Hamington 2011). This theory has been used to analyze the pro-environmental behavior of employees (Paillé et al. 2016) and also to investigate corporate philanthropy (Cranenburgh and Arenas 2014), crisis management (Sandin 2009), creative attitudes business, as well as when analyzing labor relations in small companies at a local level (Lähdesmäki et al. 2019). However, this theory has not yet been used to study the ethical dimension of technological innovations in business organizations or analyze AI’s role and its ethical implication in management decision-making.

Our theoretical proposal is adequate to clarify stakeholders’ responsibilities to satisfy social trust in AI tools (Burton and Schoville 1996). With this, we entered into a research stream that avoids a contractualist vision of ethics. The last implies that the perspective of care eludes business codes of conduct and utilitarian policies in which the greatest amount of good is sought for the greatest number but is based on reciprocity (Lähdesmäki et al. 2019). This does not mean that other ethical views are not necessary or that they are not adequate but determine that we want to make a theoretical contribution to AI ethics in business bolstered on an approach emphasizing the person (Melé 2009). According to Sander-Staudt and Hamington (2011), by adopting this theoretical approach, we conceptualize mutual interdependence and cooperative relationships as ontologically essential.

## Care and the Stakeholder Theory

Stakeholder theory is one of the most prominent theories in business ethics; R. Edward Freeman’s work has been essential in its placement. In his pioneering publication, *Strategic Management—A stakeholder*

*Approach*, Freeman (1984, p. 46) gave the following definition: “A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization’s objectives.” Since then, the stakeholder concept has developed in the discipline. In fact, since his publication in 1984, Freeman has given some specifications of the concept (probably influenced by all the research generated around the theory), some of the most important in his work with Gilbert in 1989 and 1992. For our interests here, we will focus on the reinterpretation of the stakeholder concept in its approach from the point of view of care ethics. Specifically, we will take the article of Wicks et al. (1994), the work of Burton and Dunn (1996), and the discussion of this reinterpretation and proposal of Engster (2011).

In *A Feminist Reinterpretation of The Stakeholder Concept*, Wicks et al. (1994) stated that a “feminist ethic” helps to “better express the meaning and purposes of corporations,” and that the stakeholder concept with a feminist reinterpretation “yields important insights for corporation that want to improve their adaptability and responsiveness” (p. 477). The authors explained that behind the stakeholder concept are some masculine metaphors that shape business thoughts since the theory is for describing how business operates and for defining its basic purposes. The authors look at the following five specific metaphors:

- 1) The notion that corporations should be thought of primarily as an “autonomous” entity, bounded off from its external environment;
- 2) that corporations can and should enact or control their external environment;
- 3) that the language of competition and conflict best describes the character of managing a firm;
- 4) that the mode of thinking we employ in generating strategy should be “objective”; and
- 5) that corporations should structure power and authority within strict hierarchies.

These metaphors create the vocabulary and framework we use to understand the business world, the organization, and its purposes. Based on the propositions of care ethics, Wicks et al. proposed to: (1) see corporations as *webs of relations among stakeholders*; (2) embrace change and uncertainty as dynamic and enriching forces for corporations; (3) take communication and collective action

as a form to resolve conflicts; (4) not eliminate solidarity and empathy in business, but rather to use them as a strategy; and (5) finally, *replace hierarchy with radical decentralization and empowerment*.

Following Wicks et al. (1994), Burton and Dunn (1996) stated that stakeholder theory as “a method of management based on morals and behavior” is missing a moral ground that traditional ethics cannot completely fulfill since it must recognize relationships among stakeholders. Then, the authors propose “feminist ethics” (now developed as *care ethics*) as moral grounding to provide the missing element of the stakeholder theory approach to management, and suggest a general principle for business decisions under the notion of care (primarily based on Gilligan’s and Noddings’ work). The principle states as follows: “Care enough for the least advantaged stakeholders that they not be harmed; insofar as they are not harmed, privilege those stakeholders with whom you have a close relationship.” According to the principle, corporations must avoid harm in all decisions, and although it may not eliminate harm, the principle tries to limit it among the most vulnerable stakeholders.

Both propositions of a care-based stakeholder theory (the ones of Wick et al. and Burton and Dunn) took the principles of caring from the point of view of a then established “feminist ethics.” Moreover, both works talked about “feminist ethics,” no “ethics of care,” or “care ethics,” although they referred to “care” as a central concept or mentioned a moral theory of care. The fact that care ethics was in its beginnings may have collaborated in this conception, but even then, Wicks et al. (1994) explained that “to speak of the ‘care perspective’ is not to speak only—or even primarily—to women, but to essential moral sentiments that we all share” (p. 478).

In this sense, it would be convenient not to fall into the stereotype by insisting on the dichotomy and taking the opposition between men and women beyond what it would be reasonable. One can indeed observe some differences of nuance and emphasis on the moral sensibility of men and women. Nevertheless, it does not seem to follow that one of the styles is exclusive to a particular sex and its members. In any case, it would be fallacious to say that men and women think radically different

in ethical terms. Moreover, of course, recognizing the existence of individual differences of nuance in men and women's moral thinking does not mean that they inhabit different moral universes where good and bad, right and wrong have to be dissimilar.

Bolstered on a developed definition of care ethics (and with the conviction of the insufficiency of Burton and Dunn principle to guide management decision), Daniel Engster (2011) proposed three care-based guidelines for the distribution of resources among stakeholders. The first distributional guideline is the *proximity principle*, which states that since our care resources are limited, we are justified to (a) care for ourselves before others; (b) to first care for individuals geographically and temporally close to us before others; and c) to care for individuals in our own culture or state before others (based on Engster 2007). The second guideline is the *relational principle*, which implies that a relationship's closeness relies on the dependency of one of the parts to meeting his or her needs. The third and last guideline is the *urgency principle* that proposes giving priority to those who need us to survive or function. According to Engster, these three guidelines should serve as priority rules for the distribution of care, since without this kind of principles and with the intention of everyone caring for everyone, care ethics would collapse (Engster 2011, p. 98).

## Care Ethics in the AI Era: An Approach for Management Decision-Making

As said, in our literature review we find a lack of definition of the role of the stakeholders in the AI era. The identification of the role of stakeholders is essential to delineate the responsibilities of each party. In this scheme, we studied the role of companies that adopt AI models and the accountability of corporations and engineers when designing and deploying algorithms for management decision-making.

Taking the work of Wicks et al. (1994) of a "feminist" (or care) approach to the stakeholder concept and the information analyzed in our literature review, we state that AI models, when applied to corporations, maximized the five masculine metaphors that shape our understanding

of the business world, since they are behind the stakeholder concept, as explained by Wick, Gilbert, and Freeman. Particularly, we see this in metaphor number 4: *that the mode of thinking we employ in generating strategy should be “objective.”* Since one of the primary purposes of AI models and algorithms used in management is to objectify decision-making and to do it in an accelerated way (regardless of whether true objectivity is achieved). An example of this is that algorithms are used to determine who is offered or denied a mortgage and a loan, or who is hired or fired, all in the function of pre-established bias without considering the person and their circumstances. To alleviate this “stream” of a “masculine” interpretation of business in the AI era, we propose a care-based principle for the design of algorithms for management decision-making.

Different authors have studied the accountability of algorithms and their ethical implications. In her work, Kristen Martin (2019a, b) conceptualizes algorithms as value laden and not as neutral (2019b) “in that algorithms create moral consequences, reinforce or undercut ethical principles, and enable or diminish stakeholder rights and dignity” (p. 835). In this scenario, firms and designers (as developers) are responsible for the correct use of algorithms in management decision-making and for the error that may occur in the process (Martin, 2019a). What these arguments state is that in the first place if someone uses an algorithm to make a decision in a firm and then make a mistake, even if the mistake is unintentional, the firm would be responsible for ignoring or fostering that mistake. In the second place, Martin stated that designers, while creating inscrutable algorithms, take accountability for their role in a decision. For example, in cases where companies that use algorithms have a minimal role in the decision and have no way to understand the procedure of the decision that is being made, the designer would be accountable (Martin 2019b). Understanding the set of the two roles, of firms and designers, in the use of algorithms in management decision-making is essential to perform responsible decisions. So, this is why our principle is for both: for engineers designing and developing algorithms and for corporations using them as tools when making decisions.

Following the principles of Burton and Dunn (1996) and Daniel Engster (2011), our principle would state as follows:

(Principle): For decision making in business, an algorithm should be designed to avoid harm to any stakeholder and insofar as no stakeholder is harmed, to distribute care according to the proximity, the relational or dependency, and the urgency of the needs of corporations' stakeholders.

In this sense, engineers are responsible for considering this principle in designing and developing the algorithm and firms in its use when making decisions. However, stated to the concrete use of developers, the sub-principle would be as follows:

(Sub-principle 1): When designing or developing an algorithm for decision making in business, engineers should avoid the possibilities that it could be used to harm any stakeholder. Insofar as no stakeholder is harmed, the algorithm should, from its design, promote the distribution of care according to the proximity, the relational or dependency, and the urgency of the need of corporation's (users) stakeholders.

Let us take as an example of the application of this sub-principle the fact that a developer could block in the design of his/her algorithm the possibility of a human resources manager to use variables such as ethnicity or socioeconomic level to decide whether to promote an employee. Or in the case of an algorithm for the finance sector and the decision to grant or not a loan, from its design the algorithm must avoid the possibility to relegate or marginalized certain sectors of society, or classes, to which loans are never granted, and therefore, they cannot advance in the purchase of family houses or in the founding of companies or other entrepreneurial projects.

The other side of the principle would be an application to the concrete use of enterprises, in that line the sub-principle would be stated as follows:

(Sub-principle 2): When buying and using an algorithm for decision making, firms should ensure that when applying the algorithm, the result that it proposes, avoid harm to any stakeholder and insofar as no stakeholder is harmed, to distribute care according to the proximity, the relational or dependency, and the urgency of the needs of corporations' stakeholders.

If we take again the examples presented before, in the case of a human resources manager, the firm should be aware that certain algorithms could use undesirable variables (such as sex, ethnicity, and the like) to decide to hire or not, or to promote or not someone. That could be the same case in the finance sector. It is in the responsibility of the developers to avoid harm from the design of AI, and it is in the accountability of firms to buy and utilize AI that avoid harm to all its stakeholders. Although the design is in the capacities of engineers, firms should be aware that accountability implications and to respond to their stakeholders would be its task. Since it is the company that will be really affected if it misuses AI tools.

In its application, this principle (and its sub-principles) should be supported for the proposal of adding social embeddedness and reflection in the algorithmic decision-making process (Martin 2019a). According to Kristen Martin, the said implies that when managing based on algorithms, decisions should not be seen as inevitable, and the context should be acknowledged. Moreover, it is essential that reflection stays as a fundamental part of the decision-making process; when managing based on algorithms, “users do not question changes for the future, as if the algorithm and the surrounding decision-making assemblage offer the best we have to offer without mistakes” (Martin 2019a, p. 136). Then, what we aim to contribute to our principle is a care-based way to add social embeddedness and reflection to the management decision-making process in the AI era.

## Conclusion

AI appears as one of the most prominent tools for the upcoming years and its ethical implications as one of the most critical challenges of its applications. The European Union, the OECD, and the G20 have adopted principles for the use of AI (European Commission 2020b; G20 2019; OECD 2019); these institutions affirm that they intended to create human center principles. However, they do not show which is this idea of human beings that serve as the basis of their principles. Care ethics appears as the right ground of these principles since, as we



defended, it eludes utilitarian policies and focuses on the person and her context. Our intention in this chapter was to contribute to the goal of an AI human-centered by opening the study of a care-based AI business ethics. The said means that we wanted to propose the theory of care ethics to bolster some of the major business ethics problems.

Our study of the literature in AI and ethics showed us a lack of the definition of stakeholders' roles; this fact can affect the good work of corporations with the arrival of AI and has new ethical implications in companies. Then, in this line, our chapter's specific aim was to propose a care-based principle for management decision-making in the era of AI, bolstered by the stakeholder theory. Our principle should direct engineers' work, when designing and developing algorithms for decision-making, and managers, when using algorithms to make decisions.

Future research should study other stakeholders' roles in the use of AI in management decision-making based on care ethics, as the role of governments and citizens, and as those who can be affected by the decision of algorithms, i.e., when they are denied a loan or a mortgage.

## References

- Alacovska, A., and Bissonnette, J. 2019. Careful work: An ethics of care approach to contingent labour in the creative industries. *Journal of Business Ethics*. <https://doi.org/10.1007/s10551-019-04316-3>.
- Anderson, M., and Anderson, S. L. 2011. *Machine ethics*. Cambridge University Press.
- Anderson, M., Anderson, S. L., and Berenz, V. 2019. A value-driven eldercare robot: Virtual and physical instantiations of a case supported principle-based behavior paradigm. *Proceedings of the IEEE*, 107(3): 526–540. <https://doi.org/10.1109/JPROC.2018.2840045>.
- Aronowitz, S., and DiFazio, W. 1996. High technology and work tomorrow. *Annals of the American Academy of Political and Social Science*, 544: 52–67. <https://doi.org/10.1177/0002716296544001005>.
- Awad, E., Dsouza, S., Kim, R., Schulz, J., Henrich, J., Shariff, A., and Rahwan, I. 2018. The moral machine experiment. *Nature*, 563(7729): 59. <https://doi.org/10.1038/s41586-018-0637-6>.

- Bell, D. 1973. *The coming of post-Industrial society: A venture in social forecasting*. New York: Basic Books.
- Borgerson, J. 2007. On the harmony of feminist ethics and business ethics. *Business and Society Review*, 112(4): 477–509.
- Buchholz, R. A., and Rosenthal, S. B. 2002. Technology and business: Rethinking and moral dilemma. *Journal of Business Ethics*, 41(1/2): 45–50.
- Burton, B. K., and Dunn, C. P. 1996. Feminist ethics as moral grounding for stakeholder theory. *Business Ethics Quarterly*, 6(2): 133–147.
- Cath, C., Wachter, S., Mittelstadt, B., Taddeo, M., and Floridi, L. 2018. Artificial intelligence and the ‘good society’: The US, EU, and UK approach. *Science and Engineering Ethics*, 24(2): 505–528. <https://doi.org/10.1007/s11948-017-9901-7>.
- Cervantes, J., Rodriguez, L., Lopez, S., Ramos, F., and Robles, F. 2016. Autonomous agents and ethical decision-making. *Cognitive Computation*, 8(2): 278–296. <https://doi.org/10.1007/s12559-015-9362-8>.
- Coeckelbergh, M. 2013. Drones, information technology, and distance: Mapping the moral epistemology of remote fighting. *Ethics and Information Technology*, 15(2): 87–98. <https://doi.org/10.1007/s10676-013-9313-6>.
- Davies, P. W. 2002. Technology and business ethics theory. *Business Ethics: A European Review*, 6(2): 76–80.
- Dodel, M., & Mesch, G. S. 2020. Perceptions about the impact of automation in the workplace. *Information Communication & Society*. <https://doi.org/10.1080/1369118X.2020.1716043>.
- Engster, D. 2011. Care ethics and stakeholder theory. In M. Hamington and M. Sander-Staudt (Eds.), *Applying care ethics to business*(pp. 93–110). New York: Springer.
- Engster, D. 2007. *The heart of justice: Care ethics and political theory*. Oxford: Oxford University Press.
- European Commission. 2020a. White Paper. On Artificial Intelligence—A European approach to excellence and trust. Retrieved from: [https://ec.europa.eu/info/sites/info/files/commission-white-paper-artificial-intelligence-feb2020\\_en.pdf](https://ec.europa.eu/info/sites/info/files/commission-white-paper-artificial-intelligence-feb2020_en.pdf) (May, 2020).
- European Commission. 2020b. Ethics guidelines for trustworthy AI. Retrieved from: <https://digitalstrategy.ec.europa.eu/en/library/ethics-guidelines-trustworthy-ai> (July, 2021).
- Freeman, R. E. 1984. *Strategic management: A stakeholder approach*. Boston, MA: Pitman.
- Freeman, R. E., and Gilbert, Daniel R. 1989. *Corporate strategy and the search for ethics*. Englewood Cliffs, NJ: Prentice-Hall.

- Freeman, R. E., and Gilbert, Daniel R. 1992. Business ethics and society: A critical agenda. *Business & Society*, 31: 9–17.
- Floridi, L. 2018. Soft ethics, the governance of the digital and the general data protection regulation. *Philosophical Transactions of the Royal Society A-Mathematical Physical and Engineering Sciences*, 376(2133), 20180081. <https://doi.org/10.1098/rsta.2018.0081>.
- Floridi, L., Cowls, J., King, T. C., and Taddeo, M. 2020. How to design AI for social good: Seven essential factors. *Science and Engineering Ethics*. <https://doi.org/10.1007/s11948-020-00213-5>.
- Floridi, L., and Taddeo, M. 2016. What is data ethics? *Philosophical Transactions of the Royal Society A-Mathematical Physical and Engineering Sciences*, 374(2083): 20160360. <https://doi.org/10.1098/rsta.2016.0360>
- French, W., and Weis, A. 2000. An ethics of care or an ethics of justice. *Journal of Business Ethics*, 27(1-2): 125–136. <https://doi.org/10.1023/A:1006466520477>
- Ghobakhloo, M. 2020. Industry 4.0, digitization, and opportunities for sustainability. *Journal of Cleaner Production*, 252: 119869. <https://doi.org/10.1016/j.jclepro.2019.119869>
- Gilligan, C. 1982. *In a different voice*. Cambridge, MA: Harvard University Press.
- G20. 2019. G20 Ministerial statement on trade and digital economy. Retrieved from: <https://www.mofa.go.jp/files/000486596.pdf> (May, 2020).
- Hamington, M., and Sander-Staudt, M. 2011. *Applying care ethics to business*. New York: Springer.
- Heidegger, M. 1977. *The question concerning technology and other essays*. New York: Harper & Row.
- Held, V. 2006. *The ethics of care: Personal, political, global*. Oxford: Oxford University Press.
- Hill, C., and Rothaermel, F. T. 2003. The performance of incumbent firms in the face of radical technological innovation. *Academy of Management Review*, 28(2): 257–274.
- Hooker, J. N., and Kim T.W. 2018. Toward non-intuition-based machine and artificial intelligence ethics: A deontological approach based on modal logic, AIES' 18, February 2–3, New Orleans, LA, USA. (Conference Paper).
- Huber, C., and Munro, I. 2014. “Moral distance” in organizations: An inquiry into ethical violence in the works of kafka. *Journal of Business Ethics*, 124(2): 259–269. <https://doi.org/10.1007/s10551-013-1865-1>.
- Jonas, H. 1984. *The imperative of responsibility*. Chicago: University of Chicago Press.

- Jonas, H. 1985. *Technik, medizin und ethik — zur praxis des prinzipts verantwortung*. Frankfurt: Suhrkamp.
- Kaplan, A., and Haenlein, M. 2020. Rulers of the world, unite! the challenges and opportunities of artificial intelligence. *Business Horizons*, 63(1): 37–50. <https://doi.org/10.1016/j.bushor.2019.09.003>.
- Kim, T. W., and Mejia, S. 2019. From artificial intelligence to artificial wisdom: What socrates teaches us. *Computer*, 52(10): 70–74. <https://doi.org/10.1109/MC.2019.2929723>
- Kim, T. W., and Scheller-Wolf, A. 2019. Technological unemployment, meaning in life, purpose of business, and the future of stakeholders. *Journal of Business Ethics*, 160(2): 319–337. <https://doi.org/10.1007/s10551-019-04205-9>.
- Kroll, J. A. 2018. The fallacy of inscrutability. *Philosophical Transactions of the Royal Society A-Mathematical Physical and Engineering Sciences*, 376(2133), 20180084. <https://doi.org/10.1098/rsta.2018.0084>.
- Lahdesmaki, M., Siltaoja, M., and Spence, L. J. 2019. Stakeholder salience for small businesses: A social proximity perspective. *Journal of Business Ethics*, 158(2): 373–385. <https://doi.org/10.1007/s10551-017-3707-z> ER.
- Liker, J. K., Haddad, C. J., and Karlin, J. 1999. Perspectives on technology and work organization. *Annual Review of Sociology*, 25: 575–596. <https://doi.org/10.1146/annurev.soc.25.1.575>.
- Ma, Z. 2009. The status of contemporary business ethics research: Present and future. *Journal of Business Ethics*, 90: 255–265. <https://doi.org/10.1007/s10551-010-0420-6>.
- Martin, K. 2019a. Designing ethical algorithms. *MIS Quarterly Executive*, 18(2): 129–142.
- Martin, K. 2019b. Ethical implications and accountability of algorithms. *Journal of Business Ethics*, 160(4): 835–850. doi:<https://doi.org/10.1007/s10551-018-3921-3>
- Marx, K. 1932. *The economic and philosophic manuscripts of 1844 and the communist manifesto*. New York: Prometheus Books.
- Melé, D. 2009. *Business ethics in action. seeking human excellence in organizations*. New York: Palgrave-MacMillan.
- Melé, D. 2014. “Human quality treatment”: Five organizational levels. *Journal of Business Ethics*, 120(4): 457–471. doi:<https://doi.org/10.1007/s10551-013-1999-1> ER.
- Misselhorn, C. 2020. Artificial systems with moral capacities? A research design and its implementation in a geriatric care system. *Artificial Intelligence*, 278, UNSP 103179. <https://doi.org/10.1016/j.artint.2019.103179>.

- OECD. 2019. OECD principles on AI. Retrieved from: <https://www.oecd.org/going-digital/ai/principles/> (May, 2020).
- Paille, P., Mejia-Morelos, J. H., Marche-Paille, A., Chen, C. C., and Chen, Y. 2016. Corporate greening, exchange process among co-workers, and ethics of care: An empirical study on the determinants of pro-environmental behaviors at coworkers-level. *Journal of Business Ethics*, 136(3): 655–673. doi:<https://doi.org/10.1007/s10551-015-2537-0> ER.
- Peace, A. G., Weber, J., Hartzel, K. S., and Nightingale, J. 2002. Ethical issues in eBusiness: A proposal for creating the eBusiness principles. *Business and Society Review*, 107(1): 41–60.
- Rachels, J. 2003. *The elements of moral philosophy*. New York: The McGraw-Hill Companies.
- Reiter, S. A. 1996. *The Kohlberg–Gilligan controversy: Lessons for accounting ethics education* <https://doi.org/10.1006/cpac.1996.0005>.
- Remenyi, D., and Williams, B. 1996. Some aspects of ethics and research into the silicon brain. *International Journal of Information Management*, 16(6): 401–411. [https://doi.org/10.1016/0268-4012\(96\)00029-1](https://doi.org/10.1016/0268-4012(96)00029-1)
- Robbins, R. W., and Wallace, W. A. 2007. Decision support for ethical problem solving: A multi-agent approach. *Decision Support Systems*, 43(4): 1571–1587. <https://doi.org/10.1016/j.dss.2006.03.003>
- Sander-Staudt, M., and Hamington, M. 2011. Introduction: Care ethics and business ethics. *Applying Care Ethics to Business*, 34, VII-+. <https://doi.org/10.1007/978-90-481-9307-3>
- Sandin, P. 2009. Approaches to ethics for corporate crisis management. *Journal of Business Ethics*, 87(1): 109–116. doi:<https://doi.org/10.1007/s10551-008-9873-2> ER.
- Schwab, K. 2016. *The fourth industrial revolution*. Geneva: World Economic Forum.
- Shank, D. B., Graves, C., Gott, A., Gamez, P., and Rodriguez, S. 2019. Feeling our way to machine minds: People’s emotions when perceiving mind in artificial intelligence. *Computers in Human Behavior*, 98: 256–266. <https://doi.org/10.1016/j.chb.2019.04.001> ER.
- Van Cranenburgh, K. C., and Arenas, D. 2014. Strategic and moral dilemmas of corporate philanthropy in developing countries: Heineken in sub-saharan africa. *Journal of Business Ethics*, 122(3), 523–536. <https://doi.org/10.1007/s10551-013-1776-1>.
- Van de Poel, I. 2018. *Design for value change, ethics and information technology*. <https://doi.org/10.1007/s10676-018-9461-9>.

- Van den Hoven, J., Vermaas, P. E., and Van de Poel, I. 2015. *Handbook of ethics and values in technological design*. Dordrecht: Springer.
- Vidgen, R., Hindle, G., and Randolph, I. 2020. Exploring the ethical implications of business analytics with a business ethics canvas. *European Journal of Operational Research*, 281: 491–501.
- Wiener, M., Saunders, C., and Marabelli, M. 2020. Big-data business models: A critical literature review and multiperspective research framework. *Journal of Information Technology*, 35(1): 66–91. <https://doi.org/10.1177/0268396219896811>
- Wicks, A. C., Gilbert, D. R. Jr., & Freeman, R. E. 1994. A feminist reinterpretation of the stakeholder concept. *Business Ethics Quarterly*, 4(4): 475–497.
- Wright, S. A., & Schultz, A. E. 2018. The rising tide of artificial intelligence and business automation: Developing an ethical framework. *Business Horizons*, 61(6): 823–832. <https://doi.org/10.1016/j.bushor.2018.07.001>
- Yuthas, K., and Dillard, J.F. 1999. Ethical development of advanced technology: A postmodern stakeholder perspective. *Journal of Business Ethics*, 19(1): 35–49.



# 11

## Three Rival Versions of Work and Technology: Smith, Marx, and MacIntyre in Discussion

Javier Pinto-Garay , Germán Scalzo, and Ignacio Ferrero

### Introduction: Technology and the Unknown Future of Work

Over the second decade of this century, a set of groundbreaking, emerging technologies have signaled the start of the Fourth Industrial

---

J. Pinto-Garay (✉)

ESE Business School, Center for Business Ethics, Universidad de los Andes, Las Condes, Chile

e-mail: [jpinto@uandes.cl](mailto:jpinto@uandes.cl)

G. Scalzo

School of Economics and Business, Universidad Panamericana, Mexico City, Mexico

e-mail: [gscalzo@up.edu.mx](mailto:gscalzo@up.edu.mx)

I. Ferrero

School of Economics and Business, Universidad de Navarra, Pamplona, Spain

e-mail: [jiferrero@unav.es](mailto:jiferrero@unav.es)

Revolution (Schwab 2016; World Economic Forum 2020), profoundly affecting social and personal life. These technologies prompt society to interfere, manipulate, improve, and redirect new dimensions of nature and human life. Such impact, indeed, can be seen in artificial intelligence and nanotechnologies reaching previously unimaginable places, like the human mind and the molecular world. Yet, new technologies do not just revolutionize society; they also have an industrial and organizational component that brings the need to address new moral considerations.

The discussion on the moral implications of this technology has recently gained increasing attention (Brynjolfsson and McAfee 2016). This is greatly due to the current challenges these technologies prompted on the future of work.

While the First Industrial Revolution was characterized by the massive introduction of poor working conditions in Modern Europe, the Fourth Revolution is depicted by the potential that automation has to brush aside a considerable part of the workforce, creating structural unemployment at rates never seen before. A substantial amount of literature has indicated that technological adoption will impact workers' jobs by displacing some tasks performed by humans into the realm of work performed by machines (World Economic Forum 2020). Governments will have to face the potential substitution of workers with artificial intelligence systems; the obsolescence of professional employees, and the consequent reskilling and upskilling to avoid worker displacement; the empowerment of job transitions from declining to emerging employments; as well as other sociological phenomena associated with work, technology, and social impact (Hooker and Kim 2019).

Until the appearance of artificial intelligence, discussions on workforce size have normally focused on the cost of salaries and compensation. However, these new technologies have raised new problems in labor rights and human resources departments. Indeed, the firm's internal politics, syndicalism, unions, and organizational democracy trends have an important role to play when deciding on the configuration of an organization's employees. Hiring or firing employees is a matter of economic and political analysis, which is made clear when considering that machines can be a very expensive investment, but they do not go on strike, they do not join unions, they do not get unemployed, their



mood is stable, and they never ask for a wage raise. Geopolitics, cost analyses, and new and more stringent labor rights, they all foster the convenience of automatizing work and replacing employees for technology. Thus, layoffs for workers are not just a threat in big industries, but have the potential to spread to all organizations and services, reaching even domestic tasks, such as cleaning and cooking at home.

The explosion of technological innovation can also drive future growth across industries and unleash human potential in unprecedented numbers (World Economic Forum 2020). This innovation can significantly reduce the cost of producing goods and providing services. However, to become an opportunity for automation in small and medium industries, these new technologies need to be affordable and distributable worldwide.

Therefore, we are obliged to consider the moral convenience of automation and fewer human jobs. Social, cultural, and political changes are not irrevocable, as they can be reoriented and even detained based on certain moral valuation in society. Thus, it is important to understand the moral direction in which work and technology should interact (Martin and Freeman 2003). We must examine the relationship between work and technology through an ethical approach to justify morally the Industry 4.0, as well as the possibility of high rates of structural unemployment, to move effectively toward a better future of work.

The aim of this chapter is to address how technology can morally affect work. For this, we undertake a philosophical approach throughout a revision of three paradigmatic authors on the technology-work relationship: Smith, Marx, and MacIntyre.

In the following two sections, we will analyze Adam Smith and Karl Marx. Although considered intellectual antagonists, they were key to build the eighteenth-century economic approach to human activity. Besides their differences, we sustain that because of their reductionist anthropological assumptions, both failed to give a sustainable and realistic account of the meaning of work and its contribution to individual flourishing and the common good.

In the fourth section, we depict how MacIntyre provides a theory of work in line with a Neo-Aristotelian virtue ethics approach to management theory (Beadle and Moore 2006; Brewer 1997; Collier 1995;

Dawson 2009; Dawson and Bartholomew 2003; Dobson 2004; Halliday and Johnsson 2009; Horvath 1995; Moore 2005; Sison et al. 2017). MacIntyre has indeed made important theoretical contributions for understanding modern corporations based on the “practice-institution” distinction (Beadle and Moore 2006; Moore 2002) in what Moore has described as Modern Virtue Ethics in Business (Moore 2005). By rehabilitating the idea of a practice, MacIntyre offers a more realistic and robust approach to understanding the way technology might negatively affect work, but also recognizes it as an opportunity for excellence in the modern corporation. We will show how a MacIntyrean theory of work for corporations provides an original theoretical framework, needed to explain the role of technology in work based on grounds that differs from the mainstream approach in economics, heir of the work of Smith and Marx. Finally, we conclude.

## Adam Smith on Technology and Virtue

Adam Smith has provided an original consideration on the relationship between technology and morality. This moral philosopher turns out to be the first well-known academic thinker to connect the need to optimize production—including the natural consequence on wealth—with the context in which virtues can be affected negatively or positively by industrial technology and specialization. Smith’s ideas on the relationship between virtuous work and new uses of technology are quite important for business ethics theory at least for two reasons.

The first one is historical, when he synthesizes previous ideas on this subject in his masterpiece *Wealth of Nations* (WN henceforth). In fact, this work is one of the first modern studies on the relationship between productivity and morality (Dupré and Gagnier 1996). No one before or after Smith gave so much importance to division of labor (Schumpeter 1954), and to its role in productivity and economic development (Smith WN I, 1, 1; McNulty 1973) and in personal development and the moral theory of work. Indeed, the Scottish philosopher describes the relationship between the division of labor and the growth of

production, and its impact on the moral aspects (virtue) that a worker can or cannot achieve (Hühn and Dierksmeier 2014; Aspromourgos 2013).

The second one is because Smith was a pioneer describing the twofold effects of technology in the workers, when both moral development and personal degradation are possible (West 1964). The Scottish philosopher shows how moral effects—virtue or vice—depends on how the division of labor defines the use of technology inside the factory.

Smith firstly sustains the optimistic thesis about a positive relationship between technology and personal growth: “The greatest improvement in the productive powers of labor, and the greater part of the skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the effects of the division of labor” (Smith WN, I, 1, 1). Smith sees factories as opportunities for both productivity and personal development. According to him, non-specialized labor does not provide the chance to the workers to develop their capacities, skills, and concentration that are good for them. Labor in rural areas, performed without any kind of division of labor and specialization, is exposed to a systematic change of tasks and tools during the same day. Consequently, this work promotes the incapacity to perform what we nowadays would call a “fully motivated task,” even in urgent situations (Smith WN, I, 1, 1).

On the contrary, to learn a specialized job, possible thanks to the division of labor, turns into an occasion to gain certain virtues needed to overcome laziness and vagrancy (Smith WN, I, 1, 1). Division of labor—in the Smith’s perspective—facilitates a moral development of workers when the organization of tasks opens a space for invention, and motivates employees to create new and better production processes, even small improvements in everyday tasks (Rosenberg 1965). Thus, division of labor and specialization might foster a virtuous relationship between skill and virtue acquisition and technological development needed for increasing productivity. Therefore, those factories organized on the principle of division of labor give the opportunity to achieve economic prosperity, but also moral development when they avoid vices associated with low qualified operations (Elton 2006). In the Smithian

view of industrialization, developed technologies can facilitate workers' flourishing, because virtues and skills become an important resource for productivity and economic growth. Industrialization can foster a virtuous circle of man-machine, not only for the eighteenth-century factories, but also for contemporary technological firms.

Nevertheless, Smith considers the pessimistic view as well. The sake of productivity can provoke negative moral effects on workers, causing personal degradation because of performing a very specialized task, turning work not only into a more mechanical activity, but also into the more stultifying activity as well (Aspromourgos 2013). The increase of productivity, generated by the division of labor, might entail a negative effect on employees' development to the extent that a "man whose whole life is spent in performing a few simple operations, of which the effects are perhaps always the same, or very nearly the same (...) generally becomes as stupid and ignorant as it is possible for a human creature to become" (Smith WN, V, 1, 3). In such mechanical performance, anyone would lose the habit of intellectual exercise (Smith WN, V, 1, 2), as it happens with slaves who rarely have some capacity for inventiveness. This is highly important, since, to Smith, "all the most important improvements, either machinery, or in the arrangement and distribution of work, which facilitate and abridge labor, have been the discoveries of freemen" (Smith WN, IV, 9). As Ferrero and Calderón note: "The division of labor can degenerate into a radical compartmentalization in assembly lines that limits, in most cases, the employee's task to a mere technical routine as a succession of simple tasks consisting sometimes in the repetition of mechanical movements" (2013, p. 532). In these scenarios, "productive activity is not usually performed for reasons of virtue or beauty but rather is focused directly on the result" (Ferrero and Calderón 2013, p. 532).

Smith's idea about virtue and productivity, far from naïve, proposes a realistic view on industrial organization when he evidences the possibility to the degradation of workers because of productivity and specialization. This scenario is also not alien to our contemporary industrial reality. Consider, for instance, the impact on workers that many modern sweatshops in China or India have been causing on their employees. Modern degradation might not be described as stultifying, but as depression, anxiety, or even suicidal conducts, as it happened in the Chinese

technological industries Foxconn until 2012 (Mozur 2012). In these cases, it seems impossible to compensate the moral degradation of highly productive and brutalized employees.

In sum, even, when there is a chance for both virtue and stupidity as a result for employees, Smith's idea about the relationship between technology and moral development is not contradictory, but somehow pragmatic. It would depend on how to implement the division of labor.

Nonetheless, the Smithian proposal for technology and human work opens the possibility for moral criticism. We claim that, considering a correct implemented division of labor, the well-motivated use of imagination, resourcefulness, and self-domain, among other virtues (Calkins and Werhane 1998) is basically needed for the sake of productivity, not as an end itself. The optimistic scenario proposed by Smith is not underscore for the sake of moral development or virtue achievement, but for the sake of increasing productivity and the employee's performance. According to him, "A great part of the machines made use of in those manufacturers in which labor is most subdivided were originally the inventions of common workmen, who, being each of them employed in some very simple operation, naturally turned their thoughts towards findings out easier and readier methods of performing it" (Smith WN, I, 1).

A division of labor implemented among virtuous employees turns into a superior kind of work organization, more productive and characterized as a realm for developing personal virtues. However, this opportunity is seen as a competitive and strategic advantage, not as a moral obligation for firms. The Smithian perspective encourages us to create an organizational system in which any employee can use their imagination, skills, dexterity, and judgment for personal improvement. Moreover, such a goal would eventually provide a virtuous circle in which employees not only gain in virtue, but they also deliver more technological and productive solutions for the firm. As Weinstein notes, "Smith's advice to those who live in commercial times is to understand that bettering one's own condition is as concerned with the moral and interpersonal as it is with the economic" (2017, p. 141). The road to moral development and the road to economic success are the same. However, the problem with Smith's vision is that to apply the division of labor and the specialization

**Table 11.1** Work-technology relationship and Smith's organizational solution

Human-work/technology relationship	Organizational solution
<p>Technology has a twofold effect in workers, allowing simultaneously both moral development and personal degradation</p> <p><b>Positive effect.</b> The division of labor and specialization boost workers to develop their capacities, skills, creativity, and motivation. It avoids vices associated with low qualified operations such as laziness and vagrancy</p> <p><b>Negative effect.</b> The excessive specialization can cause personal degradation of workers, when they perform very specialized tasks, turning work into a mechanical and stultifying activity</p>	<p>The organizational solution comes from outside the firm</p> <p>Since the rationale to labor division and specialization is mainly improving productivity, the solution to avoid personal workers degradation must come from the public authority, responsible for the education of the workers</p>

of tasks aims not only for the moral development of workers, but mainly for the sake of improving productivity, as a strategic advantage.

In sum, if we take the Smithian position for assessing the relationship between technology and work in firms, we would have to suggest a moral limitation. Smith does not see any organizational solution for moral degradation. Instead, the Scottish philosopher explicitly points out that in those situations in which specialized workers do not get anything but their progressive hebetude, society needs a social reform performed by the public authority (Elton 2006) responsible for the public education for those workers (Smith, WN, V, I, 2) as a solution oriented to diminish the damage (McNulty 1973) (Table 11.1).

## Marx and the Industrial Determinism

It is undoubted that Smith's ideas had a huge impact in economic and political thought. However, not everyone accepted the Smithian approach to human work as satisfactory and realistic. Karl Marx, a witness of the Industrial Revolution in London, and especially of the employees' poor conditions of work and living, criticized Adam Smith's

proposal. After reading the *Wealth of Nations*, Marx wrote in his masterpiece *Capital* that Smith had the necessity to solve what he called the “total mutilation” caused by the division of labor proposing the public education solution (Marx 1990, I, XII, 5). Marx suspected that inside the firm, any chance employees could have to develop themselves was not real, and the solution for such problem had to be solved outside the factory, as the same Smith explained.

Marx’s ideas about the effects of the division of labor were much more a reinterpretation of Adam Ferguson’s thought. Ferguson was a moral philosopher belonging to the Scottish Enlightenment, and, according to Marx, the Smith’s mentor (Marx 1990, I, III, 2, b). Precisely, Smith had a certain controversy with Ferguson on the concept of division of labor (Hamowy 1968). The critique of Marx was aimed not only to Smith, but also and especially to the Scottish Enlightenment. With his attention only in the negatives effects of the division of labor, Marx appealed to the old philosophical concept of “alienation” (West 1969) to describe the precarious situation of work caused by the modern industry of the first Industrial Revolution (Marx 2012). In his mind, Marx formulated his critique to the capitalist production system.

According to Marx, work is only a productive activity (Kanungo 1982). The division and specialization of labor have split the productive process into stages that typically became compartmentalized, with the risk of not having communication or interaction among them. Because employees are assigned to the different phases, they can be isolated from both the whole production process and the final product (Ferrero and Calderón 2013). The productive process is only a means of control over the productive force, which is integrated by labor power and productive means (Honderich 1982). Industrialization led to a design of the productive process as a succession of simple tasks consisting very often in the repetition of mechanical movements.

From a Marxist perspective, the principle of division of labor on which capitalism is based provokes that employees are limited to mere mechanical routines; employees must follow some operational protocols and focus on their isolated contribution to the process, regardless of what happens earlier or later in the productive process. Consequently, they

have been bereft from their intellectual capacity, taking away what naturally constitute part of their work (Marx, 1963, I, XII, 5). They become alienated because their loss turn into a gain in the capital of the firm, which is not their property. This alienation implies, according to Marx, that ignorance is the mother of modern industry, because the industries that depend less on the employee intelligence ended being the most profitable and successful (Marx 1963, I, XII, 5), since imagination and thinking are always exposed to err. Employees found themselves and they feel at home only when they are not working (Marx 2012). They turn into a mere means of production (MacIntyre 1969). This kind of capitalist industry finally substitutes workers by machines (Marx 2012), for the sake of more productivity.

This historical process described by Marx derives in a situation in which the division of labor makes workers impossible to act freely, self-determined, and spontaneously. Freedom and morality can only be recovered through the suppression of all productive systems based on the division of labor. In the end, by establishing a communist society (Marx 1963, I, XXIV, 7). This new society would give back to workers their self-determination capacity (Marx 2012). The communist society will not suppress work specialization (Marx 1963, I, I, 4), but only the compulsory character of work (Marx and Engels 1970, I, B, 4) when all the immoral institution of capitalism—private property, division of labor, and market competition—be eliminated (Bimber 1990; Marx and Engels 1967, II). Through the self-determination, the communist human being will finally be the result of her own work (Brenkert 2013).

Nevertheless, a Marxist approach to work and technology is not essentially pessimistic and critic to technological developments. The Marxist dream about a society in which individuals are free to choose what they want to do, acting self-determined and spontaneously, without the obligation to be physically present at the workplace, suffering long and strenuous workdays, is not distant from the current increasingly self-employment society. We are witnessing how technology is allowing a large part of society to work from home, or even to be self-employed, free to choose their daily activity, without entailing the end of private property, as Marx suggested.



**Table 11.2** Work-technology relationship and Marx's organizational solution

Human-work/technology relationship	Organizational solution
The division and specialization of labor, thanks partially to technology, have compartmentalized the productive process, isolating workers from this process and from the final product, provoking the "alienation" of workers, and reducing their job to mere mechanical routines	The organizational solution comes from outside
The specialization makes workers impossible to act freely, self-determined, and spontaneously	Public authority must suppress the immoral institution of capitalism and its three pillars: private property, division of labor, and market competition

The moral problem, associated with the Marxists idea of freedom and self-determination at work, is mainly associated with the use of technology in industrial organizations that, according to him, is inseparable from the division of labor. Consequently, any form of what Smith considers productive cooperation is morally affecting employees in a negative manner, alienating them. The Marxist solution comes from technological developments that, along with private property suppression, allows society to work freely.

Following MacIntyre, we claim that such position sets the firm as a negative reality in society, which is in fact not true: Modern corporations can be good places for moral development, and technology can be used to contribute in that direction (Table 11.2).

## From the Pin Factory to the Workplace Community: The MacIntyre's Approach to Modern Work

In this section, we depict how MacIntyre provides an organizational sociology useful to explain how organizations can promote or frustrate the development of the virtues of workers (Beadle 2017). MacIntyre bases his approach on the distinction between practice and institutions. This theoretical framework will help us to explain the role of technology in modern work based on grounds that differs from the work of Smith and

Marx. We will explain how, according to MacIntyre, technology, on the one side, can negatively affect workers and, on the other side, can become an opportunity for excellence and flourishing; and, from this framework, we will revise the Smith and Marx perspectives.

MacIntyre distinguishes practices and institutions in terms of the ends sought by each. Practices are “any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended” (MacIntyre 1981, p. 175).

Practices involve goods that cannot be obtained outside of the cooperative activity (internal goods) and “standards of excellence” by which the performance of the activity could be partially judged. Practices also yield two results: the development of distinct human capacities for excellence and an improvement in the understanding of specific ends or goods (Ferrero and Sison 2017, p. 1157). Institutions host practices. The former put in place the structure for the latter to develop, but they can also constitute a risk insofar as they can privilege the achievement of external goods over internal goods. Institutions “are characteristically and necessarily concerned with [...] external goods. They are involved in acquiring money and other material goods; they are structured in terms of power and status, and they distribute money, power and status as rewards” (MacIntyre 1981, p. 194).

Therefore, practices aim at excellence (as measured by standards internal to the practice), while institutions aim at success (as measured by standards external to the practice) (Beabout 2017). Institutions, thanks to the external, material goods they procure and administer, are necessary for the sustenance of practices. However, when the institutions pursue solely external goods corrupt the goods internal to practices (Moore 2002).

Moore applied MacIntyre’s distinction between practices and institutions to understand how firms can act in a virtuous and excellent manner (Pinto-Garay 2019). He distinguishes between corporate character and virtues—which follow from practices—and corporate culture

and values—that follow from institutions (Moore 2005). In the struggle against what MacIntyre described as the corruptive forces of capitalist institutions, Moore and Beadle explained the conditions in which businesses could protect practices, develop virtues, and encourage moral agency in decision-making (Moore and Beadle 2006). Such balance between practices and institutions materializes in virtuous corporate character, which comprises the virtues necessary for a corporation to engage in practices of excellence, focusing on achieving the internal goods of the practice. This virtuous character allows a corporation to avoid the threats from its own inordinate pursuit of external goods, which can corrupt the practice, making impossible its employees to achieve the internal goods and, therefore, excellence.

To assess the role of technology in the corporation with the MacIntyre's framework, we should consider technology, no matter their complexity and advances, as an external good. Personal work, on the contrary, should integrate both the external dimension of productivity and the internal good associated with human practices. Personal work can be a practice featured by internal goods and virtues, valued as a source of personal fulfillment (Pinto-Garay and Bosch 2018). Therefore, if corporations give prevalence to technology over personal work, they corrupt the practice of working, by reducing personal work to a productive resource but not as an end in itself.

The distinction between internal and external goods is a proper conceptual framework for understanding what gives meaning to human activity, that is, to consider work as meaningful and thriving activity (Beadle and Knight 2012), and to analyze the relationship between technology and work based on grounds that differs from the proposals by Smith and Marx.

## **A MacIntyrean Critic on Smith**

MacIntyre's ideas have been crucial to rethink the possibility of virtue in a post-Enlightenment culture, especially in the field of economics and business, dominated by liberal philosophy and the culture of individualism.

From a different angle from Smith, MacIntyre emphasizes the role of community and socio-historical narratives in the development of practical rationality, when he conceives corporations as places where their members can exercise virtues, thereby gaining internal goods and personal flourishing, enabling corporations on their narrative quest toward a goal of excellence (*telos*) (Moore 1999, 2005; Collier 1995). According to MacIntyre, “What is missing from Smith’s account is any conception of economic activity as capable of being cooperatively and intentionally directed towards the achievement of common goods” (MacIntyre 2016, p. 92). Smith’s perspective rests on an individualistic conception of work, which can contribute to many forms of cooperative performance, especially through the division of labor, even efficient ones, but it cannot be oriented toward excellence when the common good remains outside the practical setting, and productive work is not sustained by fellowship.

Cooperation at work is akin to the plural form of production, i.e., not bad in itself, but rather natural and in need of orientation toward something qualitatively better than mere efficiency. According to MacIntyre, excellent practices are complex form of socially established cooperative human activity. Therefore, practices depend on how people are willing to cooperate (MacIntyre 2016). A certain kind of cooperation is characteristically involved in practices (MacIntyre 1981). As Finnis explains, things improve for everyone with a division of labor between families, specialization, technology, joint or cooperative enterprises in production and marketing, a market and a medium of exchange, in short, an economy that goes beyond the domestic realm (Finnis 1980). The productive dimension of work needs several forms of cooperation not only because the satisfaction of needs demands coordination from a variety of producers, but also mainly because this coordination implies the search for common goods.

MacIntyre warned of the corruptive power of institutions, even though an efficient form of cooperation, if internal goods are overturned in favor of external ones. When corporations are excessively focused on short-term material results—mere productivity—at the expense of personal work—institutions become corrupted. To MacIntyre “Short-term profitability is the enemy of good productive work” (MacIntyre

2016, p. 171). Therefore, corrupt institutions can undertake productive work and perform efficiently with effective short-term policies, aiming only at external goods and, consequently, encouraging a culture of competition among those who integrate the firm (Moore 2002; Dawson 2009). Cooperation becomes much more a form of sum zero game than a resource for building a community of work.

The source of the institutional corruption is found in conceiving work and employment in an individualistic manner: “For liberal individualism a community is simply an arena in which individuals each purpose their own self-chosen conception of the good life, and political institutions exist to provide that degree of order which makes such self-determined activity possible” (MacIntyre 1981, p. 195). This individualism embeds Smith’s understanding of markets as based on self-interest, which he exemplifies with his famous passage on the brewer, butcher, and baker’s lack of benevolence toward their customers (Smith WN, 1, II, 2). According to MacIntyre, “On Smith’s account of economic activity, it is by each individual pursuing the increase of her or his own profit that productivity is increased, and each individual benefit from the labor of others, so that the general prosperity is increased” (MacIntyre 2016, p. 91). A Smithian workplace—akin to his pin factory—can be constituted as a cooperative organization of work that aims solely toward individualistic goods, fostering competition (Moore 2002; Halliday and Johnsson 2009), and differs entirely from a community, affecting the development of corporations and avoiding work to become a space for personal thriving.

As Horvath explains, for MacIntyre, this competition scheme becomes a win-lose contest in which personal excellence ceases to be the primary goal, turning internal standards of a good job into external ones and pushing people toward acquisitiveness. Thus, a sense of social benefit is lost, replaced by a self-centered perspective that often characterizes the modern business world developed based on an ethics of effectiveness and personal advantage (Horvath 1995).

However, as MacIntyre reminds—following Aristotle—the virtue of friendship is the bond of human community (MacIntyre 1981), and individualism is at odds with fellowship. An individualistic conception of work breaks these bonds, making impossible to achieve common goods,

and it is essentially contradictory to the pursuit of excellence and a good life, because the latter is achieved when internal goods are privileged over external ones (Moore 2005). In MacIntyre's own words: "It is because we live out narratives in our lives and because we understand our own lives in terms of the narratives that we live out that the form of narrative is appropriate for understanding the action of others" (MacIntyre 1981, pp. 2011–12). Thus, a good narrative of work demands the consideration of my fellow workers' personal narratives, understanding the people with whom I interact (MacIntyre 2016). To MacIntyre "... individuals can achieve their own individual goods only in and through achieving those common goods that they share with others, qua family members, qua colleagues in the workplace, qua fellow citizens, qua friend, so that care of one's family, of the ethos of one's workplace, of the justice of one's political society and of one's friends are characteristically and generally marks of a good human life" (MacIntyre 2016, p. 118). Therefore, a MacIntyrean definition of cooperative work cannot be individualistic since the concern for our co-workers is a *sine qua non* condition for personal excellence. Cooperative work must be performed in service of colleagues at the workplace, oriented to another people's well-being, building a community of work. MacIntyre considers this purpose as part of a good life (*eudaimonia*). This fellowship goes beyond feeling empathy toward others, as it were only a kind of philanthropic sentiment at work. MacIntyre explains that the good practical judgment not only looks toward "your neighborhood's good," but is also properly good when deliberation is shared, that is, when choosing as a community the best for the community. To MacIntyre, "We live out our lives, both individually and in our relationships with each other, in the light of certain conceptions of a possible shared future, a future in which certain possibilities beckon us forward and others repel us, some seem already foreclosed and others perhaps invisible" (MacIntyre 1981, p. 215). Only in this sense the workplace can be common good oriented, a social context in which we work together in "a history of how the shared project of achieving those [common] goods, came to inform each of their lives" (MacIntyre 2016, p. 61). This is the only possible way to explain the phenomena of corporate culture as a common (shared) narrative of excellence.

A MacIntyrean account for modern corporations necessarily revitalized the role of fellowship as qualitative superior to any form of efficiency in the use of technological resources. In this sense, the value of technology is based on a different perspective than Smith's, when work and the use of technological resources (even in organizations based on the principle of division of labor) are virtuous only when they aimed to the firm's common good. To MacIntyre, technology must be at the service of workers, and oriented to excellence, aimed at achieving the common good of the firm. The individualistic assessment of technology by Smith makes impossible, or at least much more difficult, to protect work as a practice from being corrupted by corporations.

## A MacIntyrean Critic on Marx

Although MacIntyre's long-standing critique of modern corporations and liberalism was profoundly influenced by Marx, and "his intellectual evolution over the past six decades has been marked by this influence alongside his Christianity" (Blackledge 2014, p. 705), he cannot be labeled as Marxist. MacIntyre shows a profound criticism with modern industrialization, finance, and consumption because of labor exploitation, justice, and fair pricing (MacIntyre 2016). He concurs with the Marxist critique on capitalism as the cause of worker alienation; in the capitalistic world, "productive activities are chopped-up or decomposed into simple, meaningless units that even machines can do for the sake of productivity and profits. Workers lose sight of the purpose, meaning and context of their labor as a whole; they are reduced to being just another cog in the capitalist wheel. Work loses all personal value" (Sison et al. 2018, p. 12). However, he ended up rejecting Marxism by its unconvincing alternative to capitalism (Blackledge 2014).

In our opinion, MacIntyre addresses the problem of work and technology from a different angle from Marxism, providing what we see as a critic to Marxism.

While Marxism stood the idea of a technological determinism for assessing the morality of industry, MacIntyre opened the possibility for modern corporations to choose between corruption and excellence, no

matter the nature of the technology used. Modern corporations are places where human thriving can take place, even when the risk for corrupting practices is always present.

The Scottish philosopher explains how two different cultural settings, the Japanese and the British, show how to use technology in two different sectors—automobile manufacture and television, respectively—in very different ways. On the one hand, in the Japanese firms workers are able to pursue standards of excellence that they themselves have identified as worthwhile, making their own. In the British corporations, conversely, employees are directed toward ends that are the goals of administration and managers imposed upon their activities. For MacIntyre, the Japanese firm assumes that the quality of the products lies in the workers, so they are treated as agents with rational and aesthetic powers. The British organizations give primary responsibility to administrators and managers, and employees are treated as means to the ends of administration and managers (MacIntyre 2016).

Breen explains that, when deliberating on performing productive work, we reflect not only upon the technical means we employ, but also upon the relationship between the chosen means and the moral ends we seek, namely excellent performance, the quality of the resulting products, and the overall social purposes they serve. In work, practical wisdom and *techne*, far from separate, are so jointly articulated that we can speak in Aristotelian terms of a *phronetical-techne*, this is, the practical virtue applied to technical issues. In other words, production in work—when it is excellence oriented—implies both instrumental/productive and moral/practical features (Breen 2012). Thus, determining the right means for attaining an intended goal is therefore not just a technical matter, but also a moral one. This means that work, following an Aristotelian definition, is a *praxis in poietical* activities, or in MacIntyrean terms, a skilled-practice aimed at production.

To MacIntyre, firms are excellent or corrupted depending on how employees are encouraged to work (Pinto-Garay and Bosch 2018). Accordingly, the relationship between technology and work demands that employees are not structured by technological resources. Technology has to be considered and used as an extrinsic good, an instrument for work. Otherwise, if any form of production overlooks internal goods



and virtues, the practical dimension of work is dramatically reduced, becoming corrupted (MacIntyre 1981), and excellence is unreachable.

However, technology and technical knowledge could be a necessary instrument for achieving excellence. MacIntyre explains that extrinsic goods associated with production, i.e., technology, do not have a merely secondary role—like second-class goods—but are also valued according to their instrumental capacity for excellence, that is, when they serve the purpose of practices and internal goods (Pinto-Garay and Bosch 2018). Practices rely also on instrumental resources.

Therefore, when it comes to productive tasks, the relationship between producing and virtues is not just related to the correct use of instrumental goods (which is mainly a technical problem). Production is also valuable in terms of the good habits needed to achieve an expected outcome whose realization depends not just on technical skills, but also on virtues that sustain the work and facilitate decision-making during the process. The shoemaker, for instance, does not deliver good shoes effortlessly, but, on the contrary, does so through arduous effort and laboriousness, exercising virtues. In this sense, productive work can be described as craftsmanship, i.e., when production pursues excellence in the craft, producing the best of which one is capable in light of internal goods that reinforce the quest for production (Bull and Adam 2011).

In sum, the role of technology in industry is neither something deterministic, as it is in Marx, nor the goal of working, but rather an opportunity for employees' personal development, hand in hand with becoming the material cause for corruption of work. In the same vein, firms are not per se something bad; on the contrary, they represent an opportunity for moral thriving. Firms can be included within the realm of human common good, if they are organized in an excellent style (Table 11.3).

## Conclusion

Besides their differences, both Smith and Marx offer a theory of work focused on the product, on the external result, instead on the human action. MacIntyre explains the work-technology relationship in a different perspective from the Enlightenment Liberalism and Marxism.

**Table 11.3** Work-technology relationship and MacIntyre’s organizational solution

Human-work/technology relationship	Organizational solution
<p>Work is a practice, a meaningful and thriving activity, sustained by the institution, which is the corporation Corporations are communities of work, where the employees seek common goods</p>	<p>The organizational solution comes from inside the firm. The correct use of technology for enhancing employees is an essential responsibility of firms</p>
<p>Technology is conceived as an external good. If corporations give prevalence to technology over personal work, they corrupt the practice of working</p>	<p>Technology must at the service of workers, and oriented to excellence, aimed to facilitate the achieving of the common good of the firm</p>
<p><b>Critic to Smith</b></p>	<p><b>Critic to Marx</b></p>
<p>Smith’s perspective rests on an individualistic conception of work, which can contribute to many forms of cooperative performance, but it cannot be oriented toward excellence when the common good remains outside the practical setting, and productive work is not sustained by fellowship</p>	<p>Marx considers technology as a necessary reinforcement of the specialization and the division of labor, increasing, therefore, the evils that capitalism brings to workers and society in general</p>
<p>The individualistic assessment of technology by Smith makes impossible, or at least much more difficult, to protect work as a practice from be corrupted by corporations</p>	<p>While Marx stood the idea of a technological determinism for assessing the morality of industry, MacIntyre opened the possibility for corporations to choose between corruption and excellence, no matter the nature of the technology used</p>
<p>To MacIntyre, Smith misses any conception of economic activity as capable of being cooperatively and intentionally directed toward the achievement of common goods</p>	<p>To MacIntyre, modern corporations are places where human thriving can take place</p>

In contrast to Smith, to MacIntyre virtues are not instrumental. It is true that more resourceful and imaginative workers can facilitate innovation and productivity. However, fostering imagination, innovation, and deliberation on the workers, it is good in itself, because it helps workers personal thriving, not because it increases profits. Technology must always have an instrumental role, and it is morally valuable when it helps workers to do their job oriented to other people’s well-being, this is, to a common good.

Smith is aware that combination of technology and the division of labor can have negative moral impact on workers, but he does not make responsible of that to the corporation. MacIntyre's position is completely different: He sustains that firms are much more fellowships of work than mere form of professional cooperation and, as communities oriented to a common good, should give priority to moral development over productivity or profits. The correct use of technology for enhancing employees is an essential responsibility of firms.

In contrast to Marxism, the instrumental role of technology as an external good does not play a role in work development. In a MacIntyrean theory, the division of labor and specialization can be oriented to achieve excellent standards of work. In this sense, MacIntyre sees that firms—as Japanese firms—can be valuable in terms of virtue and excellence, not mere productivity, even though they produce based on a principle of division of labor, specialization, and advanced technology.

Accordingly, following MacIntyre, we claim that this style of excellence in modern corporations is something intrinsically good for work and society, if it is based on the understanding that technology is an instrumental resource for virtue, excellence, and common good. The ethics of MacIntyre opens the door to redefine a good capitalism based on excellent corporations and good work aimed to the common good.

## References

- Aspromourgos, Anthony (2013). "Adam Smith on Labor and Capital". In Berry, Christopher J., M<sup>a</sup> Pia Paganelli, and Craig Smith. *The Oxford Handbook of Adam Smith*, Oxford University Press, London.
- Beabout, Gregory (2017). "Practical Wisdom, Practices and Institutions". In Sison, Alejo J. G. Gregory Beabout and Ignacio Ferrero. *Handbook of Virtue Ethics in Business and Management*, Vol 1: 69–78. Springer.
- Beadle, Ron (2017). "MacIntyre's Influence on Business Ethics". In Sison, Alejo G. B. G, Gregory Beabout and Ignacio Ferrero. *Handbook of Virtue Ethics in Business and Management*, Vol 1: 59–67. Springer.
- Beadle, Ron and Geoff Moore (2006). "MacIntyre on Virtue and Organization", *Organization Studies*, vol. 27, n° 3, pp. 323–330.

- Beadle, Ron and Kelvin Knight (2012). "Virtue and Meaningful Work", *Business Ethics Quarterly*, vol. 22, n° 2, pp. 433–450.
- Bimber, Bruce (1990), "Karl Marx and the Three Faces of Technological Determinism", *Social Studies of Science*, vol. 20, n° 2, pp. 333–351.
- Blackledge, Paul (2014). "Alasdair MacIntyre as a Marxist and as a Critic of Marxism", *American Catholic Philosophical Quarterly*, vol. 88, n° 4, pp. 705–724.
- Breen, Keith (2012). "Reason, Production, and Rival Visions of Working Life". In Edmondson, Rica and Karlheinz Hülsler (Eds.), *Politics of Practical Reasoning: Integrating Action, Discourse and Argument*, Lanham: Lexington Books.
- Brenkert, George (2013). *Marx's Ethics of Freedom*, Political Science, Vol 49, Routledge Library Editions: London.
- Brewer, Kathryn Balstad (1997). "Management as a Practice: A Response to Alasdair MacIntyre", *Journal of Business Ethics*, vol. 16, n° 8, pp. 825–833.
- Brynjolfsson, Erik and Andrew McAfee (2016). *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*. New York: W. W. Norton.
- Bull, Christopher and Alison Adam (2011). "Virtue Ethics and Customer Relationship Management: Towards a More Holistic Approach to the Development of 'Best Practice'", *Business Ethics: A European Review*, vol. 20, n° 2, pp. 121–130.
- Calkins, Martin J. and Patricia H. Werhane (1998). "Adam Smith, Aristotle, and the Virtues of Commerce", *The Journal of Value Inquiry*, vol. 32, n° 1, pp. 43–60.
- Collier, Jane (1995). "The Virtuous Organization", *Business Ethics: A European Review*, vol. 4, n° 3, 143–149.
- Dawson, David (2009). "Conflicting Stories of Virtue in UK Healthcare: Bringing Together Organizational Studies and Ethics", *Business Ethics: A European Review*, vol. 18, n° 2, pp. 95–109.
- Dawson, David and Craig Bartholomew (2003). "Virtues, Managers and Business People: Finding a Place for MacIntyre in a Business Context", *Journal of Business Ethics*, vol. 48, n° 2, pp. 127–138.
- Dobson, John (2004). "Applying Virtue Ethics in Business: The Agent-based Approach", *Electronic Journal of Business Ethics and Organization Studies*, vol. 9, n° 1.
- Dupré, John and Regenia Gagnier (1996). "A Brief History of Work", *Journal of Economic Issues*, vol. 30, n° 2, pp. 553–559.

- Elton Bulnes, María (2006). “Benevolencia y Educación Pública en Adam Smith”, *Estudios públicos*, n° 104, pp. 217–245.
- Ferrero, Ignacio, and Reyes Calderón (2013). “The Ethical Dimension of Industrial Mass Production: The Role of Transitive Motivation”, *Journal of Markets & Morality*, vol. 16, n° 2, pp. 529–541.
- Ferrero, Ignacio and Alejo J. G. Sison (2017). “Aristotle and MacIntyre on the Virtues in Finance”. In Sison, Alejo G. B. G., Gregory Beabout and Ignacio Ferrero. *Handbook of Virtue Ethics in Business and Management*, Vol II: 1153–1161. Springer.
- Finnis, John (1980). *Natural Law and Natural Rights*. Oxford University Press. New York
- Halliday, John and Mary Johnsson (2009). “A MacIntyrian Perspective on Organizational Learning”, *Management Learning*, vol. 41, n° 1, pp. 37–51.
- Hamowy, Ronald (1968). “Adam Smith, Adam Ferguson, and the Division of Labor”, *Economica*, vol. 35, n° 139, pp. 249–259.
- Honderich, Ted (1982). “Against Teleological Historical Materialism”, *Inquiry*, vol. 25, n° 4, pp. 451–469.
- Hooker, John and Tae Wan Kim (2019). “Ethical Implications of the Fourth Industrial Revolution for Business and Society.” In *Business Ethics*. Emerald Publishing Limited.
- Horvath, Charles (1995). “Excellence v. Effectiveness: Macintyre’s Critique of Business”, *Business Ethics Quarterly*, vol. 5, n° 3, 499–532.
- Hühn, Matthias P., and Claus Dierksmeier (2014). “Will the Real Adam Smith Please Stand Up!” *Journal of Business Ethics*, vol. 16, n° 1, pp. 1–14.
- Kanungo, Rabindra N (1982). *Work Alienation: An Integrative Approach*, ABC-CLIO, New York.
- Martin, Kirsten, and Robert Edward Freeman (2003). “Some Problems with Employee Monitoring”, *Journal of Business Ethics*, vol. 43, n° 4, 353–361.
- MacIntyre, Alasdair (1969). *Marxism and Christianity*. Duckworth, London.
- MacIntyre, Alasdair (1981). *After Virtue: A Study in Moral Theory*. University of Notre Dame Press, Indiana.
- MacIntyre, Alasdair (2016). *Ethics in the Conflicts of Modernity: An Essay on Desire, Practical Reasoning, and Narrative*. Cambridge University Press.
- Marx, Karl (1963). *The Poverty of Philosophy*, International Publishers, New York.
- Marx, Karl (1990). *Capital*, Penguin, London.
- Marx, Karl (2012). *Economic and Philosophic Manuscripts of 1844*, Dover Publications, New York.

- Marx, Karl and Friedrich Engels (1970). *The German Ideology*, International Publishers, Nueva York.
- Marx, Karl and Friedrich Engels (1967). *The communist Manifesto*, Penguin, London.
- McNulty, Paul J. (1973). "Adam Smith's Concept of Labor", *Journal of the History of Ideas*, vol. 34, n° 3, pp. 345–366.
- Moore, Geoff (1999). "Corporate Moral Agency: Review and Implications", *Journal of Business Ethics*, vol. 21, n° 4, 329–343.
- Moore, Geoff (2002). "On the Implications of the Practice-Institution Distinction: MacIntyre and the Application of Modern Virtue Ethics to Business", *Business Ethics Quarterly*, vol. 12, n° 1, 19–32.
- Moore, Geoff (2005). "Corporate Character: Modern Virtue Ethics and the Virtuous Corporation", *Business Ethics Quarterly*, vol. 15, n° 4, 659–685.
- Moore, Geoff, and Ron Beadle (2006). "In Search of Organizational Virtue in Business: Agents, Goods, Practices, Institutions and Environments", *Organization studies*, vol. 27, n° 3, pp. 369–389.
- Mozur, Paul (2012). Life Inside Foxconn's Facility in Shenzhen, *The New York Times*, Dic. 19<sup>th</sup>.
- Pinto-Garay, Javier and Maria José Bosch (2018). "Virtues and the Common Good in Human Resource Management in Business Ethics". In Sison, Alejo J. G., Ignacio Ferrero and Gregorio Guitián. (Eds.), *Business Ethics: A Virtue Ethics and Common Good Approach*. Routledge, New York.
- Pinto-Garay, Javier (2019). Virtue Ethics in Business: Scale and Scope. In *Business Ethics*, pp. 67–86. Emerald Publishing Limited.
- Rosenberg, Nathan (1965). "Adam Smith on the Division of Labor: Two Views or One?" *Economica*, n° 1, pp. 127–139.
- Schumpeter, Joseph Alois (1954). *History of Economic Analysis*, Psychology Press, London.
- Schwab, Klaus (2016). *The Fourth Industrial Revolution* (First U.S. edition). Crown Business.
- Sison, Alejo José G., Gregory Beabout and Ignacio Ferrero (Eds.) (2017). *Handbook of Virtue Ethics in Business and Management*. New York: Springer.
- Sison, Alejo José G., Ignacio Ferrero and Gregorio Guitián (2018). *Business Ethics: A Virtue Ethics and Common Good Approach*. Routledge.
- Smith, Adam (1776 [2003]). *The Wealth of Nations*, Bantam Classics, New York.
- Weinstein, Jack Rusell (2017). "Adam Smith's Advice on Living Well in a Commercial Society". In Sison, Alejo José G., Gregory Beabout and Ignacio

- Ferrero. *Handbook of Virtue Ethics in Business and Management*, Vol 1: 135–144. Springer.
- West, Edwin George (1964). “Adam Smith’s Two Views on the Division of Labor”, *Economica*, New Series, vol. 31, n° 121, pp. 23–32.
- West, Edwin George (1969). “The Political Economy of Alienation: Karl Marx and Adam Smith”, *Oxford Economic Papers*, vol. 21, n° 1, pp. 1–23.
- World Economic Forum (2020). *The Future of Jobs Report 2020*. Geneva, Switzerland.



# 12

## Relational Ontology for an Ethics of Work Relationships

Anna Marrucci, Cristiano Ciappei, Lamberto Zollo,  
and Riccardo Rialti

### Introduction

In our contemporary world, a constantly widening gap between economy and life exists. Such a distance has put human existence and social development in crisis. Particularly, the dramatic results of this

---

A. Marrucci (✉)

University of Pisa, Pisa, Italy

e-mail: [anna.marrucci@phd.unipi.it](mailto:anna.marrucci@phd.unipi.it)

C. Ciappei · R. Rialti

University of Florence, Florence, Italy

e-mail: [cristiano.ciappei@unifi.it](mailto:cristiano.ciappei@unifi.it)

R. Rialti

e-mail: [riccardo.rialti@unimi.it](mailto:riccardo.rialti@unimi.it)

L. Zollo

University of Milan, Milan, Italy

e-mail: [lamberto.zollo@unimi.it](mailto:lamberto.zollo@unimi.it)



gap lie in the proliferation of post-human and trans-human scenarios. To promote social development and public value, it becomes so urgent to rethink the relationship between economy and humanity, without claiming to unify these distant worlds, but trying to find their unity in a reciprocal relationship.

Henceforth, this study aims to respond to this important challenge by re-interpreting companies using an ontological perspective. Actually, enterprises represent one of the main networks of human relations in societal development. Many scholars have suggested to explore enterprises and society using a “relational ontology” perspective. This perspective of analysis focuses on the necessity to consider facts and relationship as entities with an own reality. Ontology excludes relational instrumentality and values the reflexivity of human relationships. This research will explain why in our contemporary society it becomes so urgent to use an ontological approach in management fields. To understand the meaning of “relational ontology” we will offer a re-reading of the thought of some ancient philosophers and contemporary sociologists.

Indeed, using the Platonic concept of the One, an implicit duality emerges: everything is created in relation and, as a result, interconnected. While classical metaphysics theorized ontology as the main quality of the being and its transcendent, contemporary ontology—thanks to the constructivist theory of Edgar Morin (1977–2004)—claims that the being itself emerges due to its underlying relationships. According to Morin, such relationships are expressed in the transition from past and present determined relations, constantly moving toward the relational uncertainty of the future (Le Moigne, 2008).

Then, quantum physics clarifies how the universe is made up of polarities created by common elements, able to generate energy and physical matter (Frigoli, 2013). Everything is one, everything is a relationship. Specifically, social relations are in this way generative and constitutive of being an agent of the society.

Donati (2019) observed that social relations are a *sui generis* reality (Donati, 2019), i.e., structures with their own characteristics. Each person and organization create, in an ontological view, a network of social relations. Conceiving social relations as a construct permeated by

their own reality means admitting that the same relationships have their own structure.

Each enterprise should be interpreted as a network of social relations existing between organizations and markets. The present chapter proposes a conceptual model based on Relational Goods, a construct which derives from intersubjectivity and reflexivity's aspects. In this division between emergency situations and social development, the necessity to rediscover the role of human relations, conceptualized as Relational Goods, has emerged.

In other words, the aggregative exchange relationships generate integrative, reciprocal, and ethical goods able to positively impact on enterprises' socio-economic performance.

The research will have as main objectives:

- a) Studying relationships from an ontological point of view;
- b) Analyzing the positions of different authors on the subject of relational ontology;
- c) Highlighting the importance of Relational Goods and relational thinking in managing employee relations;
- d) Presenting a conceptual model and possible managerial implications.

The first paragraph will explore the concept of relationship in Plato and Aristotle. Among sensitive, intelligible, and accidental aspects, we will try to verify the concept of relationality in classical metaphysics. In the second paragraph, we will open the relational discussion toward the generative aspect of social relations. In fact, constructivism, quantum physics, and the concept of triadic relationship offer important ideas to understand the creative aspect of a social relations. The third paragraph will focus on Relational Goods and on the effects that this new variable may have on enterprises. The relationship, on an ontological level, unites, defines, and expresses our future. The final paragraphs will focus on the relational ontological interpretation of enterprises, social phenomena at the highest level of our society.

## Literature Relating to the Relational Ontology: Plato and Aristotle

Plato's metaphysics can certainly be interpreted as a relational metaphysics (Blackson, 2012). The whole debate revolves around the relationship between the sensible and intelligible worlds, expressions of multiplicity and unity. The multiplicity refers to a set of concrete and material things about which it is possible to have knowledge (Trabattoni, 2020). These material entities are important because of the relationship they establish with the Form, an incorporeal and invisible entity. Form represents not only the idea of unity, above all the ultimate reason for every sensible object. Essentially, Plato's philosophy states that there are two realms: the human, imperfect and material world and the perfect world of forms or ideas. The material realm is permeated by multiplicity and is only a shadow or image of the true reality of the world of ideas. It is in the oneness of the idea that multiplicity acquires meaning.

Actually, the idea of unity finds its maximum meaning whether integrated in a relational perspective with the multiplicity, because only related with this same multiplicity, the idea could emerge in its function: as an entity capable of expressing the truth of the sensitive world. In a most famous section of the Symposium, Plato succeeded in shedding light on the meaning of the Idea:

In the first place, the Idea of beauty is something that constantly is, that is born and never perishes, neither grows nor diminishes, and moreover it is not on one side beautiful and on the other ugly, neither beautiful in relation to one thing and ugly in relation to another, neither beautiful in one side and ugly in another, neither beautiful for some and ugly for others. Neither will beauty show itself as a face, or as hands, nor as any other of the things in which the body participates. (Reale, 2000, p. 517)

To express this particular nature of the Idea, Plato uses a combination of predicates, highlighting how the idea of beauty is the only thing that can be defined with certainty as beautiful, because it is the only one that is always pure form of beauty. There is no object that coincides with beauty, while the Idea of beauty coincides with the universal notion of beauty.

Plato does not question the existence of a sensitive and intelligible world (Trabattoni, 2003): Both plans of analysis are true, and it would make no sense to say that one of these prevails over the other (Trabattoni, 2020).

In the Intelligible or Forms' world, the same Idea presents some qualities:

- a) The Idea cannot suffer any kind of change because it is true always in itself.
- b) The Idea cannot be changed, so it is always equal to itself.
- c) The Idea cannot accept diversity and multiplicity in itself.
- d) The Idea is immutable, immobile, and identical to itself.

Moreover, being in relation only with itself means that the idea is deprived of multiplicity and becomes absolutely unique (Cardelli, 2008).

This perspective of analysis would not give any space to relational reflections; however, the Platonic relational aspect finds its maximum expression in the same separation between sensitive and intelligible worlds. Within Parmenides, Socrates clarifies the concept of participation that emerges in the relationship between ideas—"sensitive" things (Trabattoni, 2020): An object is beautiful because it participates in the idea of beauty. Participation presupposes an objective relationship between two independent and distant things (Candiotto, 2015). Participation is a relation. If ideas were not formed by this participatory aspect, any argument to show that they exist would be failing. Even if the relational aspect finds its highest expression through participation, the ontological question remains to be solved.

Plato solves the ontological question through the analysis of the cave myth. In the Platonic myth, prisoners incessantly fix a wall on which the shadows of human beings and other objects are projected. These human beings are firmly convinced that reality consists only of the shadows they observe. When a prisoner gets liberated, the person attests that what he believed to be real is nothing more than the projection of something that is more real than what he observed. He turns directly to the sun and understands that the course of the seasons depends on it and is the cause of everything that exists (Ferrari, 2013). In this sense, human beings would live in a visible world that is necessarily limited and what stands

beyond it represents the ascent to the world of ideas. In conclusion, it is possible to affirm that the world of ideas develops in a hyper uranium and exists even before the predicates. The sun, the idea of good, are real, are generative, and give essence to the predicates. In practice, there must necessarily exist a relationship that is above the two worlds and connects them, unites them. The essence of the two worlds is the relationship.

Figure 12.1 summarizes Plato’s perspective on Relational Ontology. Relationships generate and give meaning to events and human life.

Plato’s relational thinking is sharply counterbalanced by Aristotle’s perspective.

Aristotle attributes to the Platonists the ineffectiveness of their doctrines which are built on the exclusive logical-generic approach to problems. According to the philosopher, Plato’s theory would not provide an explanation of the becoming of things because it could only mention a double reality permeated by participation. Aristotle is in a deep disagreement with the concept of participation: “participation, is nothing” (Trabattoni, 2007). Aristotle uses the concepts of substance, accidents and categories as central points of his philosophy, succeeding in delineating his own conception of relation. In the fifth book of *Metaphysics*, the philosopher affirms how substance refers to simple bodies: fire, earth, and water. All these things are substances because they are not preached by a substratum. On the other hand, the substance of each thing is the essence of the thing itself. The Stagirita meticulously describes substance through metaphysics perspective by distinguishing

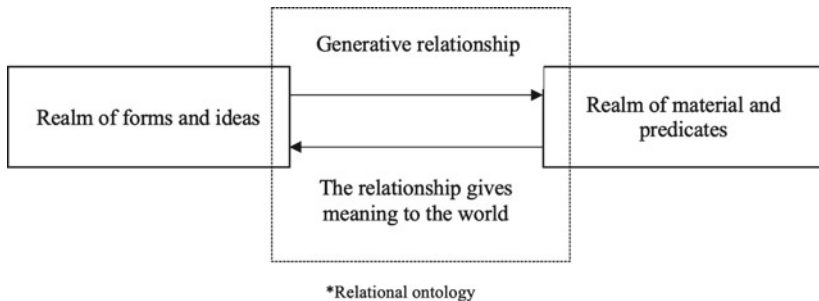


Fig. 12.1 Plato’s Ontology (Source Authors’ elaboration)

Hypostasis from Ousia. Hypostasis represents the first substance that makes individuals different from other beings belonging to the same universal category. While the second substance, Ousia, represents the belonging of the hypostasis to a universal of substance, the Ousia is the only aspect that connects different hypostasis to the universal, or united substance. Following this perspective, human beings, which are different hypostasis, are connected to humanity (Ousia) more than an animal, a vegetable, a mineral; human being is connected, in a relational way, with everything.

Another characteristic aspect of Aristotelian philosophy is the concept of accident. Still within *Metaphysics*, the *Stagirita* highlights how accidents are attributes that belong to each thing (Reale, 2017).

Moreover, it remains to define the Aristotelian concept of categories in order to derive some considerations of relational ontology. Categories are the supreme genders, i.e., the widest predicates or homogeneous objects (Bonelli & Masi, 2011). More characteristics of the substance, accidents and categories are explored in Aristotle's *Metaphysics*; however, our aim is to understand what the *Stagirita* actually exposes in terms of relational ontology.

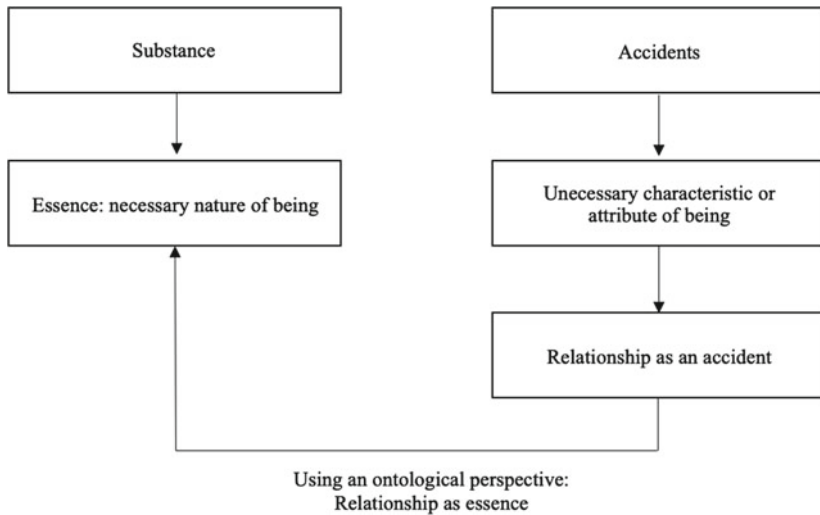
As Aristotle maintains, all relations exist when referred to something else. In fact, many things are said to be relative because something else is related to them. Then Aristotle's definition of relation is a general qualification of being or a mere accident or attribute. Indeed, only substance would be pure essence.

A relational ontology approach must necessarily shift the relational problem from accidents to essence.

The relation represents the human's foundation. The relational beams of human beings are specific substance, reality, and manifestation of an essence that expresses itself as the relational form. The relational essence is then the universal interacting nature of the single things, belonging to the same gender or species.

The point of change is inserted in this reflection: How the relationship enters into the essence and how the relationships allow this existence in progress to take on a higher and higher form by realizing its potential in contingencies.

Figure 12.2 summarizes Aristotle's perspective on Relational Ontology.



**Fig. 12.2** Aristotle's Ontology (*Source* Authors' elaboration)

Moreover, it might be interesting to conclude this first ontological reflection by briefly presenting the thought of Thomas Aquinas (Fay, 1973). Indeed, the philosopher discusses the concept of participation espoused by Plato.

Thomistic participation is expressed along two distinct and parallel lines: logical participation and ontological participation. Following the first acceptance, it is possible to delineate two meanings: inclusion and reception. An example will clarify this argument: Humans participate in the animal genus and receive a definition from the genus. Participation includes and defines. To explain the second meaning of participation, it is useful to highlight that on the Thomistic conception, all beings, except God, are beings through participation and not through essence. There is no coincidence between being and essence. Participation is seemingly more the result of a relationship between creator and rational creature. As a rational creature, the individual participates in the dignity of God and in Divine Providence.

According to Thomas, the relationship is an inclusive participation in other horizontal beings. A vertical being is ontologically related to other lower beings. Differently, Plotinus interprets relation using a hierarchical

position: Higher beings generate lower ones. The Catholic relationship, on the other hand, is significantly horizontal and does not admit of hierarchies.

## Relational Ontology Between Constructivism, Quantum Physics, and Triadic Relationship

Plato identified the generative process as the main aspect of relationships. The generative and constructive processes are also proper to the constructivist philosophical position, according to which reality is the result of the constructive activity of society structures. Edgar Morin (1977–2004) contributed to the formation of constructivist thought through his famous work *La Methode*. Morin argues that the physical world does not respond to an Order submitted to written laws.

Human beings, then, hold the particularity of possessing rationality, delirium, hybris, and destructiveness in themselves. Human history, between creation and destruction, possesses something atrocious and fascinating, which evokes cosmic history (Morin & Pakman, 1994). On the one hand, the cosmos has created humans in its image. On the other hand, human beings are called to give an order to the cosmos, according to the form of human beings. Chaos is no more only confusion and destruction, but also a source of creation, a genesis principle. In fact, Morin maintains that:

There is a self-organization of the cosmos starting from an unprecedented disorder, it is a constitutive disorder, which is a necessary part of the physis, of every physical being, therefore, it is a disorder of genesis and creation, which makes it exist: there is a crucial relationship between the irruption of the disorder, the constitution of order, the development of organization. (Montagnino, 2012, p. 8)

The relationship is not an epistemological instrument; the relationship is an ontological element of being. Every human being is an emergence of another being and mutates from the physical complexity (Glenk et al., 2017). The theory of complexity does not want to replace the principle



of order with that of disorder, but tries to unite them in an indissoluble dialogic circle. This dialogical relation has the form of a conceptual ring where organization represent the highest and most complete form of order. From the interaction of a chaotic disorder, stable relations are born. According to Morin's constructivism, the human being is fully physical and metaphysical.

Humanity, in fact, would emerge from a triadic relationship: individual-society-species. The individual is in the species; the species is in the individual; individuals are in society; and the same society is in individuals, imprinting them with culture. The interactions between individuals produce society and the society allows individuals to become properly human. Each of these terms generates and regenerates. The relationship between the three terms individual-species and society is at the same time dialogical, i.e., its complementarity could become antagonistic.

According to Morin, society exists and is something *sui generis* (Simonigh, 2012). Recognizing the living autonomy of the society can help us to take care of ourselves more effectively. The consciousness of being part of relationships and social systems can help us to bet with greater courage on our self-reflexive consciousness (Simonigh, 2012). Each terms of this trinity are irreducible even though they depend on each other. The three terms are each other's means and ends. Although human diversity is visible, human unity is increasingly becoming invisible.

There is an urgent need to conceive a multiple unity. In this way, diversity is intrinsic to the unity of life. The system is a unitex multiplex which indicates the necessity of not dissolving the multiple into the one, nor the one into the multiple.

Just as the entirety is not reducible to its parts, neither can parts be eliminated in favor of the wholeness. Each individual lives and experiences the world as a single subject and this singular subjectivity is common to all people. Human beings are rational, productive, technical, constructor, anxious, unstable, imaginary, magical, and religious: All these traits may increase the diversity of humanity. Nevertheless, these same traits appear in relation to humans, who are complex beings bringing together contradictory elements. The generic unity and

the proliferation of multiplicity may be observed everywhere, precisely because is the same unity that allows the existence of the multiple (Morin & Pakman, 1994).

According to Morin, there are no laws of history. The only principle is that each successive development involves the disorganization and degradation of what preceded it. Anyway, there is no evolution without disorganization in its process of transformation or metamorphosis. From this perspective, there is no progress, but a true dialogue between progress and regression, complexity and destruction, disorganization and reorganization. (Morin & Pakman, 1994). Complex thinking detects a tension in things, in nature, in human events, and aims to keep this tension alive. This tendency is shaped by the dialectic of order–disorder, organization–chaos, truth–falsehood, univocity–ambiguity, and information–error. This tension also shows how disorder, chaos, falsehood, ambiguity, and error are not merely ineradicable obstacles, they are often also opportunities, occasions for creation. Complexity draws a general epistemological principle: uncertainty. In complexity, relationships emerge. Moreover, this same complexity is intrinsic to the universe.

The quantum physics has always affirmed that through the decomposition of matter it is possible to observe elementary dynamics, capable of understanding the same universal complexity. According to quantum physics the particles that have been in interaction with each other for a certain time, remain connected: what happens to one of them occurs instantly on the other. When particles interact, the properties of one particle affect the other and vice versa. All these phenomena happen regardless of the distance between particles. Moreover, it seems that entanglement implies any structure, including living creatures (Teodorani, 2007). Following this line, individuals are intertwined with everything, sharing a meaningful experience. In the uncertainty of the universe, determinism is crossed by possibilism.

In physics, researcher investigates the concept of interaction and actualization. The concept of interaction expresses the situation in which two or more elements of reality act on each other. Each relationship becomes a possibility of change in which everyone may take responsibility for his or her active contribution. In the infinite quantum possibilities, there is no distances.

Following a reinterpretation of classical metaphysics, we have identified dualism and Platonic participation as a reality permeated by relationality. Further, according to Aristotle's perspective, social relationships are conceived as accidents; however, we have highlighted the urgency of considering relations as human essence. Similarly, contemporary philosophy interprets social relations as processes that unite the dialogical order–disorder. Relationship, therefore, unites, generates, and creates. To advance the research on a relational ontology, it is hereby necessary to introduce the concept of triadic relation. In the *Encyclopedia (1830/2017)* Hegel defines the dialectical moment as the self-removal of finite determinations and their passage into opposite determinations.

Dialectics is both the conduction of determination toward its own negation and the opening of determination toward its own truth: “in the contrary, determination finds not only its self-criticism but also its profound truth” (Cortella 1996, p. 3).

Dialectics has a positive result because it coincides with truth, i.e., the future. Focusing on this last proposition, it emerges how all reality for Hegel is simultaneously its opposite. The Hegelian formula tends to encompass everything in an immanent and autopoietic logic that eliminates transcendence (Donati, 2016). However, there is a dialectic that assumes the characters of generation differing from the Hegelian formula: the Christian trinity.

The Trinitarian relationship must necessarily be conceived through a Christian debate. In the New Testament, in fact, we discover that God is identified as three Persons all uniquely themselves within their mutual relations. The access to being and its foundation can only be given in the relationship that God offers to humanity. The Trinitarian relationship arises from the thought of the Son whose being is a purely ontological relationship with the Father (Donati, 2016). Following classical metaphysics, we might risk identifying the Son with Aristotelian movements. The Christian Trinitarian relationship, on the other hand, sees the Father, Son, and Spirit dialectic as the eternal and uncreated nature, and all other existing natures are recognized as ontologically dependent on this first nature. At the theological and ontological level, knowledge is based on the possibility of recognizing relationships (Maspero et al., 2016).

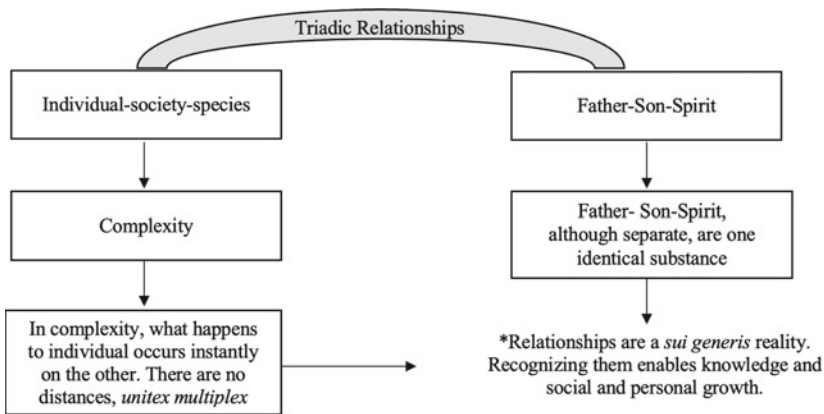


Fig. 12.3 Triadic relationship (Source Authors' elaboration)

Trinitarian revelation, as well as Trinitarian ontology, admits multiple interpretations.

However, every reality is unique only in relationship with others reality. In this way, the foundation of the human being rediscovers a dimension of freedom anchored in the immanence of the Triune God. The whole world, even the material world has its own relational dimension. On an ontological level, the Father, the Son, and the Spirit, although separate, are one identical substance. In God, therefore, relationships are eternal, enabling the dimension of the person to be distinguished.

Figure 12.3 summarizes the main aspects of relational ontology discussed above.

## Relational Goods as Relational Ontology: Literature Review

This long debate on relational ontology has highlighted the approach of many philosophers in terms of relationality. The aim of this paragraph is to combine their positions by identifying a construct that can summarize the key concepts previously analyzed. Practically, it is necessary to find

a variable that expresses the relationality and that can be applied to the different realities of our society, such as companies. Table 12.1 highlights the codes that must be enclosed in the relational construct.

It emerges how Relational Goods variable might be a concrete and valuable solution to our above-mentioned intention.

Relational Goods, indeed, incorporate the generative character, uniting people, enhancing reciprocal knowledge and mutual education, promoting personal and social development. Importantly, Relational Goods reduce distances and promote meaningfulness. Through the reflections of some authors, it will be possible to confirm the coherence of Relational Goods in explaining a Relational ontology.

The concept of Relational Goods appeared in the literature through the contribution of author Martha C. Nussbaum, “The fragility of goodness” (1986). In her definition of Relational Goods, Nussbaum is strongly influenced by Aristotelian thought. Relationality is connected to the philosophical idea that every person wants to move reciprocally with other people. The scholar uses a conception of good as purely moral, i.e., an expression of human virtues, identifying three main aspects: friendship, love, and political commitment.

In particular, Relational Goods are species of goods in which the relationship is not functional to economic exchange but is the good itself. Moreover, according to Nussbaum, physical distance and emotional distance inhibit the production of Relational Goods which are born and die with the relationship itself.

In the political field, Relational Goods have been discussed through the studies of Carole Uhlaner (1989). The author defines Relational Goods as “goods that can only be possessed through mutual understandings” (1989, p. 254). Substantially, the creation of Relational Goods

**Table 12.1** A summary of literature

<i>Philosophical current</i>	Relationship's characteristics
Plato	Generative and give meaning
Aristotle	Essence
Constructivism, Quantum physics, and Trinitarian relationship	Unite people and allow knowledge, personal and social growth

Source Authors' elaboration

can only be acquired as a function of the relationship with others. Dwelling on this statement, it emerges that the relationship between two individuals is a way to increase individual satisfaction.

Essentially, Relational Goods offer a sense of belonging, affective ties, but they not have an own ontological status (Donati, 2019).

The shortcomings inherent in Uhlaner's theory are essentially two: considering Relational Goods as the product of individual choices aimed at maximizing utility, providing a new category of good able to overcome the failures of traditional utilitarian theories rather than deepening the concept of Relational Goods (Solci, 2009). In economics debate, Gui argues that the relational dimension is necessary to understand economic phenomena (1987). The idea is that Relational Goods are the product of a particular production process that the author defines as "encounter" (Gui, 2005). The intention is to show that even in the context of economic transactions it is possible to experience a sense of moral and emotional satisfaction. However, as Solci (2009) points out, reducing Relational Goods to the affective component of relationships is highly reductive. The economist's major limitation is to consider the Relational Good as the individual motivation pushing a person to move, ignoring the priority aspect of the social relationship.

Finally, Donati (2019) argues about Relational Goods through his theory on a relational sociology. The author adopts a critical realism approach: Critical realism gives social relations an own reality. Precisely, relationships are emergent facts, i.e., entities endowed with their own causal qualities and powers (Donati, 2019). Donati highlights that "most people understand relationships as the result of individual actions. However, relationships are neither projections of the subjectivity of individuals, nor the sum of their individual actions. They are a reality that exceeds individuals and reflects on them" (Donati 2019, pp. 8–9). In more recent times, Donati and Solci (2011) defined social relationship as the immaterial reality of the interhuman link, i.e., a kind of entity that stands between two or more people. Accordingly, social relations are not merely interactions of exchange between individuals. Relations emerge from interactions, but they have an own reality. Relationships exceed the contents of exchange and communication (Donati, 2019). Affirming that relationships have an own reality means accepting that they have

their own structure. According to Donati (2019), the structure of social relationships is a combination of intersubjectivity and reflexivity. In fact, both aspects are intrinsically present in the relationship.

Intersubjectivity refers to the concept of mindfulness and mutual awareness (Mori and Hayashi, 2006). Other approaches conceptualize intersubjectivity as an implicit behavioral orientation (Coelho and Figueiredo, 2003). Donati (2019) argues that the intersubjective relationship is an emerging social relationship having, as a necessary but not sufficient condition, an encounter of a scalar nature. Conversely, reflexivity is defined as a systemic act of questioning (Sandywell, 1996). Greene (1995) suggests that reflexivity allows people to reach beyond experience. Essentially, the purpose of reflexivity is to—crack the codes—bringing human creativity back to the center of the debate (Sandywell, 1996). Donati and Solci (2011) claims that reflexivity is the activity exercised by the human mind relating to something else. According to Donati “reflexivity is a relational operation made by an individual mind in relation to another within a social context, which generates a relationship that is an emerging effect among the terms it connects” (Donati and Solci, 2011, p. 79).

Intersubjectivity and reflexivity are the key drivers for the conceptualization of a social relationship. If a social relationship owns these two aspects, this same relationship will produce effects, i.e., Relational Goods.

Adopting an ontological perspective means considering social relations as real entities. This new perspective leads to the assumption that social relations have their own structure.

The structure of relations derives from the union of intersubjectivity and reflexivity: it would be not possible to analyze human relations without mentioning both aspects (Donati, 2019). To conceptualize and measure Relational Goods, it will be essential to investigate the aspects of intersubjectivity and reflexivity, since only these two factors define a social relationship and produce Relational Goods.

Since our aim is to find a construct that considers relations from an ontological point of view, only Donati’s position on Relational Goods is able to fulfill our requirements.

Indeed, Martha C. Nussbaum's approach is linked to strongly affective aspects. Moreover, the author maintains that physical distance inevitably destroys relationships. Given Donati's thinking, it is evident that Nussbaum does not consider the reflexive dimension.

The limitations of Carole Unhaler's definition of the Relational Goods concern the fact that the relationship is seen as a necessary tool to increase individual satisfaction. Donati highlights the strong limits of this statement since passive imitation does not consider relational reflexivity.

Gui and the other economists mentioned in the previous pages admit the intrinsic value of the Relational Goods; however, the good is seen as the product of the relationship and not the relationship itself.

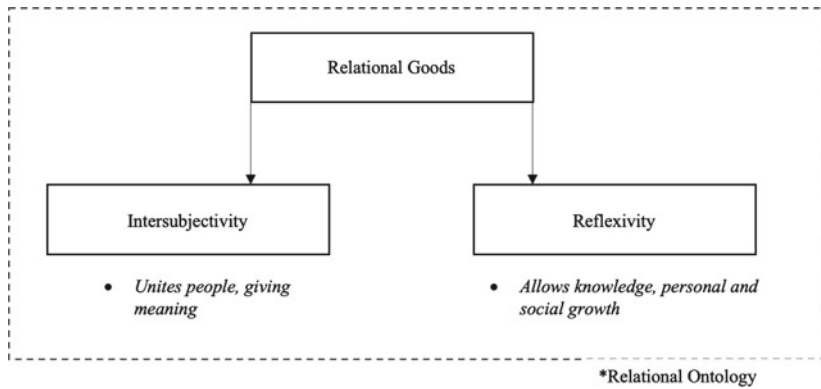
According to Donati (2019), it is necessary to recognize that social relations are those entities that exist between people, even though they do not belong to anyone. Social relations have their own ontological status, i.e., their own structure. The framework of every relationship is given by intersubjectivity and reflexivity. Intersubjectivity unites people; reflexivity, on the other hand, promotes mutual education and knowledge sharing. Reflecting on the relationship means taking care of it, understanding the positions of the other, questioning our own identity. Finally, uniting ourselves with others and reflecting on the relationship promotes a benefit: Relational Goods.

Relational Goods is then the benefit derived from the union of intersubjectivity and reflexivity. All these aspects promote empathy and reciprocity, giving meaning and enabling individual and societal growth (Fig. 12.4).

## Rediscovering Relationships in Companies

Valuing social relations using an ontological perspective becomes a fundamental prerogative for promoting the development of our society. Indeed, the current economic, institutional and relational crises that have affected every area of society can only be surmounted through solutions that foster an internal rather than an external comprehension of the issues at hand. Rediscovering intrinsic motivation is crucial to overcome social challenges.





**Fig. 12.4** Relational Goods (Source Authors' elaboration)

Human manifestations are the essence of our societies; accordingly, an important function is fulfilled by companies. Enterprises are organizations formed by human beings: If they lost their sense of cohesion, social development, and innovation, the whole society would lose. Economy has made great progresses in transcending the paradigm of rational choice; however, many efforts should still be made (Gui and Stanca, 2010). Exceeding the interpretative paradigm of *homo economicus* means rethinking the role of human relations. Henceforth, economics should accept that efficiency is no longer enough to understand the evolution of markets. The extrinsic motivations that justify economic behavior do not offer a complete explanation for the investigation of economic crises.

Many scholars have expressed the urgency of expanding the conceptualization of *homo economicus* by bringing back a set of intrinsic motivations that affect the actions of economic subjects (Borzaga and Depedri, 2005). Substantially, utilitarian motivations should be combined with ethical values. Profit maximization reinforces intrinsic motivations, which are non-instrumental in nature and stem from the rediscovery of the human. Many economic studies have explored social relations (Grootaert and van Bastelaer, 2002; Guiso et al., 2004; Routledge and von Amsber, 2003), but relationality is conceptualized using an instrumental perspective, i.e., as necessary to provide other goods and

services. The sudden changes that characterize socio-economic systems and the proliferation of complex dynamics should suggest the importance of the relationships. Enterprises should be studied as entities endowed with individuality. Economic and social crises require solutions to individualistic isolation that can only be found in relational thinking.

In such a context, capitalism itself does not seem sustainable anymore in the long run, as profits need to leave space to safety concerns and individuals' well-being (McClure et al., 2020).

Environmental complexity, then, requires organizations to rethink how they operate. Specifically, organizations are paying an increasing attention to psychological well-being of employees. Solutions to reduce the spreading of the disease such as smart-working, blended-working, social distancing at work, partial furloughs, and increased work-rotations—aside from disrupting routines—have a great emotional impact on employees (Cowling et al., 2020).

Such solutions, indeed, may represent a psychological burden to workers and drain their inner resources (Randon et al., 2008; Becchetti et al., 2011). Accordingly, organizations need to think to new strategies to keep morale high and make employees happy again during their work-days (McClure et al., 2020). In this regard, over recent times, research focused on how organization may foster employees' well-being and their intention to continue to work proficiently. Two main solutions have been deemed suitable to increase their work performance (Zollo et al., 2019). On the one hand, providing them monetary or non-monetary incentives may prove a suitable solution to motivate employees. In fact, increase in salaries, likewise different benefits (i.e., fringe benefits), have proven capable to motivate workforce and to increase their job performance. On the other hand, solutions aiming to improve the work-conditions and to transform the relationships at work have proven suitable to create a positive work-environment. Among these elements creating better environments, Relational Goods deriving from social relationships may have a pivotal role (Donati and Solci, 2011; Donati, 2019). Indeed, relationships are the fabric of human well-being. Thus, they may represent a competitive advantage whether there is the need to keep employees' morale high.

Building on this consideration, the present research aims to shed some lights on a current gap of literature (Donati, 2019): Do Relational Goods matter in the current environment?

## **Relational Goods and Work Relationships: Conceptual Model and Possible Implications**

In order to overcome the capitalist approach and promote employees' well-being, it might be important to enhance relationships conceptualized as Relational Goods. In particular, emerges the importance of rediscovering a new work dignity, capable of promoting human and social development. The aforementioned assumptions justify the need to discuss Relational Goods in companies. Here, we propose a conceptual model based on the Theory of Self-Determination (STD) (Ryan, 2009).

The theory of self-determination presumes that people are active organisms with intrinsic tendencies toward growth and psychological development. Active human nature is expressed in the pursuit of new challenges and opportunities to learn. Specifically, individuals are inclined to adopt and integrate social practices and values that surround them. These intrinsic tendencies require specific support and nourishment from their social environment, such as businesses.

SDT consists of three psychological needs common to all human beings: autonomy, relatedness, and competence. When these three needs are satisfied in a social context people experience more vitality, motivation, and well-being. Conversely, the suppression of needs leads to greater malaise and loss of motivation.

Competence concerns interactions with the environment and the possibility of exercising and expressing personal abilities in relation to the environment itself. Competence triggers the satisfaction of being able to do something.

Autonomy, on the other hand, concerns the possibility of choosing independently without being affected by the impositions of others. Deciding for oneself makes people feel in harmony with their own identity and coherent with themselves. Autonomy is a form of self-affirmation.

Finally, relationality concerns feeling part of a group or a community. The need is to feel part of a social context, where it is possible to weave networks and share experiences. Creating relationships helps in achieving goals.

Following SDT, we hypothesize a conceptual model in which relationality creates sharing of know-how, leading the employee to exchange information with colleagues and increasing competences. Relationality allows employees to feel part of a group; this last aspect promotes organizational identity.

In accordance with the assumptions formulated previously, we interpret relationality as a Relational Goods, i.e., a sum of intersubjectivity and reflexivity. Therefore, relationships should not be interpreted as instruments for achieving an objective or a final purpose, but as opportunities for personal and social improvement and generation.

Thus, intersubjectivity and reflexivity represent the structure of a relationship. This type of relationship will guarantee as an emergent effect, the development of a benefit. According to SDT, we hypothesize that relationality, i.e., Relational Goods, might favor employees' information exchange by promoting the competencies of individuals (Youndt et al., 2004).

Relational Goods foster the sense of being part of a social context and the achievement of an organizational identification (Ashforth & Mael, 1989). Moreover, in an environment where relationships do not oppress but enhance employees' diversity by promoting their personal growth, these same employees might be able to mature a strong perceived job autonomy (Dysvik & Kuvaas, 2011).

All these aspects can be easily correlated to higher employees' job performance (Chung-Yan, 2010) and to a reduction in turnover intention (Chen et al., 1998).

Figure 12.5 shows the theorized conceptual model.

Since employees' motivation and well-being have become a fundamental prerogative in the social and managerial development, it should be necessary to bring the relational issue back to the center of the debate. This urgency is even more important in situations of remote work where the intersubjective aspect is missing. Considering social relationships as

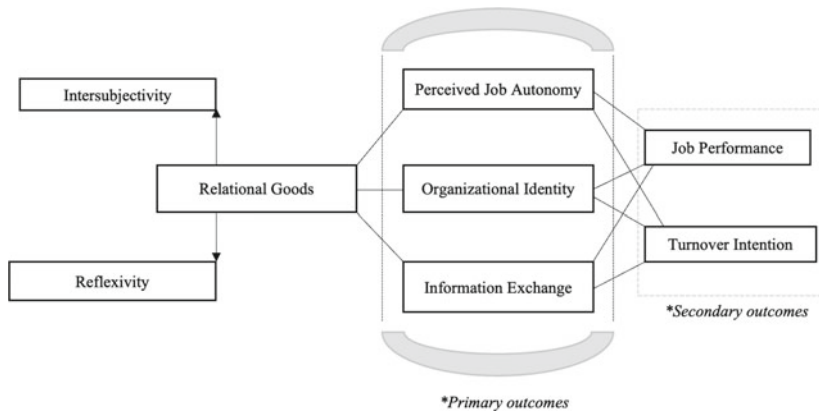


Fig. 12.5 Conceptual model (Source Authors' elaboration)

realities that exist between people means admitting that every relationship is a good that not depend on the number of social encounters, but on the care a person devotes to safeguarding that same relationship.

The relationship is not only the intermediary to achieve something through exchange, and it is not only a mutual dependence made by circumstances. The nature of the relationship represents the necessary principle to justify the statement “at the beginning of every reality there is a relationship”. Any social phenomenon is a complex of social relations and only if these relationships are considered and developed as a sui generis reality it will be possible not to incur a relational emergency. Human manifestations are at the origin of our present society and an important role is assumed by the companies. Enterprises are human organization, if they lost the deep human sense of cohesion, social development, and innovation, it would lose the whole of society. Making people protagonists means giving importance to human and social relations as the only answer to escape from any form of crisis.

Therefore, managers of organizations and in particular human resource managers should pay attention to and promote intersubjectivity and reflexivity among employees. Furthermore, Relational Goods might be a significant predictor and antecedent of employees' autonomy and organizational identity, two important key variables according to the organizational behavior. However, if it is true that social relations enclose

the destiny and the future of humanity, it is even more correct to maintain that the relational crisis is developing in parallel with an affective crisis.

The additional challenge that could be undertaken in economic sphere then is to develop an affective ontology that would join and complete the relational ontology, as an emergency response to the understanding of social phenomena.

## References

- Ashforth, B. E., & Mael, F. (1989). Social identity theory and the organization. *Academy of management review*, 14(1), 20–39.
- Becchetti, L., Trovato, G., and Bedoya, D.A. (2011). Income, relational goods and happiness. *Applied Economics*, 43(3) 273–290.
- Blackson, T. (2012). *Inquiry, Forms, and Substances: A Study in Plato's Metaphysics and Epistemology* (Vol. 62). Springer Science & Business Media.
- Bonelli, M., & Masi F. G., (2011). *Studi sulle Categorie di Aristotele*. Amsterdam: Adolf M. Hakkert.
- Borgaza, C., and Depedri, S. (2005). *Interpersonal relations and job satisfaction: Some empirical results in social and community care services. Economics and social interaction: Accounting for interpersonal relations*. (pp.132–153).
- Candiotto, L. (2015). *Platone e la metafisica delle relazioni*, in Senza dualismo. Nuovi percorsi nella filosofia di Platone, Milano-Udine: Mimesis.
- Cardelli, E. (2008). *Eidos, tra diversità e molteplicità: Uno studio dal Parmenide di Platone*. Roma: Aracne Editrice
- Chen, X.P., Hui, C., and Segó, D.J. (1998). The role of organizational citizenship behavior in turnover: Conceptualization and preliminary tests of key hypotheses. *Journal of Applied Psychology*, 83(6), 922–931.
- Chung-Yan, G. A. (2010). The nonlinear effects of job complexity and autonomy on job satisfaction, turnover, and psychological well-being. *Journal of Occupational Health Psychology*, 15(3), 237.
- Coelho Jr, N. E., & Figueiredo, L. C. (2003). Patterns of intersubjectivity in the constitution of subjectivity: Dimensions of otherness. *Culture & Psychology*, 9(3), 193–208.
- Cortella, L. (1996). La teoria critica della dialettica alla dialogica. *Fenomenologia e società*, 20(1–2), 210–230.

- Cowling, M., Brown, R., and Rocha, A. (2020). Covid19? Did you save some cash for a rainy COVID-19 day? The crisis and SMEs. *International Small Business Journal*, 38(7), 593–604.
- Donati, P., and Solci, R. (2011). *I beni relazionali. Che cosa sono e quali effetti producono*. Torino: Bollati Boringhieri
- Donati P. (2016) «L'enigma della relazione e la matrice teologica della società», in: La vita come relazione. Un dialogo fra teologia, filosofia e scienze sociali, di P. Donati, A. Malo, G. Maspero, Edizioni Santa Croce, Roma.
- Donati, P. (2019). *Scoprire i beni relazionali. Per generare una nuova socialità*. Soviera Mannelli: Rubinetto Editore.
- Dysvik, A., & Kuvaas, B. (2011). Intrinsic motivation as a moderator on the relationship between perceived job autonomy and work performance. *European journal of work and organizational psychology*, 20(3), 367–387.
- Fay, T.A. (1973). Participation: The transformation of Platonic and Neoplatonic thought in the metaphysics of Thomas Aquinas. *Divus Thomas*, 50–64.
- Ferrari, F. (2013). L'interpretazione del Teeteto e la natura della epistemologia platonica. Alcune osservazioni. *Elenchos*, 34(2), 399–422.
- Frigoli, D. (2013). *La fisica dell'anima*. Bologna: Persiani Editore
- Glenk, K., Martin-Ortega, J. & Byg, A. (2017). How to make complexity look simple? Conveying ecosystems restoration complexity for socio-economic research and public engagement. *PloS one*, 12(7), e0181686
- Greene, M. (1995). *Releasing the imagination: Essays on education, the arts, and social change*. Jossey- Bass.
- Grootaert, C., and Van Bastelar, T. (Eds.). (2002). *Understanding and measuring social capital: A multi-disciplinary tool for practitioners*. The World Bank
- Gui, B. (1987). Eléments pour une définition d'économie communautaire. *Notes et Documents*, Nos 19(20), 32–42
- Gui, B. (2005). *From transactions to encounters: the joint generation of relational goods and conventional values* (pp. 23–51). Economics and social interaction: Accounting for interpersonal relations.
- Gui, B., & Stanca, L. (2010). Happiness and relational goods: Well-being and interpersonal relations in the economic sphere. *International Review of Economics*, 57(2), 105–118.
- Guiso, L., Sapienza, P., and Zingales, L. (2004). The role of social capital in financial development. *American economic review*, 94(3), 526–556.
- Hegel, G.W.F. (2017). *Enciclopedia delle scienze filosofiche in compendio*, trad. it. di V. Cicero, Giunti Editore, Firenze

- Le Moigne, J. L. (2008). Edgar Morin, le génie de la Reliance. *Synergies monde*, 4(1), 178–184.
- Maspero G., (2016) «*Universalità: ontologia trinitaria e ricerca interdisciplinare*», in: *La vita come relazione. Un dialogo fra teologia, filosofia e scienze sociali*, di P. Donati, A. Malo, G. Maspero, Edizioni Santa Croce, Roma
- McClure, E. S., Vasudevan, P., Bailey, Z., Patel, S., & Robinson, W. R. (2020). Racial capitalism within public health—How occupational settings drive COVID-19 disparities. *American Journal of Epidemiology*, 189(11), 1244–1253.
- Montagnino, M. (2012). *Differenza, autonomia complessità organizzazionale. Dialettica del pensiero complesso in Edgar Morin*. Pistoia: Editrice Petite Plaisance.
- Mori, J., & Hayashi, M. (2006). The achievement of intersubjectivity through embodied completions: A study of interactions between first and second language speakers. *Applied linguistics*, 27(2), 195–219.
- Morin, E., & Pakman, M. (1994). *Introducción al pensamiento complejo*. Barcelona: Gedisa.
- Nussbaum, M.C. (1986/2004). *The fragility of Goodness. Luck and Ethics in Greek Tragedy and Philosophy*, Cambridge University Press, Cambridge. Trad it. La fragilità del bene, Bologna: il Mulino.
- Randon, E., Bruni, L., and Naimaza, A. (2008). Dynamics of relational goods. *International Review of Economics*, 55, (1–2), 113–125
- Reale, G. (2000). *Platone: Tutti gli scritti*. Milano: Bompiani
- Reale, G. (2017). *Metafisica di Aristotele*. Milano: Bompiani
- Routledge, B.R., and Von Amsberg, J. (2003). Social capital and growth. *Journal of Monetary Economics*, 50(1), 167–193.
- Ryan, R. (2009). Self-determination theory and well-being. *Social Psychology*, 84(822), 848–860.
- Sandywell, B. (1996). *Reflexivity and the crisis of Western reason* (Vol. 1). Psychology Press.
- Simonigh, C. (2012). *Pensare la complessità per un umanesimo planetario* (Vol. 178, pp. 1–305). Mimesis Edizioni.
- Solci, R. (2009). *I beni relazionali nella ricerca sociologica. Che cosa sono e quali effetti producono*. Tesi di Dottorato di ricerca sociologica, Università di Bologna, Dipartimento di Sociologia.
- Teodorani, M. (2007). *Entanglement*. Cesena: Macro Edizioni.
- Trabationi, F. (2003). Sui caratteri distintivi della “metafisica” di Platone (a partire dal Parmenide). *Methexis*, 16(1), 43–63.



- Trabattoni, F. (2007). Esiste, secondo Aristotele, una “dottrina platonica delle idee”? *Méthexis*, 20(1), 159–180.
- Trabattoni, F. (2020). *La filosofia di Platone*. Roma: Carrocci Editore
- Uhlener, C.J. (1989). Relational goods and participation: Incorporating sociality into a theory of rational action. *Public choice*, 62(3), 253–285.
- Youndt M.A., Subramaniam M., and Snell S.A. (2004). Intellectual capital profiles: An examination of investments and returns. *Journal of Management Studies*, 41(2), 335–361.
- Zollo, L., Laudano, M.C., Boccardi, A., and Ciappei, C. (2019). From governance to organizational effectiveness: The role of organizational identity and volunteers’ commitment. *Journal of Management and Governance*, 23(1), 111–137.



# 13

## Towards a Scale of Islamic Work Ethic: Validation from Middle Eastern Countries

Mohammed Aboramadan , Khalid Dahleez,  
Mosab I. Tabash, Wasim Alhabil,  
Mohamad Ayesb Almhairat, Kawtar Ouchane,  
and Caterina Farao

### Introduction

Although the countries that make up the Middle East region vary widely by economic growth, power-wielding institutions, social system, and resource availability, they share a common religious identity in the business domain. Islam has been, and remains, the key element in standards and guidelines for corporate behavior in each of these countries. Islamic

---

M. Aboramadan (✉)

Department of Economics, University of Insubria, Varese, Italy

e-mail: [mohammed.aboramadan@uninsubria.it](mailto:mohammed.aboramadan@uninsubria.it);

[Mohammed.aboramadan@unimib.it](mailto:Mohammed.aboramadan@unimib.it)

K. Dahleez

College of Business Administration, A'Sharqyah University, Ibra, Oman

e-mail: [khalid.dahleez@asu.edu.om](mailto:khalid.dahleez@asu.edu.om)

M. I. Tabash

College of Business, Al Ain University, Al Ain, UAE

e-mail: [mosab.tabash@aau.ac.ae](mailto:mosab.tabash@aau.ac.ae)

values and principles are recognized as the cornerstone of business virtue in the Middle East. They are also used to institutionalize attempts to reconcile the region's ethical norms of business behavior (Babai 2015).

In general, Islamic work ethics (IWE) principles focus on the relationship between humans and their Originators. They offer guidance for companies to enhance their organizational practices so as to sustainably maintain quality and success (Sidani 2018). In order to build a healthy and cohesive corporate culture, Islam has long been established as the basis for developing harmonious relationships between employees and employers, and workplace colleagues (Aldulaimi 2016).

Nevertheless, the literature says little on IWE, with few attempts to date to examine and study them (Ali and Al-Kazemi 2007; Kalemci and Tuzun 2019; Rahman et al. 2006; Yousef 2000, 2001). Mellahi and Budhwar (2010) added that the potential relationship between religious principles, business practices, and organizational outcomes had been underestimated in the management literature. Although more than 80% of individuals report that religion is an integral part of their daily behavior (Sedikides 2010), management research views business as a

---

W. Alhabil

Public Administration Department, Community College of Qatar,  
Doha, Qatar

e-mail: [Wasim.Alhabil@ccq.edu.qa](mailto:Wasim.Alhabil@ccq.edu.qa)

M. A. Almhairat

Public Administration Department, Community College of Qatar,  
Doha, Qatar

e-mail: [mohammad.almhairat@ccq.edu.qa](mailto:mohammad.almhairat@ccq.edu.qa)

K. Ouchane

Faculty of Economic, Laboratory of Studies and Research in Economics and  
Management, Ibn Zohr University, Agadir, Morocco

e-mail: [kawtar.ouchane@edu.uiz.ac.ma](mailto:kawtar.ouchane@edu.uiz.ac.ma)

C. Farao

Department of Economics, University of Insubria, Varese, Italy

e-mail: [Caterina.farao@uninsubria.it](mailto:Caterina.farao@uninsubria.it)

neutral domain of faith, and as a result, religion has not been considered worthy of examination. In particular, there is a dearth of literature in management research on Eastern business practices and Islam (Ali and Al-Owaihian 2008; Kumar and Rose 2010). IWE have received less attention in the management literature than the work ethic of other religions such as Christianity and Judaism (Ali and Al-Owaihian 2008). Although Islam has certain parallels with these other theistic faiths, there are differences (Ali and Gibbs 1998; Mohammad and Quoquab 2016; Sharabi 2018). While Christianity places a strong emphasis on spiritual aspects, and Judaism emphasizes humankind's role on the earth, Islam provides specific rules for peoples' lives while retaining the spiritual values found in Christianity (Ali and Al-Owaihian 2008). Moreover, IWE have dimensions that have not been addressed by the Christian work ethic, such as the intentions of humans rather than the outcomes (Ali and Al-Owaihian 2008; Kalemci and Tuzun 2019; Mohammad and Quoquab 2016).

Although several studies have found that IWE and work outcomes are positively associated (Abu-Saad 2003; Ali 1992; Ali and Al-Kazemi 2007; De Clercq et al. 2019; El-Kot and Burke 2014; Kumar and Rose 2012; Murtaza et al. 2016; Nasution and Rafiki 2019; Yousef 2001), most relied on the IWE ethics scale developed by Ali (1988, 1992). This is the scale most frequently used and cited in religious studies to measure IWE. In his first version of the scale, Ali (1988) validated the scale items using a sample of only 150 Arab students with pre-assessment of these items using a panel of Islamic experts. In the later version, Ali (1992) shortened his initial scale using a sample of only 117 Saudi managers. Although both scales were demonstrated to be reliable and valid using traditional statistical techniques, they were country-specific and sample-specific. Furthermore, both were criticized for the fact that the scale was influenced by the Protestant work ethic (PWE) scale (Ali and Al-Owaihian 2008).

There is, therefore, a need to develop a new scale that addresses IWE throughout cross countries. To this end, we develop in this paper a unidimensional scale of IWE validated from five Middle Eastern countries: Palestine, Jordan, Oman, Qatar, and UAE.

## Foundation of IWE

Ethics are the laws and guidelines that presuppose how a person or organization should act. Whether in business, academia, or elsewhere, ethical principles are important to individuals and professionals in everyday life (Aldulaimi 2016; Gbadamosi 2004). IWE, in particular, can be defined as a collection of moral guidelines that distinguish between wrong and right in the pursuit of religious obligations (Beekun 1997), which is also a form of worship (Hayaati et al. 2002). IWE originated from the Holy Quran and the practices of Prophet Mohammed and the Islamic philosophers (Ali 1988, 1992; Ali and Weir 2005; Beekun and Badawi 2005; Rice 1999). Unlike Judaism and Christianity, which consider work as a result of human mistakes or sins, Islam regards mankind more optimistically as independent of original remorse. Nevertheless, IWE share common features with other religious work ethics, such as dedication to work, cooperation, involvement, and avoidance of unhealthy and unethical means at work (Khan et al. 2013).

Work is a virtue in IWE, from the viewpoint of the needs of a person, and as the means to strike a balance in one's personal and professional life. IWE are more centered on the idea of life satisfaction than life denial. For instance, Ali (1992, p. 507) stated that "no one eats better food than that which one eats out of one's work". Yousef (2000, p. 284) said that "life without work has no meaning, and engagement in economic activities is an obligation". Teachings in Islam place a strong focus on pardon, compassion, and sympathy. Atiyyah (1999) highlighted the fact that Islamic principles reinforce harmony, mutual respect, and collaboration. Conflicts should be minimized or avoided.

According to Alhabshi and Ghazali (1994) and Khalil and Abu-Saad (2009), every act should be associated with the following values: passion, proficiency and efficiency, conscientiousness, constant knowledge of the Lord, excellence, truthfulness, commitment, integrity, discipline, moderation, fairness, diligence, cleanliness, honesty, transparency, collaboration, humility, and constant self-examination.

## Components of IWE

IWE, like the Judeo-Christian ethics, focus on the mindfulness of work. The Holy Quran guides the faithful to be active and dedicated to work because work helps them to fulfill their objectives (Ali and Al-Kazemi 2007). According to the Quran, work also has a social mission to provide benefits for others (Ali and Al-Kazemi 2007). IWE characterize laziness as a vice that induces failure and emphasizes working hard as a path to worshipping God and satisfying one's mission in the world (Ali and Al-Kazemi 2007; Ali and Al-Owaidan 2008; Ali and Weir 2005; Sharabi 2018).

It appears that the main flows of Islam recommend that their adherents act accordingly, working hard, being thrifty, promoting good behavior, and avoiding morally incorrect wrongdoing. For instance, IWE ban collecting interest on loans (*riba*) (Rahman et al. 2006); IWE prohibit any alcohol intake (Mohammad and Quoquab 2016); and IWE appreciate *halal* work regardless of its classification (Mohammad and Quoquab 2016).

## Method and Procedures

An initial pool of 15 items was created based on the review of literature in the fields of work ethics and Islam. The items cover important aspects of the work ethic embedded in Islamic principles, such as honesty, integrity, cooperation, and excellence. Specifically, the items are: (1) Work provides excellence in one's life, (2) a person is identified by the work he does in society, (3) integrity and honesty are keys to excellence in the workplace, (4) creativity should be emphasized in the workplace, (5) work should be assessed by what is *halal* and what is forbidden, (6) a person should perform to the best of his/her ability in what he/she does, (7) you have a better chance of independence if you work hard, (8) performing at a high level allows a person to overcome challenges and achieve success, (9) work should be accompanied by intentions together with the desired outcomes, (10) laziness at work should be avoided, (11) humility at work encourages

a cooperative climate, (12) performing at a high level contributes to the good of society, (13) *Wasta* should be avoided, (14) transparency should be emphasized in the workplace, and (15) cooperation is a key to successful work. In addition, Table 13.1 provides the sources of these items associated with Islamic values originated from Quran or Sunna.

In developing these items, we have avoided the use of any term such as moral or ethical. This was important in avoiding any confusion among respondents regarding what characterizes ethical conduct, which is not self-obvious. A consultation process with a group of experts from two universities in Palestine examined the list, a common technique when developing and validating a new scale (Keeney et al. 2006; Yeh and Cheng 2015). The panel was composed of 20 experts with deep experience in Islamic studies, selected by purposive sampling. During a focus group discussion of the 15 items developed to measure IWE in the Middle East, the experts provided feedback on the scale's wording, clarity, and length. As an outcome of this consultation process, the researchers prepared the final version of the scale. All items of the questionnaire were measured by respondents on a 7-point Likert scale where 1 indicates "strongly disagree" and 7 indicates "strongly agree". All items were translated into Arabic using Brislin's (1986) back-translation technique.

Data were collected from two heterogeneous and independent samples in the Middle East to validate the questionnaire. It was necessary to have a large sample of employees from diverse sectors. All data were collected using an online survey in which participants were contacted through the recruitment of snowballing sampling. This technique was used in previous religion studies (Kutcher et al. 2010). Sample A of 592 participants consisted of Palestinian and Jordanian employees. Sample B consisted of 727 employees from the Gulf region in Oman, Qatar, and UAE. Table 13.2 reports the respondents' characteristics.

**Table 13.1** Items, sources, and Quranic or Sunna recitation

Item	Islamic value	Source	Quranic recitation or Sunna
IWE1. Work provides excellence in one's life	Personal growth	(Ali 1988, 1992; Ali and Weir 2005; Kalantari 1998)	Is there any Reward for Good - other than Good?
IWE2. A person is identified by the work he does in society			
IWE3. Integrity and honesty are keys to excellence in the workplace	Integrity and honesty	(Endot 1995; Wilson 2006)	"Oh you who believe! Eat not up each other's property by unfair and dishonest means"
IWE4. Creativity should be emphasized in the workplace	Creativity	(Ali and Al-Owainan 2008)	"He created man from a clot"
IWE5. Work should be assessed by what is <i>halal</i> and what is forbidden	Halal (legal) Earnings (Halal earnings means that profits should not be based on illegal business such as drugs and weapons)	(Ali 1988)	"O ye people! Eat of what is on earth, Lawful and good; and do not follow the footsteps of the evil one, for he is to you an avowed enemy"
IWE6. A person should perform to the best of his/her ability in what he/she does	Fulfillment and responsibility	(Ali 1988)	"O you who believed, fulfill [all] contracts." And: "fulfill [every] commitment. Indeed, the commitment is ever [that about which one will be] questioned"

(continued)



Table 13.1 (continued)

Item	Islamic value	Source	Quranic recitation or Sunna
IWE7. You have a better chance of independence if you work hard	Personal growth	(Aldulaimi 2020)	Is there any Reward for Good—other than Good?
IWE8. Performing at a high level allows a person to overcome challenges and achieve success	Hard Work	(Yousef 2000, 2001)	"Allah will see your works and so will His Messenger and the believers; then you shall be returned to the Knower of the unseen and the visible, and He will inform you of what you were doing"
IWE9. Work should be accompanied by intentions together with the desired outcomes,	Sincere intentions	(Tayeb 1997)	Actions are (judged) by motives (niyyah), so each man will have what he intended"
IWE10. Laziness at work should be avoided	Efficiency and productivity	(Uddin 2003)	"... the best of men for you to hire is the strong, the trustworthy"
IWE11. Humility at work encourages a cooperative climate	Humility	(Kalantari 1998)	"Allah augments the honour of one who forgives; and one who serves another seeking the pleasure of Allah, Allah will exalt him in ranks"

Item	Islamic value	Source	Quranic recitation or Sunna
IWE12. Performing at a high level contributes to the good of society	Hard work and productivity	(Uddin 2003; Yousef 2000, 2001)	"So whoever would hope for the meeting with his Lord – let him do righteous work and not associate in the worship of his Lord anyone" "And do not seek to promote evil in the land, for Allāh does not love the evil doers who create mischief"
IWE13. Wasta should be avoided	Wasta is term which reflects corruption in which people seeks illegal ways to obtain their needs (the value is integrity)	(Aldulaimi 2020)	"Worship Allah and associate none with him, perform prayer, give charity, fast the month of Ramadan, and perform the two pilgrimages. Listen to and obey your leaders. You must be transparent and beware of secrecy"
IWE14. Transparency should be emphasized in the workplace	Transparency	(Ali and Al-Owaihian 2008)	"And cooperate in righteousness and piety, but do not cooperate in sin and aggression"
IWE15. Cooperation is a key to successful work	Cooperation	(Yousef 2000, 2001)	

Table 13.2 Respondents' profiles

Sample A (Jordan and Palestine)		Sample B (Qatar, Oman, UAE)	
Classifications	Frequency	Percent	Classifications
<b>Gender</b>	Male	75.7	<b>Gender</b>
	Female	24.3	Male
<b>Education</b>	PhD or Higher	15.2	Female
	Master	41.4	PhD or Higher
	Bachelor	36.7	Master
	Diploma	6.1	Bachelor
	High School	0.7	Diploma
<b>Age and experience</b>	Average: 37.89 (12.89) years	–	High School
	Age (Experience)	–	Average: 35.73 (10.82) years
<b>Sector</b>	Private	40.7	Age (Experience)
	Public	29.6	Private
	Academic & Consultancies	17.1	Public
	NGOs	12.7	Academic & Consultancies
	Total	100.0	NGOs
			Total
			494
			233
			98
			118
			297
			172
			42
			35.73 (10.82) years
			415
			161
			113
			38
			727
			68.0
			32.0
			13.5
			16.2
			40.9
			23.7
			5.8
			–

Sample A (Palestine and Jordan)

Sample B (Oman, Qatar, and UAE)

## Analysis

### EFA and Internal Consistency

Using the data from Sample A, all items were subjected to EFA analysis (extraction method of maximum likelihood). The initial EFA for the 15 items showed a total variance of 48.93%. After removing the three items with loadings below 0.6 (items 1, 2, and 7), the total variance exceeded 50%, with a value of 53.63%. The results in Table 13.3 indicated that the factor loadings and communalities were greater than 0.5 and 0.4, respectively (Costello and Osborne 2005). The Kaiser–Meyer–Olkin test value was 0.936, and Bartlett’s test of sphericity showed a significant chi-square value (3866.04,  $df = 66$ ,  $p = 0.000$ ). Moreover, Promax with Kaiser normalization was checked for multidimensionality, and the results suggested that items were not loaded on more than one factor.

The 12 remaining items were then subjected to another EFA using Sample B, in which factor loadings and communalities were greater than 0.5 and 0.4, respectively; the value of the Kaiser–Meyer–Olkin test was 0.943, and the Bartlett’s test of sphericity showed a significant chi-square value (5603.55,  $df = 66$ ,  $p = 0.000$ ). Building on the data of Sample B, we also checked for internal consistency, intercorrelations among the items, and the item-total correlations. The results presented in Table 13.4 demonstrated that the overall scale had good internal consistency (0.930). All items were correlated with each other and with their total scale. The 12 items had an item-total correlation higher than 0.30 and a standard deviation greater than 0.40 (Churchill 1979). The mean values ranged between 6.01 and 6.47, and standard deviations between 1.03 and 1.39. Finally, we have checked for the inter-item correlations for both samples, and we found that all items were correlated with the IWE scale in both samples, as presented in Table 13.5. In the results, the t-test showed that all respondents agreed on the items as the significance of the t-test was below 0.01.

**Table 13.3** EFA for samples A and B

Islamic work ethic items	Sample A: Jordan and Palestine		Sample B: Qatar, Oman, and UAE	
	Loading	Communalities	Loading	Communalities
Integrity and honesty are keys to excellence in the workplace	0.644	0.429	0.789	0.669
Creativity should be emphasized in the workplace	0.753	0.614	0.801	0.772
Work should be assessed by what is <i>halal</i> and what is forbidden	0.655	0.458	0.716	0.558
A person should perform the best he/she can	0.835	0.711	0.855	0.787
Performing at a high level allows a person to overcome challenges and achieve success	0.617	0.381	0.513	0.400
Work should be accompanied by intentions together with the desired outcomes	0.679	0.476	0.781	0.615
Laziness at work should be avoided	0.577	0.418	0.572	0.414
Humility at work encourages a cooperative climate	0.740	0.548	0.755	0.618

(continued)

**Table 13.3** (continued)

Islamic work ethic items	Sample A: Jordan and Palestine		Sample B: Qatar, Oman, and UAE	
	Loading	Communalities	Loading	Communalities
Performing at a high level contributes to the good of society	0.650	0.455	0.697	0.610
<i>Wasta</i> should be avoided	0.676	0.469	0.674	0.569
Transparency should be emphasized in the workplace	0.737	0.558	0.743	0.601
Cooperation is a key to successful work	0.834	0.674	0.808	0.678

Sample A (Kaiser–Meyer–Olkin = 0.936, Bartlett’s test of sphericity (chi-square value = 3866.04, df = 66,  $p = 0.000$ ). Goodness of fit test (chi-square value = 410.64, df = 54,  $p = 0.000$ ). Percentage of the variance explained = 53.63%  
 Sample B (Kaiser–Meyer–Olkin test = 0.943, Bartlett’s test of sphericity (chi-square value = 5603.55, df = 66,  $p = 0.000$ ). Goodness of fit test (chi-square value = 209.09, df = 43,  $p = 0.000$ ). Percentage of the variance explained = 57.02%

*Note* The following items were removed from the 15-item pool following the initial EFA: Work provides excellence in one’s life; A person is identified by the work he does in society; You have a better chance of independence if you work hard

## Confirmatory Factor Analysis (CFA)

As a further step to check for reliability and convergent validity, confirmatory factor analysis (CFA) using AMOS v24 was conducted on the Sample B data. The maximum likelihood approach was utilized to check for the fit indices of the CFA (Anderson and Gerbing 1988). The following fit indices were used to assess the overall fit of the data: Chi-square, Comparative Fit Index (CFI), Incremental Fit Index (IFI), Tucker–Lewis Index (TLI), Normed Fit Index (NFI), Root Mean Square Residual (RMR), and Root Mean Square Error of Approximation (RMSEA). The results presented in Table 13.6 suggested that each of the 12 items had a significant standardized loading at the 0.001 level.

**Table 13.4** Sample B: Means, SD, Inter-item correlations, Item-total correlation, and Cronbach Alpha if item removed in Diagonal

	M	SD	1	2	3	4	5	6	7	8	9	10	11	12
Item 3	6.38	1.05	0.718											
Item 4	6.47	1.05	0.700	0.714*										
Item 5	6.10	1.23	0.648	0.617*	0.664*									
Item 6	6.43	1.03	0.771	0.722*	0.772	0.649*								
Item 8	6.01	1.39	0.526	0.342*	0.325	0.289*	0.363*							
Item 9	6.21	1.08	0.755	0.601*	0.573	0.532*	0.674*	0.416*						
Item 10	5.56	1.32	0.586	0.399*	0.348	0.374*	0.407*	0.432*	0.506*					
Item 11	6.18	1.12	0.748	0.555*	0.527	0.495*	0.593*	0.445*	0.634*	0.510*				
Item 12	6.01	1.23	0.707	0.471*	0.439	0.432*	0.519*	0.507*	0.542*	0.502*	0.650*			
Item 13	6.02	1.19	0.681	0.477*	0.427	0.411*	0.488*	0.461*	0.523*	0.489*	0.557*	0.621*		
Item 14	6.18	1.18	0.723	0.508*	0.513	0.489*	0.573*	0.400*	0.599*	0.444*	0.579*	0.566*	0.568*	
Item 15	6.26	1.07	0.786	0.602*	0.582	0.533*	0.655*	0.429*	0.646*	0.478*	0.620*	0.566*	0.603*	0.761* (0.917)

Scale Cronbach Alpha: 0.930

N = 727

\* significant at 0.01 level

Table 13.5 Item-Total correlation

	Sample B: Qatar, UAE, and Oman						Sample A: Palestine and Jordan					
	Scale			Scale			Scale			Scale		
	Scale Mean if Item Deleted	Variance if Item Deleted	Corrected Item-Total Correlation	T-test	Scale Mean if Item Deleted	Variance if Item Deleted	Corrected Item-Total Correlation	T-test	Scale Mean if Item Deleted	Variance if Item Deleted	Corrected Item-Total Correlation	T-test
IWE3	67.429	92.609	0.718*	61.282*	68.598	74.200	0.591*	49.490*	67.429	92.609	0.718*	61.282*
IWE4	67.338	92.907	0.700*	63.477*	68.346	75.635	0.689*	70.091*	67.338	92.907	0.700*	63.477*
IWE5	67.711	91.465	0.648*	46.142*	68.802	73.073	0.629*	43.723*	67.711	91.465	0.648*	46.142*
IWE6	67.384	91.931	0.771*	63.647*	68.402	74.268	0.786*	68.780*	67.384	91.931	0.771*	63.647*
IWE8	67.803	92.255	0.526*	39.022*	68.618	73.796	0.591*	47.614*	67.803	92.255	0.526*	39.022*
IWE9	67.598	91.480	0.755*	55.413*	68.716	73.957	0.653*	50.083*	67.598	91.480	0.755*	55.413*
IWE10	68.252	91.580	0.586*	31.760*	69.331	73.413	0.581*	31.530*	68.252	91.580	0.586*	31.760*
IWE11	67.629	90.975	0.748*	52.611*	68.600	73.479	0.719*	55.202*	67.629	90.975	0.748*	52.611*
IWE12	67.803	90.191	0.707*	44.072*	68.851	71.914	0.642*	40.146*	67.803	90.191	0.707*	44.072*
IWE13	67.788	91.302	0.681*	45.879*	68.774	74.027	0.653*	48.994*	67.788	91.302	0.681*	45.879*
IWE14	67.637	90.559	0.723*	49.693*	68.590	73.657	0.687*	54.061*	67.637	90.559	0.723*	49.693*
IWE15	67.554	91.008	0.786*	56.890*	68.517	74.078	0.788*	64.759*	67.554	91.008	0.786*	56.890*

\* significant at 0.01 level; T-test value: 4



**Table 13.6** Confirmatory factor analysis (Sample B)

Islamic work ethic items	Sample B: Qatar, UAE, and Oman			
	loading	t-values	AVE	CR
Integrity and honesty are keys to excellence in the workplace	0.731***	25.845	0.518	0.927
Creativity should be emphasized in the workplace	0.707***	27.118		
If you work hard, then nothing is impossible	0.678***	19.055		
A person should perform the best possible in what he/she does	0.790***	F		
Performing at a high level allows a person to overcome challenges and achieve success	0.535***	14.512		
Work should be accompanied by intentions together with the desired outcomes	0.806***	23.578		
Laziness at work should be avoided	0.612***	16.933		
Humility at work encourages a cooperative climate	0.776***	22.441		
Performing at a high level contributes to the good of society	0.700***	19.670		
Wasta should be avoided	0.694***	19.597		
Transparency should be emphasized in the workplace	0.744***	21.225		
Cooperation is a key to successful work	0.812***	23.723		

$N = 727$

(Chi-square = 221.567,  $df = 46$ , chi-square/DF = 4.817,  $p < 0.001$ ; CFI = 0.969; TLI = 0.955; IFI = 0.969; NFI = 0.961; SRMR = 0.041; and RMSEA = 0.073)

F = fixed

\*\*\* significant at 0.001 level

These loadings ranged between 0.535 and 0.812. Therefore, all items were retained in the model as there was no suggestion of any deletion. Furthermore, the fit indices of the confirmatory factor analysis demonstrated a good fit to the data of the hypothesized model (chi-square = 221.567,  $df = 46$ , chi-square/DF = 4.817,  $p < 0.001$ ; CFI = 0.969; TLI = 0.955; IFI = 0.969; NFI = 0.961; SRMR = 0.041; and RMSEA = 0.073). Values of CFI, TLI, IFI, and NFI were higher than the 0.90 suggested by Mueller (1996). The RMSEA value was below the cut-off point of 0.08 recommended by Browne and Cudeck (1993). Finally,

SRMR was close to the value of zero, which indicates an acceptable fit. Following the recommendation of Fornell and Larcker (1981), both Average Variance Extracted (AVE) and Composite Reliability (CR) were estimated. The value of AVE for the 12 items was 0.518, and CR was 0.927. These values were in line with the cut-off points suggested by Fornell and Larcker (1981), below 0.5 and above 0.7, respectively. In conclusion, the condition of convergent validity was met.

## Discriminant Validity

To assess the discriminant validity of the IWE scale, both correlation analysis using Sample B and structural equation modeling were conducted using Samples A and B. Two independent variables were used: employee relations climate and organizational performance.

**Employee relations climate:** This was measured with the 6-item scale designed by Schuster (1982). The scale was further validated and used by Ngo et al. (2008) and Xi et al. (2017). Items were assessed on a 7-point Likert scale with 1 indicating “absolute disagreement” and 7 “absolute agreement”. Sample items included “Employees can fully utilize their knowledge and skills in the organization”, and “Employees can freely discuss job-related issues with their supervisor”. The internal consistency for this construct was 0.935.

**Organizational performance:** This was measured using four items obtained from Khandwalla (1977) to assess employees’ perceptions of organizational performance over the previous three years in comparison with other organizations. The scale was assessed on a 7-point Likert scale with 1 indicating “very bad performance” and 7 “outstanding performance”. Sample item was “Quality of product and services provided”. The internal consistency for this construct was 0.932.

The correlation analysis in Table 13.6 suggested that IWE were positively and significantly correlated with both employee relations climate ( $r = 0.275$ ,  $p = 0.000$ ) and organizational performance ( $r = 0.255$ ,  $p =$

0.000). Although the correlations between the IWE and outcome variables were significant, the correlations were not very high, which implies that the discriminant validity condition is met. According to Campbell and Fiske (1959), a correlation between two constructs which is below 0.85 indicates that discriminant validity probably exists and that these constructs neither overlap nor measure the same thing.

These results support our new scale, as previous research has demonstrated that IWE are positively associated with work-related outcomes (Gheitani et al. 2019; Murtaza et al. 2016; Rokhman 2010; Yousef 2001) (Table 13.7).

## Discussion

This study aimed to validate a new scale developed to measure IWE in Middle Eastern countries. Data were collected from two samples, Sample A for Palestine and Jordan and Sample B for Oman, Qatar, and UAE. The results of exploratory factor analysis and confirmatory factor analysis generated a unidimensional 12-item scale to measure IWE. The 12-item scale demonstrated internal consistency and convergent and discriminant validity. Our results align with previous scales measuring work ethic as a unidimensional variable (Ali 1992; Ho and Lloyd 1984; Mirels and Garrett 1971; Sharma and Rai 2015). Unidimensional scales are generally argued to be better than multidimensional scales, especially when subjected to confirmatory factor analysis, factor analysis generalization, and multiple linear regression analyses (Anderson and Gerbing 1988). Moreover, unidimensional scales have the advantage of introducing less ambiguity, greater accuracy, and a better fit for the use of statistical tools such as factor analysis and structural equation modeling (Falissard 1999).

In developing this new scale, we have tried to minimize two drawbacks: social desirability by avoiding any problematic words such as moral and ethical, and the influence of PWE constructs. In the past, the development of IWE scales by Ali (1988, 1992) was largely influenced by the conceptualization of PWE (Ali and Al-Owaihan 2008), as were most of the more recent scales (Sharma and Rai 2015).

**Table 13.7** Means, SDs, and correlation analysis (Sample B)

	Mean	SD	1	2	3	4	5	6	7	8
Gender	–	0.48	1							
Education	2.92	1.08	0.130**	1						
Age	35.73	8.64	-0.208**	-0.415**	1					
Experience	10.82	7.29	-0.190**	-0.154**	0.639**	1				
Sector	1.69	0.912	-0.031	-0.344**	0.181**	-0.043	1			
IWE	6.15	0.87	0.058	0.074*	0.021	0.034	-0.121**	1		
Employee Relations	4.68	1.44	0.000	0.021	-0.051	-0.112**	0.086*	0.275**	1	
Climate										
Organizational Performance	4.70	1.41	0.014	0.064	-0.018	-0.097**	0.089*	0.255**	0.747**	1

Finally, our 12-item scale offers advantages over Ali's. His 1988 scale was based on answers from a limited sample size of 150 Arab students. His second scale (1992) was a shortened version and was based on a limited sample size of 117 managers in Saudi Arabia. On the other hand, our scale was based on data collected from five countries in the Middle East and analyzed with more advanced statistical validation techniques. Of course, we are not in a position to claim that our scale is better than any of those previously developed to measure IWE, but the heterogeneity of our data and the results provide evidence that the new IWE are applicable across Middle Eastern countries.

## Practical Implications

Since individual and organizational performance is linked to IWE (Hassi, 2021), we argue that the development of IWE scale in Middle East has implications for HRD initiatives. In specific, the current developed scale has managerial implications for HRD experts who aim to customize their business practices in the Middle East region. For instance, understanding IWE in different sectors in the region can assist practitioners to develop and design workplaces that fit with the understanding of Islamic values and principles. This is very important, especially for multinational corporations which operate or intend to operate in the region. Organizations in the Middle East may use the results of this study to reform their policies and work agenda by incorporating Islamic values in these policies. More specifically, business organizations and business education programs need to integrate the consideration of IWE to help employees and learners shape their attitudes in line with IWE. For instance, organizations may consider IWE in the hiring process by prioritizing IWE knowledge as a core competence of the candidates and applicants. Furthermore, our IWE scale can be used as a part of career development and training programs in which employees get trained on each element of IWE scale. Furthermore,

our scale can serve as an effective tool for managers, employees, and university students to clarify the role of the meaning of work under the umbrella of Islam. The scale should also be included in the rewarding and performance measurement assessment schemes to ensure a commitment to these values and principles at work.

## Conclusion and Limitations

In this study, we developed a 12-item scale to measure IWE in the Middle East concisely. The continued utilization and development of this measure provide a future avenue for religious and management research in Muslim-based countries. The scale can be used to examine the effect of IWE on diverse individual and organizational work-related outcomes such as job performance, satisfaction, motivation, organizational citizenship behavior, organizational performance, and productivity. Although the results show that our IWE scale is valid and reliable, there are some limitations. First, the researchers were unable to collect data from Egypt and Saudi Arabia; North African countries were also excluded. Second, the researchers could not collect data from two important Islamic non-Arabic-speaking countries in the Middle East, Turkey, and Iran. We nevertheless believe that the scale is still applicable in Muslim non-Arabic countries, although it will require validating and testing in those countries. Finally, future studies may rely on this scale in correctional-study design to see if IWE influence individual, team, and organizational outcomes in the workplace.

## Appendix

The IWE scale:

integrity and honesty are keys to excellence in the workplace.

creativity should be emphasized in the workplace.

work should be assessed by what is halal and what is forbidden.

a person should perform the best he/she can.

performing at a high level allows a person to overcome challenges and achieve success.

work should be accompanied by intentions together with the desired outcomes.

laziness at work should be avoided.

humility at work encourages a cooperative climate.

performing at a high level contributes to the good of society.

wasta should be avoided.

transparency should be emphasized in the workplace.

cooperation is a key to successful work.

**Table A1.** Frequencies and percentages (Sample A: Jordan and Palestine)

Item	1	2	3	4	5	6	7	Total
	Count (%)	Count (%)	Count (%)	Count (%)	Count (%)	Count (%)	Count (%)	Count (%)
IWE3	4 (0.7)	8 (1.4)	11 (1.9)	21 (3.5)	52 (8.8)	125 (21.1)	371 (62.7)	592 (100)
IWE4	1 (0.2)	5 (0.8)	5 (0.8)	13 (2.2)	30 (5.1)	101 (17.1)	437 (73.8)	592 (100)
IWE5	6 (1.0)	6 (1.0)	9 (1.5)	31 (5.2)	83 (14.0)	160 (27.0)	297 (50.2)	592 (100)
IWE6	1 (0.2)	4 (0.7)	5 (0.8)	13 (2.2)	37 (6.3)	125 (21.1)	407 (68.8)	592 (100)
IWE8	6 (1.0)	5 (0.8)	9 (1.5)	32 (5.4)	57 (9.6)	105 (17.7)	378 (63.9)	592 (100)
IWE9	2 (0.3)	4 (0.7)	8 (1.4)	27 (4.6)	92 (15.5)	141 (23.8)	318 (53.7)	592 (100)
IWE10	5 (0.8)	6 (1.0)	18 (3.0)	76 (12.8)	145 (24.5)	184 (31.1)	158 (26.7)	592 (100)
IWE11	1 (0.2)	6 (1.0)	7 (1.2)	21 (3.5)	65 (11.0)	144 (24.3)	348 (58.8)	592 (100)
IWE12	6 (1.0)	6 (1.0)	14 (2.4)	47 (7.9)	71 (12.0)	145 (24.5)	303 (51.2)	592 (100)
IWE13	1 (0.2)	3 (0.5)	11 (1.9)	37 (6.3)	77 (13.0)	174 (29.4)	289 (48.8)	592 (100)
IWE14	2 (0.3)	5 (0.8)	8 (1.4)	25 (4.2)	57 (9.6)	137 (23.1)	358 (60.5)	592 (100)
IWE15	1 (0.2)	4 (0.7)	4 (0.7)	13 (2.2)	52 (8.8)	167 (28.2)	351 (59.3)	592 (100)



Table A2. Frequencies and percentages (Sample B: Qatar, Oman, and UAE)

Item	1	2	3	4	5	6	7	Total
IWE3	3 (0.4)	5 (0.7)	8 (1.1)	31 (4.3)	77 (10.6)	127 (17.5)	476 (65.5)	727 (100)
IWE4	6 (0.8)	3 (0.4)	12 (1.7)	19 (2.6)	61 (8.4)	105 (14.4)	521 (71.7)	727 (100)
IWE5	7 (1.0)	10 (1.4)	13 (1.8)	41 (5.6)	108 (14.9)	171 (23.5)	377 (51.9)	727 (100)
IWE6	2 (0.3)	5 (0.7)	8 (1.1)	34 (4.7)	65 (8.9)	115 (15.8)	498 (68.5)	727 (100)
IWE8	13 (1.8)	14 (1.9)	13 (1.8)	63 (8.7)	94 (12.9)	144 (19.8)	386 (53.1)	727 (100)
IWE9	3 (0.4)	4 (0.6)	12 (1.7)	36 (5.0)	95 (13.1)	188 (25.9)	389 (53.5)	727 (100)
IWE10	6 (0.8)	10 (1.4)	36 (5)	100 (13.8)	161 (22.1)	195 (26.8)	219 (30.1)	727 (100)
IWE11	3(0.4)	6 (0.8)	10 (1.4)	41 (5.6)	112 (15.4)	159 (21.9)	396 (54.5)	727 (100)
IWE12	6 (0.8)	7 (1.0)	17 (2.3)	54 (7.4)	121 (16.6)	178 (24.5)	344 (47.3)	727 (100)
IWE13	5 (0.7)	5 (0.7)	15 (2.1)	57 (7.8)	119 (16.4)	186 (25.6)	340 (46.8)	727 (100)
IWE14	5 (0.7)	7 (1.0)	15 (2.1)	40 (5.5)	98 (13.5)	159 (21.9)	403 (55.4)	727 (100)
IWE15	1 (0.1)	5 (0.7)	13 (1.8)	36 (5.0)	95 (13.1)	159 (21.9)	418 (57.5)	727 (100)

## References

- Abu-Saad, I. (2003). The work values of Arab teachers in Israel in a multicultural context. *Journal of Beliefs & Values*, 24(1), 39–51. <https://doi.org/10.1080/1361767032000052980>
- Aldulaimi, S. H. (2016). Fundamental Islamic perspective of work ethics. *Journal of Islamic Accounting and Business Research*, 7(1), 59–76.
- Aldulaimi, S. H. (2020). Islamic work ethics: multidimensional constructs and scale validation. *International Journal of Applied Management Science*, 12(3), 186–206. <https://doi.org/https://doi.org/10.1504/IJAMS.2020.108073>
- Alhabshi, S. O., & Ghazali, A. H. (1994). *Islamic Values and Management*. (A. Ibrahim, Ed.). Kuala Lumpur, Malaysia: Institute of Islamic Understanding Malaysia (IKIM).
- Ali, A. J. (1988). Scaling an Islamic work ethic. *The Journal of Social Psychology*, 128(5), 575–583. <https://doi.org/10.1080/00224545.1988.9922911>
- Ali, A. J. (1992). The Islamic work ethic in Arabia. *The Journal of Psychology*, 126(5), 507–519. <https://doi.org/10.1080/00223980.1992.10543384>
- Ali, A. J., & Al-Kazemi, A. A. (2007). Islamic work ethic in Kuwait. *Cross cultural management: An international Journal*, 14(2), 93–104.
- Ali, A. J., & Al-Owaihan, A. (2008). Islamic work ethic: A critical review. *Cross cultural management: An international Journal*, 15(1), 5–19.
- Ali, A. J., & Gibbs, M. (1998). Foundation of business ethics in contemporary religious thought: The Ten Commandment perspective. *International Journal of Social Economics*, 25(10), 1552–1564.
- Ali, A. J., & Weir, D. (2005). Islamic perspectives on management and organization. *Journal of Management, Spirituality & Religion*, 2(3), 410–415. <https://doi.org/10.1080/14766080509518602>
- Anderson, J. C., & Gerbing, D. W. (1988). Structural equation modeling in practice: A review and recommended two-step approach. *Psychological bulletin*, 103(3), 411–423.
- Atiyyah, H. S. (1999). Public organisations effectiveness and its determinants in a developing country. *Cross Cultural Management: An International Journal*, 6(2), 8–21.
- Babai, D. (2015). Middle east, business ethics in the. In R. James & K. Goodpaster (Eds.), *Wiley encyclopedia of management* (pp. 1–8). John Wiley & Sons, Ltd. <https://doi.org/10.1002/9781118785317.wcom020205>

- Beekun, R. I. (1997). *Islamic Business Ethics* (1st ed.). Herndon, Virginia, USA: International Institute of Islamic Thought (IIIT).
- Beekun, R. I., & Badawi, J. A. (2005). Balancing ethical responsibility among multiple organizational stakeholders: The Islamic perspective. *Journal of Business Ethics*, *60*(2), 131–145. <https://doi.org/10.1007/s10551-004-8204-5>
- Brislin, R. W. (1986). The wording and translation of research instruments. In W. J. Lonner & J. W. Berry (Eds.), *Field methods in cross-cultural research*. (pp. 137–164). Thousand Oaks, CA, US: Sage Publications, Inc.
- Browne, M. W., & Cudeck, R. (1993). Alternative ways of assessing model fit. In K. A. Bollen & J. S. Long (Eds.), *Testing structural equation models* (pp. 111–136). California, USA: Newbury Park.
- Campbell, D. T., & Fiske, D. W. (1959). Convergent and discriminant validation by the multitrait-multimethod matrix. *Psychological Bulletin*, *56*(2), 81–105. <https://doi.org/10.1037/h0046016>
- Churchill, G. A. (1979). A paradigm for developing better measures of marketing constructs. *Journal of Marketing Research*, *16*(1), 64–73. <https://doi.org/10.1177/002224377901600110>
- Costello, A. B., & Osborne, J. W. (2005). Best practices in exploratory factor analysis: Four recommendations for getting the most from your analysis. *Practical Assessment, Research & Evaluation*, *10*(7), 1–9.
- De Clercq, D., Rahman, Z., & Haq, I. U. (2019). Explaining helping behavior in the workplace: The interactive effect of family-to-work conflict and Islamic work ethic. *Journal of Business Ethics*, *155*(4), 1167–1177. <https://doi.org/10.1007/s10551-017-3541-3>
- El-Kot, G. A., & Burke, R. J. (2014). The Islamic work ethic among employees in Egypt. *International Journal of Islamic and Middle Eastern Finance and Management*, *7*(2), 228–235.
- Endot, S. (1995). *The Islamisation Process in Malaysia*. The University of Bradford.
- Falissard, B. (1999). The unidimensionality of a psychiatric scale: A statistical point of view. *International Journal of Methods in Psychiatric Research*, *8*(3), 162–167.
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of marketing research*, *18*(1), 39–50.
- Gbadamosi, G. (2004). Academic ethics: What has morality, culture and administration got to do with its measurement? *Management Decision*,

- 42(9), 1145–1161. <https://doi.org/https://doi.org/10.1108/00251740410565172>
- Gheitani, A., Imani, S., Seyyedamiri, N., & Foroudi, P. (2019). Mediating effect of intrinsic motivation on the relationship between Islamic work ethic, job satisfaction, and organizational commitment in banking sector. *International Journal of Islamic and Middle Eastern Finance and Management*, 12(1), 76–95.
- Hassi, A. Balambo M. A, & Aboramadan, M., (2021). Impacts of spirituality, intrinsic religiosity and islamic work ethics on employee performance in Morocco: The mediating role of intrinsic motivation *Journal of Islamic Accounting and Business Research*. <https://doi.org/10.1108/JIABR-05-2020-0131>
- Hayaati, S., Ismail, S., & Basir, S. A. (2002). Effective governance of islamic work ethics based in Malaysia. In *Proceedings of the Effective Governance Seminar from Islamic Perspective* (pp. 16–17).
- Ho, R., & Lloyd, J. I. (1984). Development of an australian work ethic scale. *Australian Psychologist*, 19(3), 321–332. <https://doi.org/10.1080/00050068408255438>
- Kalantari, B. (1998). In search of a public administration paradigm: Is there anything to be learned from islamic public administration? *International Journal of Public Administration*, 21(12), 1821–1861. <https://doi.org/10.1080/01900699808525370>
- Kalemci, R. A., & Tuzun, K. I. (2019). Understanding protestant and Islamic work ethic studies: A content analysis of articles. *Journal of Business Ethics*, 158(4), 999–1008. <https://doi.org/10.1007/s10551-017-3716-y>
- Keeney, S., Hasson, F., & McKenna, H. (2006). Consulting the oracle: Ten lessons from using the Delphi technique in nursing research. *Journal of Advanced Nursing*, 53(2), 205–212. <https://doi.org/https://doi.org/10.1111/j.1365-2648.2006.03716.x>
- Khalil, M., & Abu-Saad, I. (2009). Islamic work ethic among Arab college students in Israel. *Cross cultural management: An international Journal*, 16(4), 333–346.
- Khan, A., Muttakin, M. B., & Siddiqui, J. (2013). Corporate governance and corporate social responsibility disclosures: Evidence from an emerging economy. *Journal of Business Ethics*, 114(2), 207–223. <https://doi.org/10.1007/s10551-012-1336-0>
- Khandwalla, P. N. (1977). *The Design of Organizations*. New York: Harcourt Brace Jovanovich.

- Kumar, N., & Rose, R. C. (2010). Examining the link between Islamic work ethic and innovation capability. *Journal of management development*, 29(1), 79–93.
- Kumar, N., & Rose, R. C. (2012). The impact of knowledge sharing and Islamic work ethic on innovation capability. *Cross Cultural Management: An International Journal*, 19(2), 142–165.
- Kutcher, E. J., Bragger, J. D., Rodriguez-Srednicki, O., & Masco, J. L. (2010). The role of religiosity in stress, job attitudes, and organizational citizenship behavior. *Journal of Business Ethics*, 95(2), 319–337. <https://doi.org/https://doi.org/10.1007/s10551-009-0362-z>
- Mellahi, K., & Budhwar, P. S. (2010). Introduction: Islam and human resource management. *Personnel Review*, 39(6), 685–691. <https://doi.org/10.1108/00483481011075558>
- Mirels, H. L., & Garrett, J. B. (1971). The protestant ethic as a personality variable. *Journal of Consulting and Clinical Psychology*, 36(1), 40–44. <https://doi.org/10.1037/h0030477>
- Mohammad, J., & Quoquab, F. (2016). Furthering the thought on Islamic work ethic: How does it differ? *Journal of Islamic Marketing*, 7(3), 355–375.
- Mueller, R. O. (1996). *Basic Principles of Structural Equation Modeling: An Introduction to LISREL and EQS*. New York, USA: Springer.
- Murtaza, G., Abbas, M., Raja, U., Roques, O., Khalid, A., & Mushtaq, R. (2016). Impact of Islamic work ethics on organizational citizenship behaviors and knowledge-sharing behaviors. *Journal of Business Ethics*, 133(2), 325–333. <https://doi.org/10.1007/s10551-014-2396-0>
- Nasution, F. N., & Rafiki, A. (2019). Islamic work ethics, organizational commitment and job satisfaction of Islamic banks in Indonesia. *RAUSP Management Journal*, 55(2), 195–205.
- Ngo, H.-Y., Lau, C.-M., & Foley, S. (2008). Strategic human resource management, firm performance, and employee relations climate in China. *Human Resource Management*, 47(1), 73–90. <https://doi.org/10.1002/hrm.20198>
- Rahman, N. M., Muhamad, N., & Othman, A. S. (2006). The relationship between Islamic work ethics and organizational commitment: A case analysis. *Malaysian Management Review*, 41(1), 79–89.
- Rice, G. (1999). Islamic ethics and the implications for business. *Journal of Business Ethics*, 18(4), 345–358. <https://doi.org/10.1023/A:1005711414306>
- Rokhman, W. (2010). The effect of Islamic work ethics on work outcomes. *EJBO-Electronic Journal of Business Ethics and Organization Studies*, 15(1), 21–27.

- Schuster, F. E. (1982). A tool for evaluating and controlling the management of human resources. *Personnel administrator*, 27(10), 63–69.
- Sedikides, C. (2010). Why does religiosity persist? *Personality and Social Psychology Review*, 14(1), 3–6. <https://doi.org/10.1177/1088868309352323>
- Sharabi, M. (2018). Ethno-religious groups work values and ethics: The case of Jews, Muslims and Christians in Israel. *International Review of Sociology*, 28(1), 171–192. <https://doi.org/https://doi.org/10.1080/03906701.2017.1385226>
- Sharma, B. R., & Rai, S. (2015). A study to develop an instrument to measure work ethic. *Global Business Review*, 16(2), 244–257.
- Sidani, Y. (2018). *Business Ethics in the Middle East* (1st ed.). New York, USA: Taylor & Francis.
- Tayeb, M. (1997). Islamic revival in Asia and human resource management. *Employee relations*, 19(4), 352–364.
- Uddin, S. J. (2003). Understanding the framework of business in Islam in an era of globalization: A review. *Business Ethics: A European Review*, 12(1), 23–32. <https://doi.org/10.1111/1467-8608.00302>
- Wilson, R. (2006). Islam and business. *Thunderbird International Business Review*, 48(1), 109–123. <https://doi.org/10.1002/tie.20088>
- Xi, M., Zhao, S., & Xu, Q. (2017). The influence of CEO relationship-focused behaviors on firm performance: A chain-mediating role of employee relations climate and employees' attitudes. *Asia Pacific Journal of Management*, 34(1), 173–192. <https://doi.org/10.1007/s10490-016-9487-7>
- Yeh, D.-Y., & Cheng, C.-H. (2015). Recommendation system for popular tourist attractions in Taiwan using Delphi panel and repertory grid techniques. *Tourism Management*, 46(1), 164–176. <https://doi.org/10.1016/j.tourman.2014.07.002>
- Yousef, D. A. (2000). The Islamic work ethic as a mediator of the relationship between locus of control, role conflict and role ambiguity—A study in an Islamic country setting. *Journal of Managerial Psychology*, 15(4), 283–298. <https://doi.org/10.1108/02683940010330966>
- Yousef, D. A. (2001). Islamic work ethic—A moderator between organizational commitment and job satisfaction in a cross-cultural context. *Personnel review*, 30(2), 152–169.



# 14

## Extending Amartya Sen's Paretian Liberal Paradox to a Firm's Hierarchy

Massimiliano Vatiéro 

### Introduction

According to liberal principles, there are private matters in which each individual should have the freedom to decide what should happen,

---

<sup>1</sup> As underlined by Sen (1970a: fn. 1), the term liberalism could be elusive and open to alternative interpretations. In this chapter, I do not wish to engage in a debate on the term “liberalism”; I have explored the *Ordo*-liberal perspective in another work (Vatiéro 2015). This chapter follows Sen's idea of liberalism that embraces a value of individual liberty. However, another formulation of that condition is proposed by Gibbard (1974), one that specifies the liberal claim requiring that everyone has alienable rights in his or her private sphere. Instead, Hillinger and Lapham (1971) have shown that Sen's idea of liberalism is illiberal. See also Gaertner et al. (1992) on the limits of Sen's concept of liberalism. For a historical review of the debate around Sen's idea of liberalism, see Erasmo (2020).

---

M. Vatiéro (✉)

University of Trento, Trento, Italy

e-mail: [vatiерom@usi.ch](mailto:vatiерom@usi.ch)

Università Della Svizzera Italiana, Lugano, Switzerland

no matter what others think or regardless of society's preferences. Put differently, there is a personal, private sphere—an area of individual action—that is or ought to be protected against social encroachment (e.g., Sugden 1985).<sup>1</sup> Nevertheless, Amartya Sen (1970a, b, 1971, 1976) has proven that liberalism may paradoxically conflict with Pareto principle, which holds that if in a society one alternative is unanimously preferred to another, then the former alternative is the best for that society. That Sen's "impossibility" consists in the fact that liberal values on which are based market economies may undermine Pareto principle, a well-cherished criterion in economic sciences. This chapter extends Sen's impossibility of a Paretian liberal to the firm which is understood as an institution with a hierarchical nature that, because it lowers transaction costs (Coase 1937), is in line with Pareto principle. I show that a risk of conflict exists between the efficiency-oriented rationale of the firm's hierarchical structure and Sen's idea of liberalism (i.e., each individual may exercise the freedom to make certain decisions concerning his or her private domain).

Let us start from Sen's (1970a) hypothetical example involving the provocative novel *Lady Chatterley's Lover* by D. H. Lawrence. In the example, only one copy of the novel exists in a society of two people: the prudish Anne and the lascivious Bob. Anne, who tends to censor instead of being censored, prefers that nobody reads the novel (i.e.,  $z$ ). However, if she has to choose a person to read it, she would prefer to read the novel (i.e.,  $x$ ) instead of exposing Bob to Lawrence's novel to enjoy its lewd influence (i.e.,  $y$ ). Thus, in decreasing order, Anne's ranking is  $z$ , then  $x$ , then  $y$ . By contrast, Bob prefers that one of them reads the novel instead of discarding it unread, and he especially delights in the prospect of having Anne read it, even if that preference bars him from reading the novel himself. Therefore, Bob's ranking is  $x$ , then  $y$ , then  $z$ . In a liberal society, whether or not an individual reads a book should depend on his or her preference. Thus, according to liberal values, because the prudish Anne does not prefer to read such a scandalous novel, the society should choose  $z$  (i.e., nobody reads the novel) over  $x$  (i.e., Anne reads the novel). At the same time, because the lascivious Bob would prefer to read the controversial book (i.e.,  $y$ ) instead of having it go unread (i.e.,  $z$ ), the liberal society should choose the former alternative to the latter



one. In sum, a liberal society should prefer  $z$  to  $x$ —that is, entrust the choice to Anne's private sphere—and also  $y$  to  $z$ —that is, entrust the choice to Bob's private sphere. Then, a liberal society's ranking is  $y$ , then  $z$ , then  $x$ . Nonetheless, according to their preferences, both individuals prefer  $x$  to  $y$ . Thus, allowing Bob to read the novel (i.e.,  $y$ ), which is the outcome in a liberal society, is Pareto sub-optimal to the alternative that Anne reads the novel (i.e.,  $x$ ). Namely, a Pareto-optimal society would prefer *forcing* Anne to read something that she does not enjoy instead of permitting Bob to read something that he wants to read. In other terms, there is an inconsistency between a liberal right to read what one wishes to read and Pareto principle or economic efficiency.

In this chapter, a hierarchical structure as the firm has an efficiency-oriented rationale. According to Ronald Coase (1937), the costs of using the price mechanism, or transaction costs, can be spared by using an alternative, hierarchical structure: the firm. In his words, “[T]he operation of a market costs something and by forming an organisation and allowing some authority (an ‘entrepreneur’) to direct the resources, certain marketing costs are saved” (Coase 1937: 392). Then, the firm's hierarchy increases the efficiency of transactions, at least according to Coase (1937) and his disciples (e.g., Williamson 1975; Hart 1995, 2017). Therefore, all actors involved in a firm should prefer a hierarchical structure instead of arranging their transactions in a market. The same hierarchy, however, also potentially conflicts with Sen's (1970a) idea of liberalism. Indeed, some of the boss's decisions could interfere with the private sphere of subordinates and undermine liberal principles. By contrast, the protection of individual private spheres could limit the boss's role in governing and increasing the efficiency of the firm's production.

In this chapter, I present two cases in point. The first is Ford Motor Company's Five-Dollar Day programme from 1914, and the second is a few codes of conduct at businesses today. In both cases, a conflict exists between the rationale for the efficiency—that is, a hierarchical structure that lowers transaction costs (cf. Coase 1937)—and Amartya Sen's idea of liberalism, in which each individual may make a given set of choices about his or her private sphere. With reference to those cases, I show that the firm's hierarchical nature can and does invade subordinates' personal,

private sphere outside the firm, including their homes, political activities and even choices of sexual partners.

Drawing from Elizabeth Anderson's (2017) recent work addressing the contradictions and conflicts between liberal values and hierarchy in the firm à la Coase (or what she calls "private" government), this work is the first, as far as I know, to extend Amartya Sen's impossibility to the firm. The main scope of the chapter is to understand several *costs* of the hierarchical structure of firms and contribute to the foundation of a theory of justice applied to the firm (Fia and Sacconi 2019). The remainder of the chapter unfolds as follows. Section "Sen's Paretian Liberal Paradox" describes Sen's Paretian liberal paradox, after which section "Extending the Paretian Liberal to the Firm" explains how and why that Amartya Sen's paradox should not stop at the door of a firm. Section "Two Notable Examples of the Paretian Liberal Paradox into the Firm" illustrates several examples in firms, and section "Conclusions" concludes the chapter.

## Sen's Paretian Liberal Paradox

Reformulating an example from Gibbard (1974), consider a woman named Anne, two men named Bob and Charlie, and three alternatives:  $x$  (i.e., Anne marries Bob),  $y$  (i.e., Anne marries Charlie) and  $z$  (i.e., everyone remains single). Anne's preferences are  $x$ , then  $y$ , then  $z$ ; whereas Bob's ranking is  $z$ , then  $x$ , then  $y$ . By contrast, Charlie remains indifferent about the alternatives, such that one is as worthwhile as the next. In the personal, private sphere in that example, Anne should freely decide between  $y$  (i.e., marrying Charlie) and  $z$  (i.e., remaining single), whereas Bob should freely choose between  $x$  (i.e., marrying Anne) and  $z$  (i.e., remaining single). In a liberal society where everyone can decide on his or her marriage, the social decision function would then determine that Charlie and Anne get married, and that Bob remains a bachelor. In the light of liberal principles, the society would prefer  $y$ . However,  $x$  is preferable in a Pareto sense to  $y$ , because two people (i.e., Anne and Bob) increase their payoffs without reducing the payoff of another individual (i.e., Charlie). Thus, the application of the Pareto principle would mean

that  $x$  is socially preferable to  $y$ . Using the Pareto principle, the problem or *tragedy*<sup>2</sup> is that the society should *force* Bob to marry Anne.

Sen (1970a: 153) developed a model based on three major conditions:

- Condition U (i.e., unrestricted domain): Every logically possible set of individual orderings of the social states is included in the domain of collective choice rule, a functional relationship that specifies a sole social preference order for all possible social states.
- Condition P (i.e., Pareto principle): If everyone in the society prefers a certain alternative to another, then the former alternative must be viewed as the best alternative for the society as a whole.
- Condition L (i.e., liberalism): In certain matters that are private and thus protected from a liberal perspective, the individual may make decisions independently of others, and no matter what others think, those decisions must be viewed as being better for the society as a whole. In that sense, liberalism maintains that individuals may act as “local dictators” over choices belonging to their personal, private spheres.

As a result, the model contains no rule of collective action that can simultaneously satisfy Conditions U, P and L, as Sen (e.g., 1970a: 154) has proven. In a few words, Sen's argument demonstrates the *impossibility* of achieving Pareto optimality in a liberal society and vice versa (i.e., of upholding liberal values in a Pareto-optimal society).

The thesis of impossibility has been examined to such an extent that literature on the topic is too difficult to summarise. Moreover, a lot of energy among economists and philosophers has been devoted to the task of circumventing that impossibility. Given that the impossibility is based on three major conditions—Conditions U, P and L—there are apparently three types of escapes from the impasse: one can weaken U, P or L. Robert Nozick (1974; see in particular pp. 165–166) suggests a way out of the impossibility that gives liberal rights priority by making social choice constrained by the exercise of those rights, namely by weakening

---

<sup>2</sup> Cf. the example of Medea and Jason in Nicita and Savaglio (2007).

the condition of unrestricted domain (U). Sen (1976) proposed a resolution of that impossibility, one that restricts the use of the Pareto principle (P). Others have proposed ways out of the impossibility by weakening or reformulating the condition of liberalism (L) (e.g., Gibbard 1974; Blau 1975; Kelly 1976; Sugden 1985). For instance, Gibbard (1974) has developed a rights system that makes liberal rights alienable if it conflicts with other people's liberal rights. In other terms, Gibbard defines a liberal society as a system that includes alienable rights over the private sphere. That insight has been developed by Nicita and Savaglio (2007), who have defined a Coasian liberal configuration as a social arrangement in which there are property rights over individuals' private sphere. Liberalism is therefore made consistent with the Pareto principle, such that one can easily see a link with the Coase theorem.

In this chapter, I reformulate that impossibility within the firm, and I show the risk of a conflict between Sen's idea of liberalism and the efficiency-oriented rationale of the firm's hierarchical structure that lowers transaction costs.

## Extending the Paretian Liberal to the Firm

Let us consider a common transaction: Anne, a supplier of a widget who can invest in asset-specificity à la Williamson,<sup>3</sup> and a client, say Bob, who buys Anne's widget. Such an investment can be, for instance, a specific piece of equipment bought by a supplier that is needed for a joint production with a client. In an ideal world, Anne and Bob would write and sign a state-contingent contract and rely on an external third party to settle their conflicts *ex post*. To ensure a contracted outcome *ex ante*, the external third party needs to observe Anne and Bob's conduct and eventually impose penalties or other requirements if contracted obligations go unmet. However, according to incomplete contract theory (e.g., Hart 2017; cf. also Vatiéro 2021), that external enforcement will

---

<sup>3</sup> Investments in asset-specificity cannot be redeployed from existing uses and users, except with a significant loss of revenue. In other words, transaction-specific investments are those investments whose value in a particular transaction is greater than in the next best alternative.

be costly—in Oliver Hart's (1995: 39) words, all contracts “contain gaps and missing provisions”. In the parlance of incomplete contract theory, the widget's exact nature cannot always be verified by the external legal enforcer. In diminishing the incentives for contracting parties to make specific investments, that dynamic can encourage Anne and Bob to abandon the contractual form and manage their transaction in another way—for instance, via vertical integration that allows conducting the transaction within a single firm and, in turn, saving transaction costs. For instance, Margaret Blair and Lynn Stout (1999: 284–285, italics added) have argued that a firm's boss has “to resolve disputes between parties for whom resolution through explicit contracting is *too costly*”. Thus, to lower transaction costs, a market transaction between Anne and Bob is transformed in a hierarchical relationship.

In a world with incomplete contracts, the authority of a boss,<sup>4</sup> who could be an entrepreneur as well as a manager, allows saving on transaction costs and increasing efficiency, especially in team-based production with specific investments and the related risk of opportunistic behaviours (e.g., Williamson 1975). Let us assume that Anne enters into a relationship of dependency with Bob, who is thus the boss. In a world with transaction costs, Anne will perform some unspecified task *ex ante* that Bob will order her against some pre-established payments. In the course of their relationship, unforeseen events may arise, and Bob may decide *ex post* what to command Anne to perform, because only a limited number of decisions are specified in the provisos of an incomplete contract established *ex ante*. Therefore, in the boss–worker relationship, according to Coase (1937: 404, italics added), the boss.

must have the right to control the servant's work, either personally or by another servant or agent. It is this right of control or interference, of being entitled *to tell the servant when to work* (within the hours of service)

---

<sup>4</sup> Alchian and Demsetz (1972) have shown, by contrast, that the view that the hierarchy characterises firms cannot be maintained if exit costs are null. According to authors, the boss exercises no authority over other actors in the firm if they may freely switch to other firms. In reality, however, exit costs are relevant and a main source of such costs is the specificity of investments. In other terms, because specific investments generate high exits costs, the authority exists, and the boss can exercise a certain degree of power over actors of the firm that make such investments (cf. Hart 2017).

*and when not to work, and what work to do and how to do it* (within the terms of such service) which is the dominant characteristic in this relation and marks off the servant from an independent contractor, or from one employed merely to give to his [or her] employer the fruits of his [or her] labour.

Thanks to the described hierarchy, Anne and Bob lower transaction costs and improve their transactions. In that dynamic, restated in terms of the Pareto principle, because the firm's surplus with specific investments increases if the boss gives orders instead of using a costly market price mechanism for each transaction, all actors involved in team-based production should prefer a hierarchical structure instead of arranging their transactions in a market. In other terms, they would *vote* for a hierarchical structure and against market transactions. By exploiting the hierarchy, all actors, including subordinates such as Anne, may indeed increase their individual returns from a firm's team-based production: Anne may be worse off by becoming a subordinate, but the increase in the surplus allowed by hierarchy may be more than enough to (virtually or effectively) compensate her.

Because the boss can improve transactions by issuing orders, Sen's impossibility, once extended to the firm, can be restated as follows. First, in Condition B1, the boss's domain encompasses all circumstances not already defined in contracts, laws and/or customs. That condition is in line with the idea of residual control rights: "the right to decide all usages of the asset in any way not inconsistent with a prior contract, custom, or law" (Hart 1995: 30; cf. also Hart 2017). That is, the allocation of residual control rights à la Hart implies that the boss specifies all circumstances and related behaviours that are missing in an incomplete contract. Second, in Condition B2, because the hierarchy improves the efficiency of a transaction (e.g., Coase 1937), the boss's choices must be viewed as being better for the firm as a whole. The hierarchy produces efficiency, and such efficiency can be distributed among all participants. For that reason, Condition B2 represents a reformulation of the Pareto principle in the firm: because the hierarchy lowers transaction costs, it increases the surplus of a firm's team-based production, from which every actor involved can obtain a higher return. Therefore, all of those actors should

prefer a hierarchical structure instead of arranging their transactions in a market. Note that both Condition B1 and Condition B2 depend on relevant transaction costs; without such costs, by contrast, the firm would not emerge, and Pareto principle would not need a boss that gives orders.

Altogether, extended into the firm, Sen's (1970a) conditions emerge as follows:

- Condition B1 (i.e., boss's domain): The boss can decide on all circumstances not already defined by contracts, laws and/or customs, in line with the idea of residual control rights à la Hart (1995). Condition B1 reformulates Sen's (1970a) Condition U into the context of a firm, in which the boss makes decisions about gaps and missing provisions in incomplete contracts.<sup>5</sup>
- Condition B2 (i.e., boss's efficiency): The boss's decisions must be viewed as being better for the firm as a whole. Condition B2 reformulates Sen's (1970a) Condition P into the context of a firm. That is, in a world with relevant transaction costs, a hierarchy headed by a boss is assumed to produce benefits for all actors in a firm.
- Condition L (i.e., liberalism): Each individual is a "local dictator" over his or her own private sphere. That condition is in line with Sen's (1970a) idea of liberalism (i.e., Condition L).

As I show in two cases, the hierarchy in a firm that relies on Conditions B1 and B2 is potentially in conflict with liberal values (i.e., Condition L). Note that, even if I will describe two cases that refer to large firms, the paradox exists also for small and medium firms. It is the hierarchical nature of the firm (which is, in accordance with Coase 1937, a common feature of each size of firm) that matters and that conflicts with liberal values.

---

<sup>5</sup> This is in line with Austrians, as well. According to the Austrian school, entrepreneurship is the individual's way to exploit the imperfections in the market and thus to make individual choices. The firm then extends the set of choices belonging to the entrepreneur or boss. Thanks to a referee for raising this point.

## Two Notable Examples of the Paretian Liberal Paradox into the Firm

A firm's hierarchy may and does invade the private sphere of individuals outside the firm, including subordinates' homes, political activities and even choice of sexual partners, and affect their life and well-being. First, let us consider the Ford Motor Company's Five-Dollar Day programme:

On January 5, 1914, Henry Ford and his vice president James Couzens stunned the world when they revealed that Ford Motor Company would double its workers' wages to five dollars a day. The announcement generated glowing newspaper headlines and editorials around the world. The notion of a wealthy industrialist sharing profits with workers on such a scale was unprecedented. (Anderson 2014: n.a.)

Ford's programme stated that the company would supplement all employees' pay such that their wages reached at least \$5.00 for an 8-h day. Previously, the vast majority of those employees had earned \$2.34 for every 9-h day. Several theories have been posited to explain the shift in Ford's policy to the Five-Dollar Day programme (cf. Raff 1988; Lewchuk 1989; Worstall 2012; Anderson 2017).<sup>6</sup> One rationale put forward by owner Henry Ford was those workers facing financial problems at home would be distracted on the job. Higher pay was intended to eliminate those problems and, in turn, ensure that employees were

---

<sup>6</sup> A popular but disputed (cf. Worstall 2012) theory states that Henry Ford's reasons for Five-Dollar Day programme were to improve his employees' standard of living and to create a new pool of customers for the company's Model T. Others (e.g., Raff 1988; Worstall 2012) have added that the pay increase depended on Ford's new assembly line, which allowed individual workers to stay in one place and perform the same task repeatedly on multiple vehicles that passed by them. The new assembly line did not need particularly skilled workers, but it did need ones who were willing to perform the same repetitive tasks hour after hour, day after day. In that light, explosive production gains came at the cost of employee satisfaction. Workers who had once taken pride in their labour were quickly bored by the new assembly process. Some took to lateness and absenteeism, many outright quit, and the company suffered a crippling employee turnover rate of 370% (cf. Worstall 2012; Anderson 2014). Thus, the Five-Dollar Day programme seemingly intended to counteract high employee turnover due to increasingly monotonous assembly line work. Ford sought to make the conditions under which his employees worked more attractive by raising their pay.



not using their largesse improperly. To that end, the company established a Sociological Department to control its employees' habits beyond the workplace, largely via a committee that visited employees' homes to ensure that they were doing things the American way (Worstall 2012). To qualify for the pay increase, workers had to abstain from alcohol, not physically abuse their family members, not take in boarders, keep their homes clean and contribute regularly to a savings account. They also had to learn English, and most of them, chiefly recent immigrants, had to attend classes to become Americanised. Women on Ford's payroll, given the social expectation that would care for their homes and families, were ineligible for the bonus unless they were single and supporting their households. For their part, men were ineligible if their wives worked outside the home (cf. Worstall 2012; Anderson 2017). When the company's inspectors visited a worker's home, they asked probing questions and observed the family's general living conditions. Upon discovering violations, the inspectors would offer advice and direct the families towards resources offered by the company. Not until those problems were rectified did the employee receive his or her full bonus by the Socialization Department.

In that respect, the Five-Dollar Day programme, decided by Henry Ford as boss, was expected to improve the conditions of workers or at least their wages. Henry Ford's decision to introduce the Five-Dollar Day programme did not conflict with contracts, laws or customs, at that time, thereby fulfilling Condition B1. Moreover, in theory, it was better for the firm as a whole. In particular, Ford and his supporters viewed the Sociological Department as a benevolent tool to benefit the company's employees. Thus, it fulfilled Condition B2. It is additionally probable that all subordinates in the company preferred the Five-Dollar Day programme because it increased their pay and improved their standard of living.

There is also the possibility that the Five-Dollar Day programme *really* affected workers' conduct at home, for example, inducing them to change their alcohol's domestic consumption. Replacing the novel of Lady Chatterley with a bottle of a red wine, the Paretian liberal applied to the firm in this case could state that, Henry Ford, at the top of his

enterprise's hierarchy,<sup>7</sup> invaded or interfered with a subordinates' private sphere outside the firm, including their consumption of red wine at home; and that intrusion conflicted with liberal values (i.e., not fulfilling Condition L). In reality, indeed, the employees came to resent the intrusion into their personal lives, even if their wages had doubled. From their standpoint, moral righteousness and prudent saving were all well and good but not generally an employer's business, at least not outside of working hours (cf. also Anderson 2014).

The second, considerably more recent example, concerns codes of business conduct in force today. The growing adoption of codes of ethics and/or codes of conduct clearly attests to current attention to corporate social and ethical responsibility. Those codes typically state the rights, duties and responsibilities of the company towards all stakeholders, including shareholders, employees, consumers, suppliers, the surrounding communities and public authorities. In that sense, they can be interpreted as "charts of fundamental rights and duties" through which a company makes its ethical and social responsibilities clear to stakeholders (Sacconi et al. 2003). In terms of incomplete contracts, the codes express ideal social contracts between firms and their stakeholders and make the firm's commitment to them explicit (cf. Sacconi 2007). For instance, in the first pages of IBM's 2008 "Business Conduct Guidelines", Samuel J. Palmisano, President and Chief Executive Officer of IBM, writes:

By establishing those guidelines decades ago and giving them the weight of a governing document, we have embraced the proposition that our choices and actions define IBM for others. And we have sought to ensure that our relationships—with clients, investors, colleagues and the communities in which we live and work—are built on our core value of trust and personal responsibility.

At the same time, IBM also cautions its personnel that, although the majority of their personal interests pose no particular concerns to the firm, "Certain *off-the-job activities* can affect your IBM position, or can

---

<sup>7</sup> The hierarchal structure of Ford Motor Company is also witnessed by the fact that Henry Ford personally gave directives to all of his employees (Lewchuk 1989: 22).

otherwise reflect negatively on IBM. In cases where there is doubt, you must decide whether you can avoid harm through careful management of your conduct, or whether harm is unavoidable, *and therefore the activity must be avoided*" (p. 28, italics added). Political activities may pose concerns, as well. In its guidelines, IBM states, "You must consult with IBM Governmental Programs before accepting a political appointment to *any* government entity or running for government office *at the local, state, or federal level*" (p. 29, italics added). In both cases (i.e., personal interests and political activities posing concerns for IBM), a violation of the guidelines can result in disciplinary actions, including dismissal (p. 6). The reasoning behind the instruction is clear: Because certain personal interests and "off-the-job" (e.g., political) activities may create problems for IBM and undermine the surplus of the whole firm, the firm seeks to curb those activities. Thus, it is better that the boss can and does decide to avoid and punish those activities, as in line with Conditions B1 and B2. Most likely all subordinates in IBM prefer such limitations; otherwise, the off-the-job activities and personal interests of one or few may undermine the individual returns of others. However, such limitations on individual conduct may affect choices of individuals on their "off-the-job activities" and therefore invade their private sphere. Simply put, there is a risk that these limitations in IBM's 2008 "Business Conduct Guidelines" that are applied by a hierarchical administration (Condition B1), even if they can be justified in terms of efficiency à la Pareto (Condition B2), conflict with Condition L (i.e., liberalism).

Let us now consider Google's Code of Conduct. As IBM's code, it specifies the company's commitment towards stakeholders: "Our commitment to the highest standards helps us hire great people, build great products and attract loyal users. Respect for our users, for the opportunity, and for each other are foundational to our success, and are something we need to support every day". At the same time, in "Point III.5. Personal relationships at work", Google specifies to its employees (italics added):

Be mindful of how your relationships within Google could impact or be perceived by others. *Romantic, physical or familial relationships are not permitted* between a Googler and another Googler or member of the

extended workforce where one individual is in a position to exercise authority or supervision over the other. This prohibition includes any situation where one person is in the reporting line of the other, or, for example, a situation where one person is a project or a technical lead on a project on which the other person is working.

Such situations may require changes to work arrangements or even the termination of employment of either or both individuals involved. The reasoning behind that instruction is that *certain* relationships within Google may compromise or be perceived to compromise individuals' ability to perform the responsibilities of their jobs, may create uncomfortable or conflict-ridden workplace environments and may raise issues of fairness, favouritism and/or harassment. Indeed, those situations could spur an individual to pursue a personal benefit for him- or herself, or for his or her friends or family at the expense of Google or Google's users. Thus, Google advises, "All of us should avoid conflicts of interest and circumstances that reasonably present the appearance of a conflict" ("Point III., Avoid conflicts of interest").

In other words, conflict of interests that derive from "romantic, physical or familial relationships" may undermine the team's production in a firm and the returns for all team members. A boss's decision to limit those circumstances is thus desirable (i.e., fulfilling Conditions B1 and B2). All subordinates likely prefer and endorse such rules in order to avoid such conflicts of interest. However, limitations concerning such conflicts invade the private of individuals by controlling and regulating, or even punishing, romantic relationships between co-workers. In an extreme, Google's Code of Conduct may induce a worker to avoid engaging in a romantic relationship with another worker (as in Gibbard's 1974 example on the choice marriage of Anne, Bob and Charlie above), if he or she does not want to risk being fired. Again, that circumstance conflicts with liberal values (i.e., not fulfilling Condition L).

## Conclusions

Amartya Sen has shown that the liberal claim that everyone in a society has the freedom to determine certain decisions in his or her private sphere is inconsistent with the economic efficiency. The problem arises because people's preferences tend to conflict, precisely because they have preferences about what others should choose. This chapter has extended that problem to the firm.

Due to transaction costs of markets, a hierarchical structure such as the firm improves the efficiency of transactions. However, in this chapter, I have shown that the hierarchy of the firm may and does invade the private sphere of individuals outside the firm, including in workers' homes, political activities and even choice of sexual partners. For example, to qualify for Ford Motor Company's Five-Dollar Day programme, workers had to keep their homes clean, eat diets deemed to be healthy, practise good hygiene and not take in boarders. More recently, in its business conduct guidelines, IBM has specified that for certain off-the-job activities, employees should consult with IBM offices and that a violation could result in disciplinary action, including dismissal. Similarly, Google's Code of Conduct specifies that romantic relationships between co-workers can create a conflict of interest and therefore may require changes to work arrangements or even the terminated employment of individuals involved. Those circumstances show that a risk of conflict exists between the reasons of the efficiency (i.e., a hierarchical structure such as the firm may save transaction costs along with Coase's 1937 argument) and Sen's idea of liberalism (i.e., each individual may exercise the freedom to make certain decisions concerning his or her private domain).

Trento/Lugano, June 2021

**Acknowledgements** I am in debt with Luigi Bonatti, Valentina Erasmo, Magali Fia, Nicola Giocoli, Sergio Alberto Gramitto Ricci, Edoardo Mollona and two anonymous referees for their useful comments. In writing this work, I enjoyed financial support from "Fondo Brenno Galli" at the Università della Svizzera italiana.

## References

- Alchian, A.A., and H. Demsetz (1972). "Production, information costs, and economic organization," *American Economic Review*, 62(5):777–795.
- Anderson, M. (2014). "Ford's five-dollar day," available on <https://www.thehenryford.org/explore/blog/fords-five-dollar-day/>. Last access: March 29, 2021.
- Anderson, E. (2017). *Private government: How employers rule our lives (and why we don't talk about it)*, Princeton: Princeton University Press.
- Blair, M.M., and L.A. Stout (1999). "A team production theory of corporate law," *Virginia Law Review*, 85(2):247–328.
- Blau, J.H. (1975). "Liberal values and independence," *Review of Economic Studies*, 42:395–402.
- Coase, R. H. (1937). "The nature of the firm," *Economica*, 4:386–405.
- Erasmus, V. (2020). "The Impossibility of a Paretian (II)liberal: A historical review of the debate arisen at its first appearance around Sen's liberalism," Unpublished paper on file with author.
- Fia, M., and L. Sacconi (2019). "Justice and corporate governance: New insights from Rawlsian social contract and Sen's capabilities approach," *Journal of Business Ethics*, 160(4):937–960.
- Gaertner, W., P.K. Pattanaik, and K. Suzumura (1992). "Individual rights revisited," *Economica*, 59(234):161–177.
- Gibbard, A. (1974). "A Pareto-consistent libertarian claim," *Journal of Economic Theory*, 7:388–410.
- Google's Code of Conduct, available on <https://abc.xyz/investor/other/google-code-of-conduct/>. Last access: March 29, 2021.
- Hart, O. (1995). *Firms, contracts, and financial structure*, Oxford: Oxford University Press.
- Hart, O. (2017). "Incomplete contracts and control," *American Economic Review*, 107(7):1731–1752.
- Hillinger, C., and V. Lapham (1971). "The impossibility of a Paretian liberal: Comment by two who are unreconstructed," *Journal of Political Economy*, 79(6):1403–1405.
- IBM's (2008). "Business Conduct Guidelines", available on <https://www.judicialmisconduct.us/sites/default/files/2017-04/BusinessConductGuidelines.pdf>. Last access: March 29, 2021.
- Kelly, J.S. (1976). "Rights exercising and a Pareto-consistent libertarian claim," *Journal of Economic Theory*, 31(1):138–153.

- Lewchuk, W. (1989). "Fordism and the moving assembly line: The British and American experience, 1895–1930," in Lichtenstein N. and S. Meyer, *On the line. Essays in the history of auto work*, Urbana and Chicago: University of Illinois Press, pp. 17–41.
- Nicita, A., and E. Savaglio (2007). "Minimal liberties, maximal State and the market: The case for a Coasian liberal?" in Cafaggi F., A. Nicita and U. Pagano (eds.), *Legal orderings and economic institutions*, London: Routledge, pp. 118–132.
- Nozick, R. (1974). *Anarchy, State and Utopia*, Oxford: Blackwell.
- Raff, D.M.G. (1988). "Wage determination theory and the five-dollar day at Ford," *Journal of Economic History*, 48(2):387–399.
- Sacconi, L. (2007). "Incomplete contracts and corporate ethics: A game theoretical model under fuzzy information," in Cafaggi F., A. Nicita and U. Pagano (eds.), *Legal orderings and economic institutions*, London: Routledge, pp. 310–350.
- Sacconi, L., S. de Colle, and E. Baldin (2003). "The Q-RES project: The quality of the social and ethical responsibility of corporations," in Wieland J. (ed.), *Standards and audits for ethics management systems: The European perspective*, Berlin: Springer, pp. 60–115.
- Sen, A.K. (1970a). "The impossibility of a Paretian liberal," *Journal of Political Economy*, 78(1):152–157.
- Sen, A.K. (1970b). *Collective choice and social welfare*, San Francisco: Holden-Day.
- Sen, A.K. (1971). "The impossibility of a Paretian liberal: Reply," *Journal of Political Economy*, 79(6):1406–1407.
- Sen, A.K. (1976). "Liberty, unanimity and rights," *Economica*, 43:217–245.
- Sugden, R. (1985). "Liberty, preference, and choice," *Economics and Philosophy*, 1:213–229.
- Vatiero, M. (2015), "Dominant market position and ordoliberalism," *International Review of Economics*, 62(4):291–306.
- Vatiero, M. (2021), *The theory of transaction in Institutional Economics: A history*, London: Routledge.
- Williamson, O.E. (1975). *Markets and hierarchies: Analysis and antitrust implications*, New York: Free Press.
- Worstell, T. (2012). "The story of Henry Ford's \$5 a day wages: It's not what you think," *Forbes*, March 4, 2012.



# 15

## Reinforcing or Slackening the Spiral of Deviance: The Role of the Personal Norm of Reciprocity

Deborah Gervasi  and Guglielmo Faldetta 

### Introduction

Negative organizational phenomena, in general, and Counterproductive Workplace Behaviors (CWBs), in particular, have become a relevant issue in organizational research in the last 20 years (Chappell & Di Martino, 2006; Marcus et al., 2016; Penney & Spector, 2005) due to their pervasive consequences on both organizations and its members. The term covers a broad range of phenomena that goes from single acts, likes sabotage or absenteeism, to more complex constructs, e.g., incivility, workplace deviance, or revenge (Marcus et al., 2016; Perugini et al., 2003; Spector et al., 2006). CWBs have severe consequences

---

D. Gervasi (✉) · G. Faldetta

Department of Economics and Law, Kore University of Enna, Enna, Italy  
e-mail: [deborah.gervasi@unikore.it](mailto:deborah.gervasi@unikore.it)

G. Faldetta

e-mail: [guglielmo.faldetta@unikore.it](mailto:guglielmo.faldetta@unikore.it)



for an organization causing loss of productivity, damages in properties, increasing turnover, insurance costs, and dissatisfaction (Neuman & Baron, 1998; Penney & Spector, 2005). These behaviors are often frameable as adverse emotional reactions to unpleasant working conditions that try to restore equilibrium in the give and take mechanism (Fida et al., 2015; Penney & Spector, 2005). More in detail, scholars have demonstrated that employees who feel betrayed develop negative emotions that, in turn, lead to an increased propensity to engage in CWBs (Sakurai & Jex, 2012; Spector & Fox, 2002).

Based on these considerations, studies often analyze CWBs using the norm of reciprocity and Social Exchange Theory (SET) (Cropanzano & Mitchell, 2005). Starting from SET, people calculate costs and benefits in all interactions with others (Blau, 1964). Indeed, guided by the norm of reciprocity, people feel in some way obligated to pay back as much as one has been given (Gouldner, 1960). An important distinction made in literature discerns between positive and negative reciprocity; the first one refers to the reciprocation of positive actions, while the latter refers to the return of harmful actions with other harmful actions (Eisenberger et al., 2004). Individuals do not have the same willingness to exchange positive or negative actions. For example, some studies have demonstrated that those who are particularly inclined to give back positive actions are less prone to reciprocate negative behaviors (Eisenberger et al., 2004).

Indeed, reciprocity can be considered a personal tendency to return others' behavior based on personal preference (Perugini et al., 2003). That means that we can distinguish between positive and negative reciprocators. The first ones are more willing to react to positive interpersonal behaviors, while the second ones are more sensitive to harmful practices and retaliatory actions (Perugini et al., 2003). From that, it is possible to understand the importance of the personal belief in reciprocity in explaining CWBs (Chiu & Peng, 2008; Meier & Semmer, 2013; Wu et al., 2014).

In the present study, we will focus, in particular, on three CWBs, namely psychological contract violation, incivility, and organizational workplace deviance (WD-O), because of their proven damaging impact on organizations.

Studies on CWBs show that stressful conditions are not sufficient to lead to an adverse reaction from the employee; it is essential that employees perceive them as stressful (Spector et al., 2006). In other words, individual perception elicits negative feelings and aggressive responses (Fida et al., 2015). In the increasing mechanism of negative responses to harmful behaviors, individuals could decide to retaliate against the organization as a whole rather than against the instigators (Mitchell & Ambrose, 2007; Spector et al., 2006; Taylor et al., 2012). For this reason, we hypothesize the presence of a chain that brings from the violation of the psychological contract to WD-O passing through incivility.

Scholars focused on both the relationship between psychological contract violation and incivility (Sayers et al., 2011) and the relationship between incivility and workplace deviance (Wu et al., 2014), but they have never adopted a comprehensive view of these phenomena. Based on previous findings and to address this gap, we argue that there could be an interactional effect between the violation of psychological contract, the rise of incivility spiral, and WD-O origin. Since cited phenomena are all constructs widely framed in the perspective of the norm of reciprocity (Coyle-Shapiro & Kessler, 2000; Schilpzand et al., 2016; Taylor & Kluemper, 2012), it could be useful to understand how the personal belief in reciprocity, both positive and negative, could affect this interaction by enhancing or slacking the strength of the links.

In this way, it is possible to understand how single constructs of negative organizational phenomena could be analyzed in a wider perspective to understand new possible connections between them. The understanding of such a mechanism, in turn, could lead to better suggestions to managers who want to mitigate their presence in the organization.

## From Psychological Contract to Workplace Deviance Passing Through Incivility

### From Psychological Contract to Incivility

According to Rousseau (1989), the psychological contract is the set of beliefs that an individual has about the mutual obligations established between a worker and its organization. The fulfillment of these mutual expectations provokes positive behaviors that bring to phenomena like organizational commitment, organizational citizenship behaviors, and in-role performance (Coyle-Shapiro & Conway, 2005; Coyle-Shapiro & Kessler, 2000; Rousseau, 1989). On the contrary, a perceived lack of reciprocity in the mechanism of mutual obligations could bring to the perception of a breach inside this contract (Morrison & Robinson, 1997). This perception itself does not necessarily lead to a reaction from the employee; indeed, the lack of reciprocity, due to breach of the psychological contract, provokes an adverse sentiment that may lead to the desire to reciprocate negatively.

Thus, the deriving intense negative emotional state brings an adverse emotional response enacted toward the organization or its members, namely the psychological contract violation (Zhao et al., 2007). Based on these considerations, by analyzing the psychological contract through the lens of the norm of reciprocity, it is possible to see that: (i) the psychological contract fulfillment is influenced by positive reciprocity, (ii) the psychological contract breach is the moment in which a lack of reciprocity takes place, and (iii) the psychological contract violation is a manifestation of negative reciprocity.

Since the psychological contract is the individual belief of the presence of a variety of mutual obligations, the diversity of reciprocal actions between the employee and its organization makes it difficult to reach a perfect balance in the give and take mechanism (De Vos et al., 2003). Thus, the different causes that may lead to the perception of the psychological contract violation could also lead to different reactions.

Generally, individuals are prone to negatively reciprocate against the harm-doer (Berkowitz, 1965), but, in the case of the psychological contract, the failure in fulfilling the expectations has seen as a failure

of the entire organization, so employees develop the desire to implement behaviors that damage both the organization and its members (Conway & Coyle-Shapiro, 2012; Chiu & Peng, 2008; Johnson & O'Leary-Kelly, 2003). Moreover, even if the psychological contract breach is imputable to the employer, employees could decide to negatively reciprocate toward the whole organization due to his/her representative position (Chiu & Peng, 2008; Robinson & Morrison, 1995; Robinson & Rousseau, 1994).

A wide body of research has demonstrated a relationship between the psychological contract violation and the rise of phenomena like the reduction of job satisfaction, organizational commitment, citizenship, and in-role performance (Zhao et al., 2007). However, the violation of the psychological contract could be the cause of the reduction of positive organizational behaviors and a predictor of the rise of negative phenomena like workplace incivility (Sayers et al., 2011).

The elements that allow the distinction between incivility and other negative behaviors are the lower intensity and the ambiguous intent to harm (Schilpzand et al., 2016). Therefore, incivility examples can include talking down to others or not paying attention to somebody's requests (Pearson & Porath, 2005).

According to the displaced aggression theory (Dollard et al., 1939), when an employee perceives mistreatments, he/she could decide to retaliate against someone other than the harm-doer. In other words, in the increasing mechanism of negative response to negative events, employees who perceived the psychological contract violation could decide to display incivility toward both the organization and its members (Chiu & Peng, 2008).

Scholars often identify social contextual shifts and organizational pressure as the main determinants of incivility (Sayers et al., 2011; Spector et al., 2006). The perception of the psychological contract unfulfillment is a clear example of a shift in equity conditions between the employee and his/her organization. So, we argue that the psychological contract violation, i.e., the employee's negative emotional response, can be a driver of the incivility spiral.

## From Incivility to WD-O

As pointed out in the literature, incivility may develop in the so-called secondary spiral, where spreading incivility becomes particularly harmful and directed toward the organization as a whole (Andersson & Pearson, 1999). The dispersion of the target of vindictive behaviors allows us to suppose that increasing incivility could bring WD-O (Spector & Fox, 2002).

Workplace deviance is the purposeful violation of organizational norms with the intent to harm the organization, its members, or both (Bennett & Robinson, 2003). Scholars distinguish between interpersonal workplace deviance (WD-I), namely deviant behaviors directed toward colleagues, and organizational workplace deviance, i.e., actions that purposely harm the organization (Bennett & Robinson, 2003; Berry et al., 2007). Numerous studies have demonstrated that employees who have received intense mistreatment at work are likely to negatively reciprocate against their organization (Mitchell & Ambrose, 2007; Penney & Spector, 2005).

By adopting the perspective of reciprocity, previous studies have suggested the presence of a link between felt workplace incivility and more intense behaviors (Taylor & Kluemper, 2012). Since more intense forms of mistreatment characterize the second spiral of incivility, it could be useful to investigate how this phenomenon leads to negative actions toward the organization as a whole.

As said before, incivility is characterized by an internal mechanism that leads to increasingly harmful and rude actions. Indeed, when an employee becomes the target of incivility, he/she feels the desire for reciprocation with other rude actions, giving origin to a spiral of interpersonal conflicts (Andersson & Pearson, 1999; Meier & Semmer, 2013). From that, it is possible to understand the importance of the norm of reciprocity in explaining such a phenomenon.

Besides, when the reciprocation of the uncivil behavior does not restore the perceived equilibrium in the give and take mechanism, the overwhelming response brings to the dispersion of the target of vindictive behavior. Thus, the perception of workplace incivility brings up to an escalating exchange of increasingly intense acts (Pearson & Porath, 2005;

Taylor & Kluemper 2012) that can be manifested, for example, through a reduction of work effort (Pearson & Porath, 2005) and commitment (Pearson et al., 2001; Taylor et al., 2012), or the rise of counterproductive workplace behaviors (Penney & Spector, 2005). These non-balancing reactions could provoke a shift of the target of harmful behaviors from the parties involved in the original relationships to the organization (Arthur et al., 2011; Pearson et al., 2001; Sakurai & Jex, 2012). Indeed, employees who experience incivility tend to blame the lack of support from the organization, causing the rise of the desire to negatively reciprocate also toward the organization (Itzkovich & Heilbrunn, 2016; Meier & Semmer, 2013). Thus, this evolution of incivility, labeled as the “secondary spiral” of incivility (Andersson & Pearson, 1999), represents a mutation of negative reciprocity from a direct mechanism of dyadic relationships to an indirect or generalized one.

Based on the emotion-centered model of work behaviors (Spector & Fox, 2002), scholars have demonstrated that employees who feel betrayed develop negative emotions, which, in turn, lead to an increased propensity to engage in CWBs (Sakurai & Jex, 2012). Therefore, incivility can provoke the rise of negative emotions and willingness to react negatively by implementing WD-O behaviors.

Summarizing what has been said, the psychological contract violation could trigger an increasing mechanism that could bring to more severe forms of negative behaviors, like WD-O, if it is not stopped. However, this escalatory process likely passes through a middle stadium, namely incivility. The rise of the so-called secondary spiral, indeed, may bring to more intense forms of deviant behaviors, like WD-O.

After this analysis, it is useful to understand what happens in the links between these three phenomena and which elements could increase or decrease the likelihood that the first phenomenon, i.e., the psychological contract violation, could degenerate in the second one, namely incivility, up to WD-O. In other words, in order to understand such a mechanism and what could increment or slake this chain, it is crucial to analyze how the personal norm of reciprocity could interfere in these relationships.

## The Role of Reciprocity in CWBs

Due to his pervasiveness, reciprocity has been analyzed in many different scientific fields, like anthropology (Malinowski, 1922; Mauss, 1950), psychology (Eisenberger et al., 2004), sociology (Blau, 1964; Gouldner, 1960), and philosophy (Hénaff, 2019). However, there are some divergences in what reciprocity means in the different fields of study. For example, while philosophers tend to understand reciprocity as a form of equivalence and return to the self, social scientists often view reciprocity as a form of generosity or altruism (Hénaff, 2019). This contradiction demonstrates the need for a dialogue between fields to avoid misunderstandings.

Starting from sociology, which helps us in understanding the nature of the relationships among social groups, Gouldner's (1960, p. 171) defines reciprocity as the norm according to which "(i) people should help those who have helped them and (ii) people should not injure those who have helped them."

Gouldner's definition recalls in mind the imperative of the Golden Rule "*Do not do to others what you would not want done to you*" observed in numerous traditions like Zoroastrianism, Taoism, Babylon Talmud, and Buddhism. The significant presence of reciprocity in human relationships brought scholars to talk about "*homo reciprocus*" (Becker, 1956) or "*homo reciprocans*" (Bowles et al., 1997), highlighting the importance of the give and take mechanism in society. Indeed, according to Charles Darwin (1896), reciprocity lies at the foundation of morality, and, building on Darwin's observations, Westermarck (1908) remarked how reciprocity could involve positive exchanges as well as negative ones. For instance, the *lex talionis* asserted 3,000 years ago in Hammurabi's code, "*an eye for an eye, a tooth for a tooth*," provides a moral norm to discourage negative behaviors.

However, although reciprocity is a universal principle, it does not mean that all individuals have the same degree of reciprocity belief (Perugini et al., 2003). Adopting the view of reciprocity as a personal norm means considering individual differences in the endorsement of exchange rules (Chaudhuri & Sbai, 2011; Clark & Mills, 1979). For

instance, those who have a weak belief in the exchange are less solicitous about their obligation in reciprocation and, at the same time, are less careful if their actions are not reciprocated (Cropanzano & Mitchell, 2005).

More in detail, organizational phenomena are widely analyzed under SET, a theoretical framework that focuses on the expectation of reciprocity between actors (Cropanzano & Mitchell, 2005). The nature of reciprocity in exchanges has been analyzed under three main perspectives: (i) reciprocity as a pattern of mutually contingent exchanges, (ii) reciprocity as a folk belief, and (iii) reciprocity as a personal moral norm (Cropanzano & Mitchell, 2005). The latest is the most utilized in organizational studies, and, in this case, the norm of reciprocity describes how an individual should behave in reciprocal interactions (Gouldner, 1960).

Considering reciprocity as a personal moral norm allows arguing that reciprocity depends on individual differences representing the propensity to adopt the tit-for-tat mechanism, whether positive or negative. Thus, by adopting this perspective, it is also possible to distinguish between positive and negative reciprocators (Perugini et al., 2003). A negative reciprocity belief means the propensity to return adverse treatments with negative treatments, while positive reciprocity involves the orientation to return positive actions with positive actions (Cropanzano & Mitchell, 2005). Studies have demonstrated that people prone to reciprocate positive actions are likely to have not the same willingness to reciprocate negative actions and vice versa (Eisenberger et al., 2004). The analysis of organizational behaviors through the lens of the norm of reciprocity as an individual norm allows a better understanding of the reinforcing mechanism of organizational phenomena.

Scholars have widely used reciprocity to explain the mechanisms of the psychological contract, incivility, and WD-O (Conway & Coyle-Shapiro, 2012; Dalal, 2005; Wu et al., 2014); however, there is a lack in the explanation of how such behaviors could interact each other under the norm of reciprocity. Indeed, we hypothesize that these three phenomena are related to each other, creating a chain that brings from the psychological contract violation to displaced deviance toward the organization as a whole. The personal norm of reciprocity underlies such



interactions: the negative one by encouraging the negative response to a perceived adverse action, while the positive one by slackening such a mechanism.

## The Role of the Personal Norm of Negative Reciprocity

In the case of the psychological contract, according to Rousseau (1989), the individual belief in an obligation of reciprocity constitutes the contract itself. Therefore, it is quite clear the importance of the norm of reciprocity in establishing expectations for both organizations and their members.

More specifically, it is possible to identify a different form of reciprocity depending on the fulfillment or the violation of the psychological contract. As said before, if psychological contract fulfillment is an example of positive reciprocity since mutual obligations are respected (Rousseau, 1989), psychological contract breach is the moment in which a lack of reciprocity takes place (Coyle-Shapiro & Kessler, 2000), while psychological contract violation is a manifestation of the personal norm of negative reciprocity (Morrison & Robinson, 1997). However, as the psychological contract breach is not sufficient to lead to an adverse reaction, it is important to understand what drives employees actually to react. Studies have demonstrated that personality traits, as anger and hostility, and individual attitudes, like negative reciprocity belief, are positively related to individuals' deviant behaviors (Greco et al., 2019; Restubog et al., 2010; Wu et al., 2014). That means that the violation of such a contract provokes the rise of a negative emotional state that, in turn, could lead to the reciprocation with negative behaviors (Bennett & Robinson, 2003). If an employee has a strong negative reciprocity attitude, the likelihood that the violation of the psychological contract turns into harmful or deviant behaviors will increase.

Indeed, the belief in the negative norm of reciprocity represents the individual willingness to harm people that, according to the individual's perspective, have, in some way, wrong in the social exchange processes (Chiu & Peng, 2008; Uhl-Bien & Maslyn, 2003). So, when an

employee perceives that the promises of the psychological contract had been broken, he/she feels a negative emotional state that raises his/her willingness to negatively reciprocate (Chiu & Peng, 2008). If the return of an unfavorable treatment with another unfavorable treatment restores equity inside the relationship, the tit-for-tat mechanism will be closed, but, if it is not, harmful actions could become displaced and more intense (Eisenberger et al., 2004). Similarly, as literature showed, the perceived incivility felt by an employee provokes the desire for reciprocation with other uncivil behaviors, giving origin to a spiral of interpersonal conflicts. Moreover, in this tit-for-tat mechanism, initial acts of lesser intensity are often the initial step of more severe forms of aggression that develop in the so-called secondary spiral (Andersson & Pearson, 1999). Spreading incivility could encourage employees with a strong belief in negative reciprocity to react by displacing their negative responses to the whole organization causing the rise of WD-O.

In other words, if workers of the organization are negative reciprocators (Perugini et al., 2003), a single phenomenon, namely the psychological contract violation, could likely lead to incivility and then to workplace deviance. For this reason, we argue that the presence of a strong negative reciprocity belief inside the organization may be crucial in triggering a circle pattern of vindictive behaviors by reinforcing the link between the analyzed three phenomena.

Given our reasoning about the effect of the personal norm of negative reciprocity on analyzed phenomena, we propose the following:

**Proposition 1.** A strong personal norm of negative reciprocity positively affects the relationship between the psychological contract violation and incivility.

**Proposition 2.** A strong personal norm of negative reciprocity positively affects the relationship between incivility and organizational workplace deviance.

## The Role of the Personal Norm of Positive Reciprocity

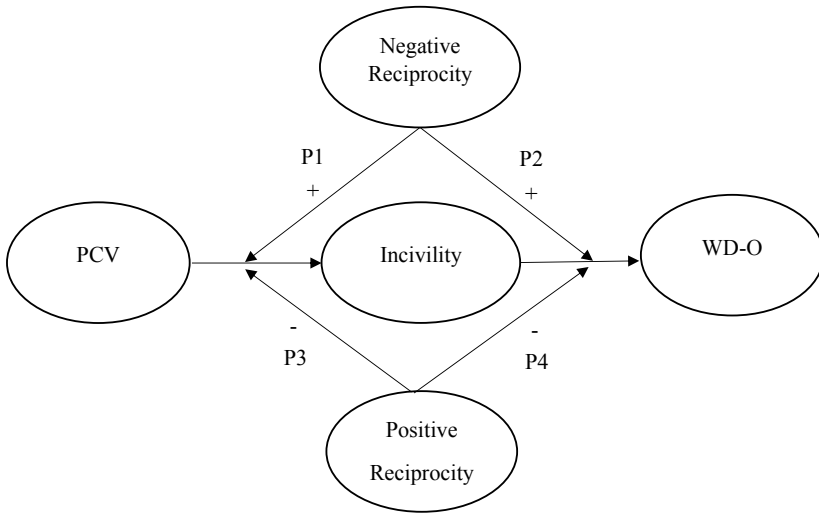
Starting from SET (Blau, 1964), we know that individuals calculate the cost and benefit from all interactions with others. In other words, people choose those behaviors that increase the likelihood of maximizing their self-interest. So, an interaction that brings social approval and possible positive returns could be preferred than one that causes negative consequences. Furthermore, analyzing the norm of reciprocity as an individual attitude allows us to consider different kinds of reactions toward harmful behaviors. That means that, as internal motivation, reciprocity should conduct coherently to an individual sentiment rather than a strategic calculation or adaptive behavior (Perugini et al., 2003).

Scholars have analyzed the role of positive sentiments in minimizing deviant behaviors (Itzkovich & Heilbrunn, 2016), finding that personal treats and virtues mitigate the escalating process of adverse reactions in interpersonal relationships. In particular, positive reciprocators are particularly sensitive to perceive positive behaviors and prone to react to them (Perugini et al., 2003). For these reasons, it is expected that their carelessness to negative behaviors, as their lack of willingness in negative reactions, could mitigate the tit-for-tat mechanism.

Furthermore, although both positive and negative reciprocators look for fairness, they have different preferences in the form of fairness. While negative reciprocators are particularly interested in interpersonal fairness, giving back what they perceive they have received, positive reciprocators are more concerned with the fair distribution of outcomes, giving to the other an equal share (Perugini et al., 2003). These differences could bring a positive reciprocator to establish positive behaviors also in context interested by negative organizational phenomena, slackening the chain of adverse responses.

Based on these considerations, we can argue that when the positive reciprocity attitude is particularly strong, the relationships between the violation of the psychological contract, incivility, and WD-O will decrease its intensity.

Given our reasoning about the effect of the personal norm of positive reciprocity on analyzed phenomena, we propose the following:



**Fig. 15.1** The relationship between Psychological Contract Violation (PCV), Incivility, and Organizational Workplace Deviance (WD-O)

**Proposition 3.** A strong personal norm of positive reciprocity negatively affects the relationship between the psychological contract violation and incivility.

**Proposition 4.** A strong personal norm of positive reciprocity negatively affects the relationship between incivility and organizational workplace deviance.

The proposed model is summarized in Fig. 15.1.

## Discussion

In this study, we tried to develop a theoretical model where the violation of the psychological contract can cause an adverse response from employees, leading to the rise of incivility. The tit-for-tat mechanism that characterizes incivility, in turn, can provoke an escalatory process that could bring to the organizational workplace deviance. Furthermore,

we have shown that the relationship between those three phenomena could be influenced in different ways by the personal norm of reciprocity. More in detail, we exposed how employees who have a strong belief in negative reciprocity could increase the mechanism that brings from lesser forms of negative behaviors to more intense phenomena. In other words, a negative reciprocator, which is particularly inclined to perceive and reciprocate negative treatments, will be more likely to gradually bring the psychological contract violation to more severe behaviors toward the organization and its members, like incivility as first, and then organizational workplace deviance.

On the contrary, employees who have a strong belief in positive reciprocity could slack such a mechanism reducing the likelihood that negative phenomena, like the violation of the psychological contract, could degenerate into more severe behaviors, as incivility and organizational workplace deviance. In other words, a positive reciprocator, who is prone to perceive and reciprocate positive treatments, will be more likely to ignore negative behaviors interrupting the tit-for-tat mechanism. Furthermore, since positive reciprocators particularly prefer the fairness in outcomes distribution, they could probably implement behaviors that will invert the increasing mechanism of negative phenomena. In the following sections, theoretical and practical implications are provided.

## Theoretical Implications

This study provides insights for understanding the process that, from the violation of the psychological contract, leads to organizational workplace deviance passing through incivility and how this mechanism could be affected by the personal norm of positive and negative reciprocity.

We are aware that both the relationships, the one between psychological contract violation and incivility and the one between incivility and workplace deviance, have been analyzed in the literature. Differently from previous studies, however, our theoretical model put these three negative organizational phenomena simultaneously in a link of cause and effect. In this way, it is possible to understand how single constructs of negative organizational phenomena have to be analyzed in a

wider perspective to understand the possible connections between them. Furthermore, by analyzing the single relationships between these three phenomena, it is possible to capture how the norm of reciprocity, as an individual attitude, could intervene in such a mechanism.

Thus, this study contributes to the CWBs literature by showing how the violation of the psychological contract could become the driver of displaced deviance inside the organization exposing incivility as a possible mediator between the psychological contract violation and the organizational workplace deviance.

Secondly, our theoretical model contributes to reciprocity literature giving more insight into the use of the personal norm of reciprocity. By using negative reciprocity belief as a possible moderator of the relationship between the violation of the psychological contract and incivility, as well as in the relationship between incivility and WD-O, we explain how people's propensity to react negatively to perceived unfavorable treatment could provoke an increasing mechanism of negative behaviors inside the organization. On the contrary, using positive reciprocity belief as a possible moderator in the same link could slack such a mechanism. Indeed, people's propensity to care less about negative treatments and their solicitude to react just to positive behaviors could not only interrupt the tit-for-tat mechanism but also be the first step to a turnaround.

## **Practical Implication**

Due to the detrimental impact that CWBs have on both the organizations and their members, managers must know possible levers that could mitigate the presence of negative phenomena. In particular, our study offers insights on how to manage negative phenomena considering individual attitudes in the endorsement of the norm of reciprocity. By analyzing the influence of the personal norm of reciprocity in the links between negative organizational phenomena, it is possible to suggest different paths to managers who want to mitigate their presence in the organization.

Firstly, since negative phenomena are linked by a tit-for-tat mechanism that brings from the violation of the psychological contract to the

WD-O, managers must intercept the phenomenon starting from its first signals of minor intensity.

Furthermore, managers' behaviors send signals regarding organizational value (Lindenberg & Foss, 2011), including reciprocation attitudes. Thus, considering the importance of the personal belief in reciprocity, managers, with their example, should encourage the tendency to reciprocate positive behaviors, ignoring or discouraging negative ones.

Secondly, since the personal norm of reciprocity refers to an individual attitude, managers should not only create general positive conditions inside the organization but also customize their intervention based on employee attitudes. For instance, individuals who show a strong negative reciprocity attitude should be monitored to prevent deviant behaviors. On the contrary, employees who show a positive reciprocity attitude should be encouraged to continue in his/her conduct.

One path could be to demonstrate that the reciprocation of negative action with other negative actions is an unsuccessful strategy inside the organization. At the same time, it is possible to show how the organization supports the reciprocation of positive behaviors with other positive actions.

Furthermore, if the psychological contract violation has already been brought to the incivility spiral, managers can try to invert the tendency by starting with forms of helpful and kind behaviors that the positive reciprocity attitude could enhance.

## Limitation and Further Research

Further researches are needed to test the proposed theoretical model empirically. It is important to identify appropriate methods and measurement scales to analyze individual reciprocal attitudes and conduct empirical investigation.

In particular, it is possible to test the mediating effect that incivility can have on the relationship between psychological contract violation and WD-O. Psychological contract violation has already been studied as an antecedent of incivility; similarly, incivility has been analyzed as an antecedent of deviance. These three phenomena, however, have never

been put in a relationship altogether. Indeed, it is important to understand if incivility could be a link in the chain of negative behaviors to test if an escalatory process could bring from the first to the latest one.

Moreover, it is possible to test the moderation effect of the personal norm of positive and negative reciprocity on the relationships between the three phenomena. Indeed, the personal norm of reciprocity can increase the intensity of cited relationships, while the personal norm of positive reciprocity can have the opposite effect.

Furthermore, future researches could focus on the possibility that the personal belief in positive reciprocity could invert the increasing mechanism of negative behaviors. For instance, experimental analyses or qualitative studies could explore such a phenomenon, trying to understand if positive reciprocity could not only mitigate the “eye for an eye” effect but also reverse the chain of negative reciprocity.

Our theoretical model presents limitations related to aspects not included in our reasoning. Indeed, other organizational phenomena could affect cited relationships, like organizational culture or leadership, as well as other personal traits, as the big five ones. However, since our focus is the effect of the personal norm of reciprocity, empirical tests are crucial to understanding our model’s generalizability.

## References

- Andersson, L. M., & Pearson, C. M. (1999). Tit for tat? The spiraling effect of incivility in the workplace. *Academy of Management Review*, 24(3), 452–471.
- Arthur, J. B., Herdman, A. O., & Yang, J. (2011). How a climate for incivility affects business unit performance: Testing a linkage model. *Academy of Management Proceedings*, 2011(1), 1–7.
- Becker, H. (1956). *Man in reciprocity*. New York: Prager.
- Bennett, R. J., & Robinson, S. L. (2003). The past, present, and future of workplace deviance research. In J. Greenberg (Ed.), *Organizational behavior: The state of the science*. Mahwah: Lawrence Erlbaum Associates Publishers, 247–281.
- Berkowitz, L. (1965). Some aspects of observed aggression. *Journal of Personality and Social Psychology*, 2(3), 359–369.



- Berry, C. M., Ones, D. S., & Sackett, P. R. (2007). Interpersonal deviance, organizational deviance, and their common correlates: A review and meta-analysis. *Journal of Applied Psychology, 92*(2), 410–424.
- Blau, P. M. (1964). *Exchange and power in social life*. New York: Wiley.
- Bowles, S., Boyd, R., Fehr, E., & Gintis, H. (1997). Homo reciprocans: A research initiative on the origins, dimensions, and policy implications of reciprocal fairness. *Advances in Complex Systems, 4*(2/3), 1–30.
- Chappell, D., & Di Martino, V. (2006). *Violence at work*. Geneva: International Labour Organization.
- Chaudhuri, A., & Sbai, E. (2011). Gender differences in trust and reciprocity in repeated gift exchange games. *New Zealand Economic Papers, 45*(1–2), 81–95.
- Chiu, S. F., & Peng, J. C. (2008). The relationship between psychological contract breach and employee deviance: The moderating role of hostile attributional style. *Journal of Vocational Behavior, 73*(3), 426–433.
- Clark, M. S., & Mills, J. (1979). Interpersonal attraction in exchange and communal relationships. *Journal of Personality and Social Psychology, 37*(1), 12–24.
- Conway, N., & Coyle-Shapiro, J. A.-M. (2012). The reciprocal relationship between psychological contract fulfilment and employee performance and the moderating role of perceived organizational support and tenure. *Journal of Occupational and Organizational Psychology, 85*(2), 277–299.
- Coyle-Shapiro, J. A.-M., & Conway, N. (2005). Exchange relationships: Examining psychological contracts and perceived organizational support. *Journal of Applied Psychology, 90*(4), 774–781.
- Coyle-Shapiro, J. A.-M., & Kessler, I. (2000). Consequences of the psychological contract for the employment relationship: A large scale survey. *Journal of Management Studies, 37*(7), 903–930.
- Cropanzano, R., & Mitchell, M. S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management, 31*(6), 874–900.
- Dalal, R. S. (2005). A meta-analysis of the relationship between organizational citizenship behavior and counterproductive work behavior. *Journal of Applied Psychology, 90*(6), 1241–1255.
- Darwin, C. (1896). *The descent of man and selection in relation to sex* (Vol. 1). D. Appleton.
- De Vos, A., Buyens, D., & Schalk, R. (2003). Psychological contract development during organizational socialization: Adaptation to reality and the role of reciprocity. *Journal of Organizational Behavior, 24*(5), 537–559.

- Dollard, J., Miller, N. E., Doob, L. W., Mowrer, O. H., & Sears, R. R. (1939). *Frustration and aggression*. New Haven: Yale University Press.
- Eisenberger, R., Lynch, P., Aselage, J., & Rohdieck, S. (2004). Who takes the most revenge? Individual differences in negative reciprocity norm endorsement. *Personality and Social Psychology Bulletin*, 30(6), 787–799.
- Fida, R., Paciello, M., Tramontano, C., Fontaine, R. G., Barbaranelli, C., & Farnese, M. L. (2015). An integrative approach to understanding counterproductive work behavior: The roles of stressors, negative emotions, and moral disengagement. *Journal of Business Ethics*, 130(1), 131–144.
- Gouldner, A. W. (1960). The norm of reciprocity: A preliminary statement. *American Sociological Review*, 25(2), 161–178.
- Greco, L. M., Whitson, J. A., O’Boyle, E. H., Wang, C. S., & Kim, J. (2019). An eye for an eye? A meta-analysis of negative reciprocity in organizations. *Journal of Applied Psychology*, 104(9), 1117–1143.
- Hénaff, M. (2019). *The philosophers’ gift: Reexamining reciprocity*. New York: Fordham University Press.
- Izkovich, Y., & Heilbrunn, S. (2016). The role of co-workers’ solidarity as an antecedent of incivility and deviant behavior in organizations. *Deviant Behavior*, 37(8), 861–876.
- Johnson, J. L., & O’Leary-Kelly, A. M. (2003). The effects of psychological contract breach and organizational cynicism: Not all social exchange violations are created equal. *Journal of Organizational Behavior*, 24(5), 627–647.
- Lindenberg, S., & Foss, N. J. (2011). Managing Joint production motivation: The role of goal framing and governance mechanisms. *Academy of Management Review*, 36(3), 500–525.
- Malinowski, B. (1922). *Argonauts of the Western Pacific*. London: Routledge.
- Marcus, B., Taylor, O. A., Hastings, S. E., Sturm, A., & Weigelt, O. (2016). The structure of counterproductive work behavior: A review, a structural meta-analysis, and a primary study. *Journal of Management*, 42(1), 203–233.
- Mauss, M. (1950). *Sociologie et anthropologie*. Paris: Presses Universitaires de France.
- Meier, L. L., & Semmer, N. K. (2013). Lack of reciprocity, narcissism, anger, and instigated workplace incivility: A moderated mediation model. *European Journal of Work and Organizational Psychology*, 22(4), 461–475.
- Mitchell, M. S., & Ambrose, M. L. (2007). Abusive supervision and workplace deviance and the moderating effects of negative reciprocity beliefs. *Journal of Applied Psychology*, 92(4), 1159–1168.

- Morrison, E. W., & Robinson, S. L. (1997). When employees feel betrayed: A model of how psychological contract violation develops. *Academy of Management Review*, 22(1), 226–256.
- Neuman, J. H., & Baron, R. A. (1998). Workplace violence and workplace aggression: Evidence concerning specific forms, potential causes, and preferred targets. *Journal of Management*, 24(3), 391–419.
- Pearson, C. M., Andersson, L., & Wegner, J. W. (2001). When workers flout convention: A study of workplace incivility. *Human Relations*, 54(11), 1387–1419.
- Pearson, C. M., & Porath, C. L. (2005). On the nature, consequences and remedies of workplace incivility: No time for “nice”? Think again. *The Academy of Management Executive*, 19(1), 7–18.
- Penney, L. M., & Spector, P. E. (2005). Job stress, incivility, and counterproductive work behavior (CWB): The moderating role of negative affectivity. *Journal of Organizational Behavior*, 26(7), 777–796.
- Perugini, M., Gallucci, M., Presaghi, F., & Ercolani, A. P. (2003). The personal norm of reciprocity. *European Journal of Personality*, 17(4), 251–283.
- Restubog, S. L. D., Garcia, P. R. J. M., Wang, L., & Cheng, D. (2010). It’s all about control: The role of self-control in buffering the effects of negative reciprocity beliefs and trait anger on workplace deviance. *Journal of Research in Personality*, 44(5), 655–660.
- Robinson, S. L., & Morrison, E. W. (1995). Psychological contracts and OCB: The effect of unfulfilled obligations on civic virtue behavior. *Journal of Organizational Behavior*, 16(3), 289–298.
- Robinson, S. L., & Rousseau, D. M. (1994). Violating the psychological contract: Not the exception but the norm. *Journal of Organizational Behavior*, 15(3), 245–259.
- Rousseau, D. M. (1989). Psychological and implied contracts in organizations. *Employee Responsibilities and Rights Journal*, 2(2), 121–139.
- Sakurai, K., & Jex, S. M. (2012). Coworker incivility and incivility targets’ work effort and counterproductive work behaviors: The moderating role of supervisor social support. *Journal of Occupational Health Psychology*, 17(2), 150–161.
- Sayers, J. K., Sears, K. L., Kelly, K. M., & Harbke, C. R. (2011). When employees engage in workplace incivility: The interactive effect of psychological contract violation and organizational justice. *Employee Responsibilities and Rights Journal*, 23(4), 269–283.

- Schilpzand, P., De Pater, I. E., & Erez, A. (2016). Workplace incivility: A review of the literature and agenda for future research. *Journal of Organizational Behavior*, 37(S1), 57–88.
- Spector, P. E., & Fox, S. (2002). An emotion-centered model of voluntary work behavior: Some parallels between counterproductive work behavior and organizational citizenship behavior. *Human Resource Management Review*, 12(2), 269–292.
- Spector, P. E., Fox, S., Penney, L. M., Bruursema, K., Goh, A., & Kessler, S. (2006). The dimensionality of counterproductivity: Are all counterproductive behaviors created equal? *Journal of Vocational Behavior*, 68(3), 446–460.
- Taylor, S. G., Bedeian, A. G., & Kluemper, D. H. (2012). Linking workplace incivility to citizenship performance: The combined effects of affective commitment and conscientiousness. *Journal of Organizational Behavior*, 33(7), 878–893.
- Taylor, S. G., & Kluemper, D. H. (2012). Linking perceptions of role stress and incivility to workplace aggression: The moderating role of personality. *Journal of Occupational Health Psychology*, 17(3), 316–329.
- Uhl-Bien, M., & Maslyn, J. M. (2003). Reciprocity in manager-subordinate relationships: Components, configurations, and outcomes. *Journal of Management*, 29(4), 511–532.
- Westermarck, E. (1908). *The origin and development of the moral ideas* (Vol. 2). London: Macmillan.
- Wu, L.-Z., Zhang, H., Chiu, R. K., Kwan, H. K., & He, X. (2014). Hostile attribution bias and negative reciprocity beliefs exacerbate incivility's effects on interpersonal deviance. *Journal of Business Ethics*, 120(2), 189–199.
- Zhao, H., Wayne, S. J., Glibkowski, B. C., & Bravo, J. (2007). The impact of psychological contract breach on work-related outcomes: A meta-analysis. *Personnel Psychology*, 60(3), 647–680.



# 16

## The Cancer of Corruption: A Philosophical and Ethical Perspective

Flor Silvestre Gerardou, Blanca Viridiana Guizar Moran,  
Royston Meriton, and Anthony Brown 

### Introduction

This chapter will address the philosophical and ethical perspective that corruption, in its many forms, is embedded in most societies' fabrics as well as justified and rationalised. The chapter will examine corruption and its negative influence on societies by allowing for ethical pluralisms,

---

F. S. Gerardou (✉)

Falmouth University, England, UK  
e-mail: [FGerardou@lincoln.ac.uk](mailto:FGerardou@lincoln.ac.uk)

B. V. G. Moran

University of Sunderland, Sunderland, UK

R. Meriton · A. Brown

University of Huddersfield, England, UK  
e-mail: [r.meriton@hud.ac.uk](mailto:r.meriton@hud.ac.uk)

A. Brown

e-mail: [a.c.brown@hud.ac.uk](mailto:a.c.brown@hud.ac.uk)

i.e. Aristoteles and Confucian thought. We will attempt to discuss this from a global ethics overview that tries to avoid imposing a Greek and western lens and that should conjoin shared norms while simultaneously preserving the irreducible differences between cultures and peoples.

We will also attempt to analyse corruption both from the western philosophical view of ethical behaviour, which focuses on ethical principles alone, as an independent code not connected with any other beliefs, and from the eastern religion/philosophical view of ethics that blends both belief and practice. In addition to defining corruption based on these philosophical and ethical perspectives, we will also approach corruption with respect to its impact on business from Multinationals (MNEs) to SMEs and start-ups by looking at it from rights, utilitarianism, and virtual theory.

We have three main objectives for this chapter. Firstly, we will explore the argument that in any culture, corruption in its many forms, may it be *guanxi*, bribes, political favours, nepotism to direct coercion, and bribes, are covered by the traditional understanding of some types of ethical/philosophical judgement. This argument contests long-held views that there can be no universal ethic. Secondly, we critically analyse how corruption may have positive effects under some circumstances. Thirdly, we attempt to help the reader better comprehend the diversity in legislation and approaches by governments and the inherent conflicts for both multinationals and internationalising companies. Thus, we discuss the impact of globalisation on corporate governance and the current anti-corruption measures many nations are trying to both implement and superimpose globally through their home-based multinationals.

## Historical Ethical Overview of Corruption

This section will explore the evolution of morality and ethics in the Greek-Western and Eastern societies concerning corruption. The section will delve into the diverged ethical views from these societies and how these differences create uncertainty when defining corruption.

## Moral Foundations of Humanity

In the beginning, there were morals among the slowly emerging human tribes and their societies. The initial power structures of these early civilisations suggest that a set of moral codes were a part of emerging religious developments. These moral codes were either verbal like, the Popul Vuh for the Mayan people or written for the Egyptians, Mesopotamians, and Israelites. These codes were also interwoven within the religious text giving these people a clear code of conduct that was spiritual, societal, and political. Therefore, through these moral codes enforced by the dual power of the ruler and the priest, the balance in the tribes, societies, and empires could function (Duiker and Spielvogel 2010; Spence 2017).

However, it was soon discovered that these codes were not enough for growing societies to function correctly. The existence of only religious principles as a way to deal with the increasing complexity and detail of issues as society evolved, required a more detailed and objective approach. The answer was in creating laws, such as the Hammurabi code, that dealt with much more specific issues of everyday life in his empire. These codes may have had religious overtones, but many of them were practical solutions to recurring problems. An example of these issues was the need not to pay rent to the landowner if a crop failed due to weather issues (Hammurabi 2018). This may have led to initial conflicts between the moral/religious code and the legal/social laws established by rulers prompting the beginning of a separation of 'morality' or moral code from legal code. With influential religious and political organisations bestowed upon the ruler, some civilisations such as the Egyptians tried to combine both and solve some of these issues. On the other hand, others like Hammurabi, who built an empire in his lifetime that quickly dissolved after his death, were more focused on the administrative powers of the State.

## The Early Rise of Ethical Issues in Corruption

The growing tendency of tribal assimilations of the weakest ones by the strongest in languages and cultures required a more flexible approach to imposing moral and new legal codes. With this population and territorial growth came economic growth, quickly followed by the creation of an administrative bureaucracy to manage the conquests. The transfer of powers that had previously only resided in the rulers' hands resulted in payments for services or favours. In Hammurabi's code, we find one of the first allusions to this abuse of power: 'Deprivation of office in perpetuity fell upon the corrupt judge'. However, the code does recognise the notion of intention, which may be seen in the idea that human actions may have motives driven by thought and decision-making rather than by belief or instinct. This could be the precursor of humans dealing with ethics. This idea of intent, together with customs, helped the institutionalisation of corruption rather than prevent it.

In Mesopotamia and several Indian kingdoms, both favours and economic gains were respected as a reciprocity practice. The wrongdoing is not in the act of making an exciting gift but instead in breaking with the underlying reason for the exchange: in failing to offer value in exchange for value received (Gaustad and Noonan 1988). Gaustad and Noonan (1988) also add that the most severe misdeed was not in the act of corrupting but in the effect of corruption. Breaking one's word was the real crime in a society where keeping one's word was a divine characteristic. This again brings us closer to the idea not only of what lies behind the actions and what should lie.

## Greek and Western Ethical Views of Corruption

The religious power structure was not immune to the same effects; the bible is littered with references of corruption from Eve to the apostles and Judas. The religious rites required payments for favours adding to this idea of reciprocity. However, this idea was slowly rejected by some societies who saw it as an unfair state, especially for those disposed of



raising the idea that equality is a virtue rather than a moral obligation. The theme of corruption is very much at the centre of Greek mythology, with Zeus casting all evils into Pandora's box to protect humanity. Greek philosophical thought is driven at times to deal with the individual, the State, and the corruption that power, in any form, brings with it. The search for the incorruptible individual leads Socrates, Plato, and Aristotle to seek the just and ethical ruler. In the view of these philosophers, the individual should seek pure reason and leave the world of politics since it is within this realm of the senses that change and decay inevitably happen, opening the world to inevitable corruption (Basu and Cordella 2018).

Greek philosophers incorporated elements of religious traditions into their teachings insofar as they served to validate their premises. This is a continuation for society to move away from having religious, moral values, and codes at the centre of human actions. Plato (1979, 2012), in the *Laws* and the *Statesman*, sees a notion of the non-corrupt individual as the ideal ruler type. Thus, for him, the truly virtuous man should rule (as an absolute ruler) or a group of honourable men through a wider aristocracy. The inferior State, in contrast, suffers from a form of *phorá* or 'decay' (adapted by the Romans later as *corruptio*). The Roman meaning of corruption falls in line with a description of deficiency, lack, or fall from the ideal. It also contrasts with our modern view of corruption that is part of the political system rather than a degeneration of one (Mulgan 2012).

In the way most western scholars and the *vox populi* define the word, lies the ethical debate around corruption. This idea of a state falling from 'grace' or an ideal follows the Greek philosophers, centring it on the ruler and his selfless obligations to the State, and by default to its citizens. Many of these ideas were eventually adopted by the Romans, who assimilated much of Greek civilisations as their own. Where the Greeks were concerned with the ruler of the city/state, the Romans quickly understood that politics and politicians played on a much bigger stage as the empire was carved out. The State was to be governed by individuals who were not gods, but citizens entrusted by citizens to be above the material necessities to ensure the health of the State. This in itself did not mean they did not, or in some cases, should not engage in actions that we

would call corrupt today. The buying of the popular vote was rife, and buying favours from the gods was a must. It could be argued that this harkened back to reciprocal favours being exchanged and coinage made it more straightforward and more transparent. It could also be said that buying votes is more ethical than lying to the electorate about what you will or will not do once in office.

Both Greece and Rome recognised that once in office, some forms of decay would be inevitable. However, this was mostly restricted to forms of gift or favour, accepting which resulted in some type of 'detriment to the people in general' as Demosthenes describes it in one of his speeches. It should be noted, however, that plunder in a war at the service of the Roman republic, 'Senatus Populusque Romanus', by armies paid by the public purse, were not unethical or considered corrupt, and the State expected, in turn, its share of the plunder. This contradiction between an internal moral and ethical standard and an external one that is devoid of ethics, as in times of war, is one that has continued to fuel conflicts in western states. The corruption of the ideal ruler leads both Greeks and Romans to seek republicanism and escape tyrants and kings since the concentration of power leads to the individual's and, by default, the State's corruption. It is the failings of the mind that leads to character flaws in the individual and the loss of virtue. The citizens were also at fault. Instead of demanding and ensuring that the State fulfilled its contract with itself, they allowed themselves to also partake in the decay. As Tacitus describes it, Augustus seduced both the population with corn and the soldiers with gifts (Strunk 2016).

Medieval Europe, the enlightened and pre-revolutionary European states, for the most part, reverted to the notion that kings, and sometimes emperors, were the State. With few exceptions, rulers in Europe and the emerging Arab empire were the embodiment of the State with usually openly stated 'divine' mandates with the full support of the religious powers. King after king needed the Pope's blessing and sometimes even permission to rule. This gave them not just vested authority but the moral one also. Having a child with your daughter was morally wrong but having a rival executed so you could have his wife was not. Ethics rarely came into play, and the Greek philosophers had been conveniently forgotten. Corruption was again defined by excessive greed by

those serving the rulers and not the acceptance that servitude to the king brought within it its own intrinsic rewards. The world was back to accepting that reciprocal favours were the norm with the understanding that one's word was the value that mattered. When Luis XIV uttered his famous 'L'Etat *c'est moi*'—I am the State—he was not full of himself, he just saw himself as France and France was him. There was no dividing line.

Corruption under Luis XIV was defined as taking from him, not the State *per se*. The church solved the moral conundrums of the era. Sometimes indirect collusion with the rulers and straining the relationship between the *regnum* and the *sacerdotium*, while ethics were the preview of the church authorities and the newly emerging intellectual class rather than the rulers. When kings found their lack of morals questioned or power checked in any way by the church, the solution was to create their own religious brand (Barcham 2012). Newly formed institutions, public and private, had a set of basic rules formulated by the kings, except Britain, which managed to keep some checks on the king's authority after the signing of the Magna Carta. Corruption *per se* was punished depending on the individual, with laws and interpretations varying continuously. Post-revolutionary governments such as France and the United States preached 'liberty, equality, and fraternity' in various forms while at the same time institutionalising racial and gender discrimination and picking the ethical frameworks that fit those governments (Duiker et al. 1994).

## Eastern Ethical View of Corruption

The newly formed corporations such as the East India trading company and the Dutch East India Company operated as quasi-independent states. Their ethical barometer was to provide returns to their investments, nearly at any costs, within the un-fit for purpose laws of the times. Corruption was just a way to accomplish this. Buying the favour of local Indian princes was simply good practice. Creating an environment of uncertainty to instigate a war such as the invasion of China, the Spanish-American war, or the take-over of the Indian subcontinent was

just protecting national economic interests. The idea of the ideal State run by ethical individuals only applied to those that were part of the politico-economic class Denoon (2009) and Keefer (2013).

Closer to eastern cultures in its roots, the Arab empire saw its birth and growth governed by a mix of tribal culture and norms and a new set of codes because of the writing of the Koran, which in itself was heavily influenced by Greco/Roman/Jewish religion, philosophy, and laws. The responsibilities of the State to its citizens were clear. The ruler or Caliph had the mantle of Muhammad's authority and a clear ethical duty to his people and God and governed within a concept similar to the righteous ruler Greek view. This may have created internal tensions between the traditional tribal reciprocity environment that did not see corruption as an inherent issue and the new ideals of community sharing, responsibility, and good government as the empire expanded and encountered both the West and the East. Al-Farabi, a ninth-century Arab philosopher, discusses the inherent dilemma of prudence within the rational measure of ethics (Nicholas 1963).

The Indian and Chinese kingdoms and empires also recognised corruption in its many forms reflects the imperfect nature of any market. Indian scripts as far back as the fourth century, and around the time of Aristotle, clearly realise and explain how it is virtually impossible for a government employee not to taste, at least, a little bit of the kings' revenue. This acceptance of reciprocal exchange and approval of a tacit acceptance of some rule-bending to ensure the wheels of society keep moving is embedded in eastern philosophy balanced between what is of God and all humanity. Religious quid pro quo is built into sacrifices and ritual where being rich helps win favour with the Gods (Trautmann 2016). In the Chinese empires of antiquity, there was not a definition of corruption per se. The empires were sustained by a system of patronage and rigid bureaucracy. There was also a support for genuine family love within a framework of social justice that is as the core of Confucian 'ethics', that is, 'a basic principle of "*mutual non-disclosure of wrongdoings among family members,*" which has exerted a considerable influence upon ethical ideas, judicial systems, and social life in ancient and even contemporary China' (Wang 2014, 112).

The ethics from the East diverged from the Ethics from the West vastly. In the East, we have a system in which all belongs to the State. The emperor or king and a powerful family network that takes care of its own or among its class or caste. This view is significantly divergent from the ethics of the West, which are based on the individual. Then, corruption, in its many manifestations, is not an absolute between an individual and his/her 'decay' from a state of moral and ethical perfection. Corruption is a compromise between the real world, its needs, and the obligations to one's family within the norms of the caste or class. Corruption may actually be seen as something that allows humans to operate in a realm between the gods and the harsh realities of animal survival.

## **Ethics: A Business Perspective**

This section will explore corruption in the business world, differentiating between the ethical perspective of individuals working in a firm and the firm itself. It will then discuss business ethics from three ethical traditions: utilitarianism (Mill), virtues (Aristotle), and the theory of right and wrong (Kohlberg). We have selected these from among many, Deontology (Kant), care (Held), for example, since we feel these relate closely to the main issues at hand, corruption and business ethics. While utilitarianism focuses on the consequences and what to do, Aristotle's virtue theory helps us navigate the social and individual issues of what type of person we should be as a society. Kohlberg theory focuses more on the processes individuals must go through when deciding if a behaviour is right or wrong.

## **Differences Between Individuals and Firm's Ethics**

It is common to hear the well-worn cliché that you cannot use the words business and ethics in the same sentence. The commonly held view that companies are inherently 'unethical' has been formed over time by the notion that an individual, when he or she acts as a businessperson, the

agent stops being him/herself, steps outside the personal ethical and justice confines to succeed (Morse 1999). Indeed, this idea that a business must succeed at all costs has been fuelled by stories of success from the robber barons of Victorian times to the oligarchs of present reality. The film industry has helped fuel this perception by using, in most cases, real stories that depict the individuals as ruthless, a-moral in their dealings, while at times showing a passionate, caring, and loving side in their personal dealings (Belfort 2011). This is not dissimilar from the depictions of soldiers acting one way in the theatre of war and returning to being upstanding individuals in their local communities (Coates 1997). This notion that business ethics and personal ethics are inherently separate and being openly proposed by such individuals as Milton Friedman and Alfred Carr, who forwarded the idea that business practices should disregard societal needs and that the rules that govern business practices should be separate from whatever personal ethics an individual may have (Morse 1999).

This leads us to consider the idea that a business enterprise is in itself a unique entity and thus entitled to its different norms, values, and ethics. The business literature has created a whole sub-genre looking at why and how firms develop their own unique cultures which include a set of opinions, value systems, and behaviour standards is unique for each organisation and represents the specific character of its functions' (Hitka et al. 2015). These differences have also been attributed to the uniqueness of the enterprise that provides it with a distinct competitive advantage. This uniqueness gives all within its mantle a difference in terms of norms, behaviours, and other characteristics that may force or influence the individual to conform or be separated. De Botton (2008) tells us that humans, by their very nature, want intrinsically to belong and will usually fit accordingly. It cannot be a mere coincidence that business has taken so much from the military. Business courses routinely teach strategy, logistics, and leadership courses that derive much of their background to practices and norms developed in the military. This may seem contradictory when at the same time, students take ethics and social responsibility courses. This separation of roles between the member of the institution and individual ethics and moral values has been a cornerstone of military life, 'obey your orders no matter what', and adopted by

businesses, 'get it done or leave us' in the way they feel they need to act to compete in brutal and hostile environments. The slogan 'Business is war' is one that many executives treat as their mantra. Thus, within enterprises, the individual is expected to act within the norms, values, and expectations regardless of their set of beliefs, ethics, and morals. These contradicting needs to define better business ethics have led to many theories. We will consider only three in this chapter.

## Utilitarian Theory and Business Ethics

J.S. Mill (1998) proposed nearly two centuries ago that work for common outcomes leads to the greatest amount of happiness for all. Mill's utilitarianism was conceived to make clear ethical distinctions allowing to frame business ethics around three pillars: (1) its shared goal is the common good, (2) it has a long-term perspective that focuses on the prosperity of society as a whole, and (3) it seeks the teaching and support for a moral education within the societies it inhabits by encouraging social concern for the individual (Gustafson 2013). The notion of the greatest welfare for the many through each individual action then leads to 'the greatest happiness altogether' Mill (1998). Some argue that this idea of happiness for the many fits business well Gustafson (2013) since its goals are intertwined. The long-term well-being of humanity also bodes well for any business.

Happy, prosperous humanity should ensure the well-being of firms within the business world. This simple but powerful narrative is both attractive and compelling to some. It may imply that it helps those within a business to stay away from short term profit only approaches. On the other hand, some inherent contradictions also arise, should a manager risk the failure of the firm altogether by minimising short term profits for the long-term good of society, with the implication that it benefits the firm also. This, some would argue, is the application of risk to the model. The ethical dilemma that management faces between the need to succeed, the firm's role in society, and the needs and satisfaction of its stakeholders, which may be not the same as those of society as a whole. How wide or how narrow we want to define 'society' from the

term global village to the idea of micro-tribes by State, location, city, and neighbourhood is complicated at any level. These contradictions may be exacerbated by the constant flux of tribes, tribes within societies, and societies within nations. The greater happiness for a Belgian firm, for example, is that of the Walloons or the Flemish tribe? Since both seem to agree on very little. Are the greater good environmental solutions that a country may accept one day and negate the next?

Hiring practices that don't discriminate? Or start discriminating as society shifts from acceptance to rejection of immigrants? An inherent issue for the ethical manager or firm is not knowing where the ethics lie at any given moment within any tribe.

## Virtue Theory and Business Ethics

Enterprises have had to deal with the idea that as an entity, they are an integral part of a tribe or society and as such, have a responsibility for it. The more global the enterprise becomes, the vaguer this sense of ethical responsibility to humanity becomes. Yet, stakeholders keep alluding to these ethical responsibilities of the firms. From the environment, sustainability, gender, employment, to tax citizenship, the firm of the twenty-first century is continuously examined, probed, pushed, and found wanting.

Firms are now adopting professional codes of ethics and conduct, writing detailed rulebooks, mandating ethics training for their employees, applying legislation dealing with corruption into their strategies, and dealing with the consequences when employees fail to live to these principles and standards. Academics point out studies that link corporate social responsibility measures with improved financial performance (Roman et al. 1999), failing to mention that the samples of the studies did not take into account all the firms that failed or were acquired and had also integrated the same principles. The point here is not to minimise the value of this research but to highlight the complexity in measures that try to put a value on a firm's ethics. The key issue, therefore, is defining the standard to which a firm as a tribal or societal entity is expected to adhere to. The need for codes of conduct is not just a moral



need but a practical one. Laws are a reflection of some of the ethical standards of a nation. These laws are written for common clarity, adopted by all, and set a tone as to what society expects from its citizens: individual and institutional. Laws help business executives make sense of a lot of the abstraction and rhetoric that precedes writing and approving them by giving a clear direction as to expectations and how to formalise these in actions everyone in the firm can understand.

While traditional views of virtue revert to Greek philosophy and focus on rights and duties, a more modern version of virtue ethics or theory that was proposed by Arjoon (2017) is based on three assumptions, (1) the environment or a dynamic economy, (2) the mission or common good, and (3) the core competencies or virtues. These assumptions, in turn, must fit reality and one another. Virtue theory is thus not devoid of its Greek heritage and the notion of excellence needed to complete tasks well. Virtues in this context can only be appropriately formed or acquired by constant repetition and practice. This practice is required to create a moderating effect between passions and actions, both of which are excesses on either end. These desires and purposes of the individual are equally reflected in the collective that forms the firm. As such, the firm is part of the society that sets the ethical standards and should be subordinate to the ultimate goal of the community (Morse 1999). The virtuous firm emerges from this imagery in a form not very dissimilar from the ideal leader for Aristotle. However, the modern firm has to deal with a complex set of ethical values and expectations far removed from the relative simplicity of the Greek city/state. Internationalisation and globalisation put it at odds with different ethical frameworks and expectations and create the dilemma of what model citizen it should be and whose virtues it should make its own. When its 'home society' reflects its ethical values in laws that punish corruption, definitions notwithstanding, and expects it to implement these within all the other societies it operates in, it imposes a set of arrogant principles that in themselves may be considered less than ideal. Also, this same 'home society' may, due to changes in political winds, act in open defiance of its laws at a point in the future, leaving the firm with an indefensible ethical position, regardless of the written law.

## The Theory of Right and Wrong and Business Practice

The theory of right and wrong is the least developed and explored academically. In some ways, it may be because of its inherent simplicity that harkens back to early civilisations and ethical development. As discussed earlier in this chapter, most early religious script and codes of law derived most of their moral backing by differentiating the good (right) from the bad (wrong). Tribes, extended societies, and nations have always attempted to address these differences and legislate them with a base code of laws. The Hammurabi code, the Koran, the Popol Vu, and The Bible, among the many, provide the basic blueprint to help tribes and societies identify 'wrong' actions into identifiable actions and implement corrective actions.

Businesses and governments have both historically engaged in practices that are ethically wrong, although legally acceptable or ambiguous, by arguing that the wrong actions are done for the greater good. The internment of the Japanese by the US government was justified on a national security basis at the same time as it criticised German concentration camps. Today most would agree that both were ethically wrong. Within a business context such as medical research, testing inmates without their consent, for example, or arms and weapons creation, manufacture, and distribution have been condemned by many as ethically wrong. However, they are justified on the grounds of national security or the greater good. Governments have reacted to medical research malpractices by passing laws that deal with principles of ethics in all research and with them a code of conduct based on respect for the individual (Jacques and Wright 2010) and encapsulating the basic moral principle of 'don't do unto others what you would not have them do to you'.

The moral ambiguities that religious texts had built-in within them necessitated the evolution of the theory of right and wrong, which is more universal than the ethics theories developed mainly in the West. This more straightforward theory allowed for tribal and societal changes to be incorporated and modified over time without the issues found with questioning religious code. Slavery is an excellent example of these ethical

and moral contradictions. In the bible, the Israelites celebrate their liberation from slavery as an act of a compassionate God. Yet both the old and New Testament is full of veneration of slavery. The Hammurabi code has specific rules on how to treat slaves; the Koran, although not explicit in its acceptance, does not prohibit it either. All of these positions reflect the way societies and tribes operated in those times in which slavery was widespread, accepted, and a source of 'economic good'. Slavery was a major source of income for individuals from the British to the Arab empire. While this trade developed, neither the Catholic Church, protestant preachers, nor Islamic religious figures openly condemned it. The enlightenment recognised this abomination and used ethical arguments to enact laws stopping the trade in the West or economies controlled by the West. The tacit acceptance by the Koran of slavery in the Islamic empires and subsequent nations was only abolished in the twentieth century not so much on moral or ethical grounds but because of the pressure from western states and general international condemnation. However, countries like Mauritania and South Sudan still have today an active slave trade.

Right and wrong theory may help firms navigate through societal differences, and this may be particularly true concerning corruption since the term itself is full of ambiguities and interpretations, norms, and laws.

## **Ethics, Society Corruption, and the Individual**

If governments and religious power structures have formed and shaped the codes and laws that tribes and societies used to set and ensure 'live and let live' environments, one may ask, where was the individual in this process? The balance between what I want and need must always be measured against what my neighbour wants and needs. As humans settled down for the first time in the Levant it by necessity required some basic rule forming (Hodder 2012). The traditional family that roamed and hunted and gathered and could do what it pleased found itself with neighbours that had done the same. The inherent tensions and inevitable fights and disagreements required intervention, negotiation, and compromise. These, after a time, got codified, adapted, and

enforces differently as each tribe agreed on common ground within its cluster of habitation, usually with religious overtones. The idea of what is good or bad behaviour took a local flavour that as tribes grew, eventually merged and/or conquered other tribes required probable changes from 'pure' good and bad definitions to acceptable and unacceptable behaviours. Some of these already had subtexts that a modern human would find offensive since there are no moral principles that have been found to be shared by all religious people, no matter what specific religious membership they belonged to (Hauser and Singer 2005). For example, the idea that adultery is a 'bad' thing in the Old Testament was clearly male-dominated enforcement of their insecurities as to whom fathered their offspring and started a pattern of subjugation of the female gender that endures to this day. Many other tribes were polygamous as local conditions required that all resources were shared in order to ensure the survival of the tribe. Thus, the individual moral code of survival and duty only to its nuclear family gives way to agreed norms that were enforced by the majority. This brings us to the underlying question: Does the individual sense of right and wrong, in turn, shape the tribe's sense of right and wrong? And since these do not appear to be universal, do tribes/societies, in turn, adapting to their internal politics, surroundings, and ambitions mould and change those of the individual? We believe that reality lies as most things somewhere in between these two and are adapted, fine-tuned and enforces to satisfy local differences, times, and needs.

Corruption in this context has always been an adaptable societal norm: encouraged, tolerated, and shunned. The Romans imported Greek ethical thinking and adapted it to their own needs and wants as the empire grew. The idea of the purity of the politicians in the Senate quickly gave way to the practical necessities of running a vast empire. Decisions would never satisfy everyone, and the individual was encouraged to sell his favour in order for them, in turn, to be able to buy the votes and *vox populi* required for them to continue in office. The Roman State would customarily extort goods and services from the civilian population for its soldiers. This practice got so extreme that it took individuals to draw a line in the sand. Gnaeus Vergilius Capito, who was the Prefect of Egypt during the reign of Emperor Claudius, went as far as issuing

a public edict ordering the end to these demands by military personnel (Lewis 1954). The State, society, and the individual have always had a difficult relationship with regard to ethical and moral issues, particularly in the West. Fast forward to the twentieth century, and the system of patronage and dispensations of favours is superseded by political lobbies, vote-buying, nepotism, and clientelism by elected officials as democratic states took over. The great proletariat experiment that led to the creation of the USSR and the PRC eventually degenerated into a system of patronage and favour granting that dictated all aspects of Soviet life, from where you lived and studied, to what you had for dinner, and what you did for work. The fall of communism and the rise of the oligarch/FSB ruling system just exposed for a while these deeply seeded behaviours that have continued to the present day and that, although refined, for the most part, remained at the systematic and societal wide level of corruption that operated previously (Stefes 2006). These practices, also present in China and other eastern nations, are not seen by Russians as ‘corruption’ with a big C, but as a way to get along in a society full of rules, laws, and regulations that are contradictory and nonsensical. From the Russian citizens’ point of view, *блат* (the system of informal agreements, exchanges of services, connections) allows everyone a certain amount of access to the power structures, speedy delivery of services and equality. A little *блат* to a traffic policeman allows you on your way, you have been admonished by the system for driving too fast, and it has avoided endless visits to a slow and inefficient court system. Thus it allowed the reallocation of power that would have been too concentrated in the hands of a few judges.

## Can any Positive Come Out of Corruption?

The previous description of utilitarianism, and virtues and right and wrong theory, as well as the roles and societies, presents the key argument for each of them and the notion that each ethical theory faces challenges that open them to interpretations. The utilitarian theory explains, in addition to its inherent measurement problem, a controversy concerning the dimension of what to consider to be ‘society’. The justification of

an act based on virtues theory will depend on time and space because these elements are essential when evaluating culture and society values that shape the 'virtues', which is the basis of this theory, and a broad definition of what is right and wrong leads to ambiguities and multiple interpretations. These blurred aspects of ethical theories can, on some occasions, justify even the undesirable act of corruption. This section aims to explore these arguments and the empirical evidence that supports them. Although there are many of these in all areas of ethical behaviour, we will only focus on those relating to corruption.

## **"Justification" of Corruption from the Philosophical View**

The theological or consequentialist perspective considers the decision to be right or wrong based on the potential consequences and whether good or harm results from the action.

Thus, it follows Machiavelli's saying that we all know, 'the ends justify the means'. The utilitarian theory, a consequentialist theory, considers an act to be morally right if the benefits created by the consequence outweigh the cost of this action. A cost-benefit analysis is needed to understand if the greater good prevails. An important aspect of this theory is that it does not judge morality or a predetermined set of ethical standards like the right and wrong ethical theory. Therefore, regardless of where the corrupt act is done and the social values of the country where the act is performed, corruption could be justified if the corrupt act leads to the greatest good. In fairness, it can be contended that it is impossible to evaluate corrupt actions in this way, not only because what needs to be measured might not possibly be measured but also because, in real life, ethical decisions are not chosen based on an in-depth analysis.

In contrast to the utilitarian theory, the virtues theory does not focus on consequences but on intent. In virtue theory, social values are essential to consider an act to be moral, but they are not the only and ultimate pillars. The motivation of the action is also relevant and this, according to Sandel (2009), should be embedded in the sense of duty. Therefore, a corrupt act can be morally justified if the individual embarks in the act

because he or she has a sense of responsibility and not because there is self-gratification or self-interest.

Like the virtue theory, the right and wrong theory considers the social values of a specific society at a particular time, but in this case, these social values are the pillar of the theory. Thus, a corrupt act is considered acceptable if the system of beliefs and customs that exists at the time and place where the corrupt act is performed considers the action permissible. For instance, bribery in western society is considered not only unethical but also unlawful. However, in other parts of the world, bribery can be regarded as simple tipping, and therefore, there is room for the action to be justified.

The previous section shows that on ethical grounds, corruption could and is justified depending on the underlying structure of society's ethical underpinnings. However, this may be the outcome of a historical struggle to arrive at that position based on cultural, moral, and intrinsic individual qualities needed to reach this controversial reasoning. Besides, there are other determinants of unethical conduct, such as the risk involved. Napal (2001) explains that the decision-maker may choose not to participate in dishonest acts not because it is wrong in absolute terms, which will be the argument from the right or wrong theory, but because the individual is afraid to be caught. These pieces of the puzzle can be a partial explanation to comprehend something that perhaps many of us have asked ourselves before, why good people do bad things.

This attempt to justify corrupt behaviour from different ethical perspectives goes against the classical conclusions of business ethicists, and few scholars have dared to claim that corruption is efficient. Leys (1965) went so far as to wonder, '*what is the problem with corruption?*' He also questions under which circumstances are actions called corrupt (Leys 1965, 217). He answers this by postulating that '*because someone can regard corruption as a bad thing, but others (at least someone) can regard it as good, mainly the ones involved in the act in question*' (Leys 1965, 219). Nevertheless, this remains a very controversial statement constantly up for discussion in academic circles.

## ***The Fair Treatment of the Term Corruption and Businesses***

The most common tradition is to discuss the possible consequences of corruption as unethical behaviour, and much of the ethics research primarily alludes to the adverse effects that corrupt practices can have on a firm. These arguments are far easier to make and understand, but that does not mean that the debate about possible positive outcomes does not exist.

In the academic literature, the corruption outcome debate is operationalised in two main hypotheses: the 'sand on wheels' contends that corruption reduces efficiency and 'grease on the wheels' that hypothesises the benefits of corruption. The 'grease on the wheels' hypothesis is rooted in arguments of the so-called revisionists or 'functionalists'. The theory argues that the problem is not the act but the reason behind the action. The core issue comes from the ineffective bureaucracy that impedes economic activity. But corruption, it is argued, can help to speed or 'grease' money because firms' corrupt actions would help to overpass ineffective policies.

The reasons for ineffective government policies can range from the mere capability to biased ideology to prejudice against certain minorities. An example given by Leff (1964) shows how Chile and Brazil bureaucracies responded differently to price control for food products introduced in both countries during the 1960s when in Latin American, inflation led to stagnation of food production and the rise of food prices. Both countries enforced price control. Chile bureaucracy loyally implemented the measures, and in Brazil, the corrupt bureaucracy sabotaged the enforcement allowing producers to increase the prices. Somehow the Brazilian economy responded to this price rise with an increase in food production and partially curbed inflation. Leff (1964) saw this as a clear example of how firms and corrupted officials succeeded in yielding a more effective policy than the government imposed.

Leff (1964) also argued that if corruption is a means of tax evasion, it can reduce tax collection, and corrupt individuals can allocate these resources to other investments provided that they have efficient investment opportunities. In this case, corruption is an effective way of



choosing investment projects because some projects required licences. Leff argues that bribes are allocated to the most effective generous briber who can only be the most efficient.

Méon and Weill (2010) state that corruption can be also beneficial by improving the quality of bureaucrats. As Leys (1965) claimed, in countries where public servants gain low wages, the possibility of gaining bribes may attract more capable bureaucrats who could have worked somewhere else otherwise. Thus, corruption is, in general thought, to grease money to compensate for deficient institutional frameworks. Méon and Weill (2010) argue that it is worse to have 'a rigid, over-centralised and honest bureaucracy than a rigid, over-centralised and corrupt bureaucracy'.

On the other hand, the 'grease on the wheels' hypothesis rebounds each of the previous arguments assuming more self-interest bureaucrats. Therefore, overpassing ineffective policies is not realistic because (a) delays can appear as an opportunity to extract a bribe (Myrdal 1968 as cited in Pierre-Guillaume and Khalid 2005) and (b) the power of civil service to speed up processes is limited in a system with continued successions (Pierre-Guillaume and Khalid 2005).

The argument according to which corruption helps increase the quality of investment projects is contested for public investment because corruption has been associated with unproductive investments (Tanzi and Davoodi 1997). At the aggregate level, the impact of corruption on civil servants' quality is refuted because corrupt officials can create distortions to preserve illegal economic source (Kurer 1993).

The corruption debate has encouraged scholars to investigate whether corruption could have a positive or negative impact. These empirical studies have investigated, at the national level, the impact of corruption on economic growth, direct investment, income inequality, human development, natural resources, innovation, shadow economy, brain drain, fiscal deficit and human capital, and others. Research has explored the impact of corruption on private firms' profitability, firm growth, firm performance, entrepreneurship, and increased sales and productivity at the firm level.

Rock and Bonnett (2004) found evidence for support of the 'grease on the wheels' hypothesis in their study of the 'Asian paradox', which is

the combination of high corruption and high growth in countries like China, Indonesia, South Korea, and Thailand. Corruption was found to increase growth in these countries. They argue that central governments in these countries could use their discretionary power to support specific entrepreneurial groups. Johnson et al. (2014) evaluated corruption convictions and economic growth from 1975 to 2007 in the United States. They found that corruption's negative effect is smaller in States with more regulations proposing a 'weak' form of grease on the wheels' hypothesis.

Dimanti and Tosato (2018) provide a thorough overview of the empirical evidence of corruption's impact on economic growth, investment, poverty, and other governance indicators. The main economic lessons from Dimanti and Tosato (2018) find that solid institutions' presence lowers corruption. Cross-country macro-econometric evidence provides somewhat limited support to the view that corruption greases the wheels of growth, with trade openness and institutional quality appearing crucial factors in mediating corruption's effects on growth.

Urbina (2020) did a comprehensive survey of the existing literature on the impact of corruption at the macro level. They focused on five outcomes: economic growth, direct investment, income inequality, human development, and the natural resource sector, but they acknowledge that there are other aspects by which corruption can benefit the economy. The revision showed contending results in economic growth, direct investment, and income inequality but a more substantial consensus regarding negative consequence for human development and natural resources. In fairness, Urbina (2020) claims that the evidence suggests that corruption is detrimental to the economy's functioning overall.

At the firm level, Imran et al. (2019) found that firm's sales and exports increase at the aggregate level for 147 countries. However, when data is disaggregated, these findings hold only for low and middle-income countries, and the opposite is true for high-income economies. In another study, Martins et al. (2020) found that on a sample of 117 emerging and developing countries, regardless of the proxy variable used as firm performance, corruption affects performance negatively. However, the negative effect is mitigated for larger and exporting firms. Moreover, 'grease of the

wheels' is found in African firms and 'sand the wheels' in Latin America, the Caribbean, Eastern Europe, Central Asia, and Southern Asia.

The empirical evidence is not yet conclusive. Corruption is one of these concepts challenging to quantify and test, and there is still the question of corruption being the solution to the market or the result. Still, overall, the evidence suggests that more than it being a black and white outcome, the result and extent of the impact of corruption is conditioned to cultural and institutional factors.

The purpose of this review is to inform of the contending arguments that challenge corruption. This is crucial for reflective thinking and, therefore, a precondition to gain a stronger sense of tolerance in our personal life and comprehension in our business endeavours.

## **Corruption in a Globalised World**

As discussed earlier, globalisation is not a new phenomenon; what has changed is the speed and breadth of enterprises that call themselves global. Deregulation and technological advancement triggered a quick expansion of Multinational Enterprises (MNEs) all around the globe. Many of these enterprises are not from the traditional western developed economies but reflect the growing economic power and relevance of previously called underdeveloped economies. From Korea and Taiwan to China, Brazil, Mexico, and South Africa, these fast-growing MNEs are changing the landscape of the nature of multinationals and how they are viewed. Corporate cultures are formed by the distinct tribal norms, values, and ethical perspectives of their home base. These differences are also informed by local laws, customs, and accepted behaviours that may and can differ significantly from those in traditional MNE creating countries in Western Europe and North America. Thus, the competitive landscape has and is altering globally, placing western firms at a disadvantage by having forced legal and regulatory straitjackets based on sometimes outdated or culturally imposed views of 'good' ethical behaviours.

The rise of global capitalism poses new ethical dilemmas for MNEs all around the world. Increasing wages and employee access to comparative

data, greater transparency in environmental and human rights, as well as ever-growing regulation in developing countries pose a constant ethical challenge that is yet to be resolved. This is where the business ethics field seeks to answer a critical question. Is there a practical approach for the 'ethical cancer' that many MNEs face while operating in developing countries?

In this section, we explore the diversity in legislation and approaches by governments. We also touch on the inherent conflicts for both multinationals and companies that are internationalising. Thus, we discuss the impact of globalisation on corporate governance and the current anti-corruption measures many nations are trying to both implement and superimpose globally through their home-based multinationals.

## Ethical Challenges in Multinational Businesses

In a globalised world, the line between corruption and the ethical principles that in turn drive the creation of laws and their compliance can be a fine one. MNEs and those who work for them must act ethically wherever they go. However, the cultural and legal dimensions of ethical behaviour in a global context get more complex and their implementation more complicated.

Enterprises that internationalise have to rapidly learn and internalise this knowledge while maximising their firm-specific advantages (FSA). The aim of any firm, and, in particular, those that expand beyond their home markets, is to secure a lasting stronghold in a chosen market. To do this, the firm needs to leverage its resources, minimise the effects of its liability of foreignness, and be competitive from the moment it enters the new country. Its firm's FSAs will thus condition the international expansion of a firm by exploiting those it already has and exploring new resource combinations, and creating new FSAs, and this continuous process has at its centre the entrepreneur or managing team. Their judgement is essential to making the best choices and decisions to combine and deploy resources to implement best the firm's value-capture and value-create goals (Verbeke et al. 2014).

## Ethics, Corruption, and the Law

Production facility relocations to emerging countries became the common denominator for companies in the 1980s and 1990s. This followed a period of heated internationalisation by mainly European, North American, and Japanese firms, which, following the Uppsala model of Vahlne and Johanson (2013), sought to capture markets outside their home base as they found domestic growth more challenging to come by. The standard model had firms keep their R&D and core manufacturing at home while establishing smaller commercial offices and plants in host locations. Internationalising firms both learnt to balance risk and opportunity and internalise this learning to extract rents in order to provide growth, and usually better margins than their home countries, while at the same time, keeping the firm on a strong competitive footing viz their competitors. As more companies became true multinationals, they also had to deal with an array of issues and barriers that ranged from specific investment rules and controls to cultural and ethical issues they may not have been exposed to in their home markets. While some companies had a long history in dealing with international markets and these issues, the 1960s onward brought many novice firms into the international arena. Corruption was, in general, something that firms dealt with in a fashion that reflected the firm's roots and tribal background. Thus, two Belgian firms may have taken two completely different approaches based on their tribal knowledge, a practical approach if coming from the Dutch-speaking province and a potentially more ambivalent approach if from the French-speaking side. In some cases, the ethical approach of a firm would have resulted from the company's history either as a colonial power or an opportunist trading one.

The invasion of Cuba and the Philippines by American forces during the specially created Spanish-American war had barely disguised commercial interest for American firms needing new markets for domestic overproduction (Ninkovich 1999). The establishment of the British Raj and expansion of the empire into Malaysia and Africa, both seeking markets for British textiles but also sources of cheap raw materials for the industrial revolution, were never disguised as other than

the need for expanded commercial opportunities for British traders and enterprises (Huttenback 2003). The post-second war post-colonial era resulted in the end of colonialism and the growth of the multinational. Although their links were less visible, some nations supported their firms with political muscle and even direct support. Industries such as defence and oil were seen as critical, and governments used their influence on securing contracts and preferential treatments by less-developed nations. However, it was not just in emerging nations. One of the largest corruption cases in the 1960s and 1970s involved Lockheed, a US aerospace company, and the bribing of officials in West Germany, Italy, the Netherlands, and Japan, all friendly US allies. Incidents like these and a shift in public sentiment led nations in the United States and Europe to review their ethical compass. As a result of these reviews, new laws in the late 1970s and 1980s were passed in the United States and Europe, placing the responsibility on companies to apply these new ethical views on their global operations with the threat of both corporate and personal liability for infringement.

The United States passed the foreign corrupt practices act (FCPA) that covered all US-based corporations and foreign ones operating in the United States. This shift could also be seen from the evolution of economic thinking about the role of the firm in the economy. Traditionally economists were focused on exploring the production function of the firm. Over the years, this changed to exploring the pre-production and postproduction activities as critical components of the value chain. Within this scrutiny came the realisation that boundaries between the many activities the firm engaged in were difficult to establish and, even more so, in the post-industrial age in which a knowledge-intensive and alliance environment drove the global economy. This, in turn, led scholars to question their focus on profit-maximising theories to focusing on more value-driven activities, which, good or bad, is an integral part of a firm's competitive toolbox (Dunning 2003).

The idea is that as firms internationalise, management plays a central role in performing all the other functions other than routine production ones. The coordination of these activities requires both knowledge, expertise, decisions making, and it involves a trade-off of alternatives. This accumulated knowledge is internalised by a firm and utilised

in foreign direct investments in subsequent expansions (Buckley and Casson 1976). All these decisions and experience must, by their very nature, also take into account each individual country's mix of cultures, customs, values, and laws. Multinationals pre-1970 had little accountability and were expected to be able to be competitive, operate within the law, and, as much as possible, ethically. Although this last one, ethical behaviour, was dependent in no small measure on what the perceived value of a trade-off between success and ethics meant for its stakeholders. The imposition of specific laws that reflected the political views of ethics in a multinational's home nation at the time placed restrictions specifically on acts that were defined as corrupt. This definition of corruption was and is a matter of definition and enforcement. While acts such as the FCPA were aggressively enforced, in many ways, they were contradicted by some of the internal home market-accepted practices and laws. For example, in the United States, the creation of the political action committees (PACs) and the emergence of a powerful and well-funded lobbying industry have allowed companies to both get around political contributions and the direct influencing of politicians. If we follow both the externalities imposed on a firm and the need to internalise knowledge, which presumably would include ethical components, we can start to try to envision the inherent contradictions and dilemmas that managers may face as they expand into a larger number of new markets.

These dilemmas get amplified as words like corruption have different meanings and interpretations in other locations. As we discussed earlier in this chapter, the inherent difference from an eastern perspective where the value of the word given, and by implication an implicit commitment or contract, outweighs the actual deed that leads to it, such as a gift or favour.

Corruption is a result of sometimes vague ethical tribal or societal perspectives that result in a cultural centric political ideology. This ideology is then translated into laws and codes that, in some cases, define corruption as a criminal offence that can range from large payments to government officials to a small bribe to a low-level bureaucrat. According to Transparency UK, 73% of companies assessed in their '2018 Corporate Political Engagement Index' (CPEI) received ratings between 'fairly

poor' and 'abysmal' standards (Bands D-F) (Corporate Political Engagement Index 2018 [2021](#)). Some of the companies in this Index that scored lower in the CPEI were Amazon, AstraZeneca, Disney, Ford, Samsung, and Huawei (Begu et al. [2019](#)). Bribery in international operations by western-based corporations was not always considered as an issue or morally wrong. Some companies even filed this type of bribery as an operating expense while doing business in emerging economies. For example, even as recently as the turn of the millennium, German corporate law punished bribery at home but considered it a standard practice when doing business in emerging economies (Rose-Ackerman [1997](#)).

As mentioned earlier, attitudes towards bribery changed significantly in the United States, with a domino effect on most western nations. When the US Congress passed the FCPA in the late 1970s, this act made it illegal for American companies abroad to make bribes. Bribing to obtain a contract while competing against other companies became unlawful. However, there is a thin line when there is a bribe given to a low-level bureaucrat to speed up a process that will happen. Small payments are allowed in some countries because they can be rationalised as a top-up salary for the low-level officials that do this type of procedure. However, there is the question of what is a 'small payment'.

Our central premise has been that cultural differences bring with them differences in definitions, interpretation, approaches, and laws. Following China's integration into global trade, the ethical status of *guanxi*, a practice where informal networks were integrated into the agreement and allowed companies and public officials to function as a transaction link (Luo [2008](#)). Since there is not a specific payment, *guanxi* does not fit the traditional definition of bribery. It has been argued that the practice of *guanxi* is an unwritten contract, and a 'quid pro quo' is expected at some point in time. It is unclear to say if this constitutes an act of bribery or just a way of conducting business in China (Redding [2003](#)). At the same time, existing methods of influencing outcomes regardless of how corruption is defined continue in many of the countries that have passed some of the most robust anti-corruption legislation. Volkswagen group, for example, although knowingly cheated by manipulating emissions in an elaborate scheme that included most layers of management. This included an understanding of secrecy and complicity



and in which the German government's sub-rosa complicity may have ensured that the long-term effects were minimised. It is probably not a coincidence that the German State of Lower Saxony has a 20% voting share in Volkswagen, and because of a unique law, it has extra members on the board, thus ensuring ultimate control of the company (Elson et al. 2018).

## Is There an Effective Treatment for Ethical Cancer?

The legalisation of ethical issues and those related to definitions around corruption through acts such as the FCPA and the Sarbanes–Oxley act of 2002 has been intended to address rule-based issues of corporate scandals. This has resulted in many companies implementing codes of ethics and appointing ethics officers and consultants. However, most of these initiatives have been rule-based. Corporations and the US government have looked at individuals to address the implementation of the law to ensure compliance. Even these legal attempts to quantify ethical behaviour have a very narrow definition and are more preoccupied with detecting 'criminal conduct' than broader ethical, civil rights, or other related issues (Michael 2006). Thus, the laws are more a reflection of a particular position of corruption, preferably that an attempt to include a broader view of ethical behaviour on corporations effectively. It could be that laws passed by political institutions that are frequently measured against a more Hellenic definition of the right character routinely fail against that measure may find it difficult to legislate into this broader view.

Politicians in both Germany and the United States that have been vocal with their anti-corruption stance and narrow legislation find themselves in situations that they themselves find difficult to explain or justify. For example, Gerard Schroeder, Germany's former Chancellor, who negotiated and approved the gas pipeline between Russia and Germany, became chairman of the Russian gas and oil company Rosneft. The second example refers to the large oil service contracts Halliburton, a Texas-based oil service company, was awarded after the invasion of Iraq,

considering that the then Vice president of the United States, Richard 'Dick' Cheney, had been the CEO of Halliburton prior to becoming Vice president. Both examples illustrate the constant contradictions faced by company executives as they are forced to impose laws that their own official seem to flaunt or, at the very least, clearly do not believe in the spirit of the ethical principles behind the laws.

A treatment for corruption is hard to create because, as Hess and Dunfee (2000, 608) clearly explained, when referring to bribery but applicable in other types of corruption, '*there is a growing movement against the practices, yet there is no hard evidence that the level of corruption is declining- and it may even be increasing*'. Firms aggressively seek to prevent the corruption of their own employees while simultaneously approve of attempts to corrupt the employees of potential suppliers. Firms from countries that have reputations for being relatively clear of corruption are thought to be significant sources of corruption in other countries. The most general and logical reason for failure to implement robust treatments for corrupt practices is the design and implementation problems, but some scholars have suggested that there are other deeper issues. Heeks and Mathisen (2012) add that failed anti-corruption initiatives have a wide gap between design and reality, and a wide gap leads to unsuccessful implementation. But most importantly, they argue, is the political situation that determines the success or failure of any initiative.

As we argued at the beginning of the chapter, the differences between eastern and western approaches to corruption are then made even clearer in the West as laws are passed to penalise corporation on perceived corruption practices with narrow definitions and ambiguous ethical principles behind them. However, and for the sake of clarity, we are not advocating for the wholesale pillaging of economies at one extreme of the corruption pendulum. The western definition that has been imposed on corporations through laws and enforcement defines corruption in such a broad way as not to allow local customs and ethical perspectives to be allowed within the purview of management's decision-making. It could be argued that this is but another form of cultural colonialism. It also leaves corporations in a complex competitive and moral position on the one side, forcing practices and ethical behaviours on other nations that their own home country politicians do not adhere to. The definition of

what the word 'corruption' may have and its ethical implications at the other end of the pendulum may lead to delicate and subtle differences in levels of societal and cultural acceptance that another society may not know or care to understand. We do not argue for or against corruption, in its more extreme western sense, rather that, in a complex world stemming from different ethical perspectives and definitions, the resulting actions of those involved should be more balanced and inclusive.

The modern West has tried to have clear views on corporate and personal ethical behaviour, and corruption is a target that is shunned and regulated. As discussed earlier in this chapter, this western focus on targeting corruption in all its forms has been driven by scandals and led to the passage of the corrupt practices act. A criticism of the act has been that it is too restrictive and does not allow for legal and even less societal accepted practices in other nations. Hence, the claim is made that this is in effect nothing more than ethical neo-colonialism. As most societal driven attempts to regulate and codify moral and ethical behaviour find themselves later having to amend them as the tribe or society's point of view changes. The nearly absolute moral view that killing is wrong is quickly amended in times of war where the same behaviour is encouraged, rewarded, and glorified. In the same manner, the US corrupt practices act has many detractors. Former President Trump, reflecting society's (or his own on society) adjusted ethic compass during his presidency, is quoted as saying, 'it's just so unfair that American companies aren't allowed to pay bribes to get business overseas' and indicated he wanted to scrap it (Smialek 2020). The long-held view on the other side of this pendulum by many academics and politicians is that corruption in any form is detrimental to society and by extension to the individual. Corruption is harmful to the growth prospects of host countries and can introduce inefficiencies and inequities. Rose-Ackerman (2002, 1889) argues that 'business corporations have an obligation to refrain from illegal payoffs as part of the quid pro quo implied by the laws that permit corporations to exist and to operate'. Jurkiewicz (2020, 151) explores the individual ethical choices and ascertains that 'collectively, corruptive behaviour causes societal harm and lessens the credibility of public organisations in conducting business, such as tax collection, citizen/government interactions, and judicial oversight, and reduces trust

in government'. Further, it can cause environmental damage (Cole 2007), increase costs, and depress economic development (Dearmon and Grier 2011). As in much of this debate and opposing views, corporations find themselves in the middle on the one side trying to reduce their liability of foreignness, compete domestically and/or globally with other companies with different ethical views, be a good corporate citizen in its home and host nations and deliver to all its stakeholders' behaviours, practices, and profits that satisfies them all.

Also, the pendulum swings that brings with it political changes and resulting laxer or harsher implementation of the laws, perceptions, and activities in the home nation that is there for everyone to see. The swings recently to populism and the self-enrichment of politicians in the United States, Brazil, Hungary, and the Philippines add to the dilemmas faced by western corporations. Eastern-based firms may have seen some slow changes to some norms and face a much less disruptive environment at home where political change usually does not bring the radical shift in perception towards ethics, corruption, and the '*way of doing things*'. We argue for a less intrusive and legalised view of practices and enforcement that allows for ethical positioning and definitions of matters such as corruption to be fragmented and acted upon based on custom and common sense. Managers, entrepreneurs, and even politicians are better served in general to be allowed to act within their own environments in a way that serves their people and institutions best.

## References

- Arjoon, Surendra. 2017. "Virtues, Compliance, and Integrity: A Corporate Governance Perspective". In *International Handbooks in Business Ethics*, 995–1002. Dordrecht: Springer Netherlands.
- Barcham, Manuhua. 2012. "Rule by Natural Reason: Late Medieval and Early Renaissance Conceptions of Political Corruption". In *Corruption: Expanding the Focus*. ANU Press.
- Basu, Kaushik, and Tito Cordella, eds. 2018. *Institutions, Governance and the Control of Corruption*. 1st ed. Cham, Switzerland: Springer International Publishing.

- Begu, L.S., S.A. Apostu, and A.O. Enache. 2019. "Corruption Perceptions Index and Economic Development of the Country". *Proceedings of the International Conference on Applied Statistics (Sciendo)* 1 (1): 115–22.
- Belfort, Jordan. 2011. *Catching the Wolf of Wall Street: More Incredible True Stories of Fortunes, Schemes, Parties, and Prison*. New York, NY, USA: Bantam Books.
- Botton, Alain de. 2008. *The Consolations of Philosophy*. Harlow: Penguin Books.
- Buckley, Peter J., and Mark Casson. 1976. "The Multinational Enterprise in the World Economy". In *The Future of the Multinational Enterprise*, 1–31. London: Palgrave Macmillan UK.
- Coates, A. J. 1997. *The Ethics of War*. Manchester: Manchester University Press.
- Cole, P. 2007. "Human Rights and the National Interest: Migrants, Healthcare and Social Justice". *Journal of Medical Ethics* 33 (5): 269–272.
- Corporate Political Engagement Index 2018. 2021. *Org.Uk*. Accessed June 16. <https://www.transparency.org.uk/cpei/>.
- Dearmon, J., and R. Grier. 2011. "Trust and the Accumulation of Physical and Human Capital". *European Journal of Political Economy* 27 (3): 507–519.
- Denoon, Donald. 2009. *A Trading Network and Its South African Node—Networks of Empire: Forced Migration in the Dutch East India Company*, Xv+340. By Kerry Ward. Cambridge: Cambridge University Press. Hardback (ISBN 978-0-521-88586-7). *Journal of African History* 50 (3): 457–58.
- Dimanti, Eugen, and Guglielmo Tosato. 2018. "Causes and Effects of Corruption: What Has Past Decade's Empirical Research Taught Us? A Survey: Causes and Effects of Corruption". *Journal of Economic Surveys* 32 (2): 335–56.
- Duiker, William J., and Jackson J. Spielvogel. 2010. *The Essential World History: V. I*. Belmont, CA, USA: Wadsworth Publishing.
- Duiker, William J. Duiker, and Jackson J. Spielvogel. 1994. *World History, Volume I to 1800*. Wadsworth Publishing Company.
- Dunning, John H. 2003. "Some Antecedents of Internalization Theory". *Journal of International Business Studies* 34 (2): 108–15.
- Elson, Peter R., Jean-Marc Fontan, Sylvain Lefèvre, and James Stauch. 2018. "Foundations in Canada: A Comparative Perspective". *The American Behavioral Scientist* 62 (13): 1777–1802.
- Gaustad, Edwin S., and John T. Noonan Join. 1988. "The Believer and the Powers That Are: Cases, History, and Other Data Bearing on the Relation of Religion and Government". *Journal of American History (Bloomington, Ind.)* 75 (1): 226.

- Gustafson, Andrew. 2013. "In Defense of a Utilitarian Business Ethic: Business and Society Review". *Business and Society Review* 118 (3): 325–60.
- Hammurabi. 2018. *The Code of Hammurabi: (Annotated)(Illustrated)*. Edited by Jan Oliveira. Translated by Robert Francis Harper. Independently Published.
- Hauser, Marc, and Peter Singer. 2005. "Morality Without Religion". *Free Inquiry* 26: 18–19.
- Heeks, Richard, and Harald Mathisen. 2012. "Understanding Success and Failure of Anti-Corruption Initiatives". *Crime, Law, and Social Change* 58 (5): 533–49.
- Hess, David, and Thomas W. Dunfee. 2000. "Fighting Corruption: A Principled Approach: The C Principles (Combating Corruption)". *Cornell International Law Journal* 33 (3): 593–626.
- Hitka, Miloš, Milota Vetráková, Žaneta Balážová, and Zuzana Danihelová. 2015. "Corporate Culture as a Tool for Competitiveness Improvement". *Procedia Economics and Finance* 34: 27–34.
- Hodder, Ian. 2012. *Entangled: An Archaeology of the Relationships Between Humans and Things*. 1st ed. Chichester: Wiley.
- Huttenback, Robert A. 2003. *Kashmir and the British Raj 1847–1947*. Karachi, Pakistan: OUP.
- Imran, Syed Muhammad, Hafeez Ur Rehman, and Rana Ejaz Ali Khan. 2019. "Determinants of Corruption and Its Impact on Firm Performance: Global Evidence". *Pakistan Journal of Commerce and Social Sciences* 13 (4): 1017–28.
- Jacques, Scott, and Richard Wright. 2010. "Right or Wrong? Toward a Theory of IRBs' (Dis)Approval of Research". *Journal of Criminal Justice Education* 21 (1): 42–59.
- Johnson, Noel D., William Ruger, Jason Sorens, and Steven Yamarik. 2014. "Corruption, Regulation, and Growth: An Empirical Study of the United States". *Economics of Governance* 15 (1): 51–69.
- Jurkiewicz, Carole L. 2020. "The Ethnomics of Corruption". In *Global Corruption and Ethics Management: Translating Theory into Action*. Rowman & Littlefield. <https://rowman.com/ISBN/9781538117415/Global-Corruption-and-Ethics-Management-Translating-Theory-into-Action>.
- Keefer, Bradley S. 2013. *Conflicting Memories on the "River of Death": The Chickamauga Battlefield and the Spanish-American War, 1863–1933*. Kent, OH: Kent State University Press.
- Kurer, Oskar. 1993. "Clientelism, Corruption, and the Allocation of Resources". *Public Choice* 77 (2): 259–73.

- Leff, Nathaniel H. 1964. "Economic Development Through Bureaucratic Corruption". *The American Behavioral Scientist* 8 (3): 8–14.
- Lewis, N., 1954. "On Official Corruption in Roman Egypt: The Edict of Vergilius Capito". *Proceedings of the American Philosophical Society* 98 (2): 153–58.
- Leys, Colin. 1965. "What Is The Problem About Corruption?" *The Journal of Modern African Studies* 3 (2): 215–30.
- Luo, Yadong. 2008. "The Changing Chinese Culture and Business Behavior: The Perspective of Intertwinement Between Guanxi and Corruption". *International Business Review (Oxford, England)* 17 (2): 188–93.
- Martins, Lurdes, Jorge Cerdeira, and Aurora Teixeira. 2020. "Does Corruption Boost or Harm Firms' Performance in Developing and Emerging Economies? A Firm-Level Study". *World Economy* 43 (8): 2119–52.
- Méon, Pierre-Guillaume, and Laurent Weill. 2010. "Is Corruption an Efficient Grease?" *World Development* 38 (3): 244–59.
- Michael, Michael L. 2006. "Business Ethics: The Law of Rules". *Business Ethics Quarterly: The Journal of the Society for Business Ethics* 16 (4): 475–504.
- Mill, John Stuart. 1998. *Utilitarianism*. London: Oxford University Press.
- Morse, John. 1999. "The Missing Link Between Virtue Theory and Business Ethics". *Journal of Applied Philosophy* 16 (1): 47–58.
- Mulgan, Richard. 2012. "Aristotle on Legality and Corruption". In *Corruption: Expanding the Focus*. ANU Press.
- Napal, Geetanee. 2001. *Disclosing Corruption: A Move Towards Transparency in Mauritius*. Editions Le Printemps.
- Nicholas. 1963. *Al-Farabi's Short Commentary on Aristotle's Prior Analytics*. Pittsburgh, PA, USA: University of Pittsburgh Press.
- Ninkovich, Frank A. 1999. "Cuba, the Philippines, and the Hundred Years' War". *Reviews in American History* 27 (3): 444–51.
- Pierre-Guillaume, Meon and Khalid, Sekkat. 2005. "Does Corruption Grease or Sand the Wheels of Growth?". *Public Choice* 122 (1): 69–97.
- Plato. 1979. *The Laws of Plato*. Balgowlah, NSW, Australia: Beaufort Books.
- Plato. 2012. *Statesman*. Edited by Eva Brann, Peter Kalkavage, and Eric Salem. Newburyport, MA, USA: Focus Publishing/R Pullins.
- Redding, Gordon. 2003. "Guanxi and Business. Yadong Luo". *China Journal (Canberra, A.C.T.)* 49: 172–74.
- Rock, Michael T., and Heidi Bonnett. 2004. "The Comparative Politics of Corruption: Accounting for the East Asian Paradox in Empirical Studies of Corruption, Growth and Investment". *World Development* 32 (6): 999–1017.

- Roman, Ronald M., Sefa Hayibor, and Bradley R. Agle. 1999. "The Relationship Between Social and Financial Performance: Repainting a Portrait". *Business and Society* 38 (1): 109–25.
- Rose-Ackerman, Susan. 1997. *Corruption: A Study in Political Economy*. San Diego, CA, USA: Academic Press.
- Rose-Ackerman, Susan. 2002. "'Grand' Corruption and the Ethics of Global Business". *Journal of Banking & Finance* 26 (9): 1889–1918.
- Sandel, Michael J. 2009. *Justice: What's the Right Thing to Do?* Farrar Straus Giroux.
- Smialek, Jeanna. 2020. "Trump Tried to Kill Anti-Bribery Rule He Deemed 'Unfair,' New Book Alleges". *The New York Times*, January 15. <https://www.nytimes.com/2020/01/15/business/economy/trump-bribery-law.html>.
- Spence, Lewis. 2017. *The Popul Vuh*. Pinnacle Press.
- Stefes, Christoph H. 2006. *Understanding Post-Soviet Transitions: Corruption, Collusion and Clientelism*. 2006th ed. Gordonsville, VA, USA: Palgrave Macmillan.
- Strunk, Thomas. 2016. *History After Liberty: Tacitus on Tyrants, Sycophants, and Republicans*. Ann Arbor, MI, USA: University of Michigan Press.
- Tanzi, Vito, and Hamid Davoodi. 1997. "Corruption, Public Investment, and Growth". <https://www.imf.org/external/pubs/ft/wp/wp97139.pdf>.
- Trautmann, Thomas R. 2016. *Arthashastra: The Science of Wealth*. New Delhi, India: Portfolio.
- Urbina, Dante A. 2020. "The Consequences of a Grabbing Hand: Five Selected Ways in Which Corruption Affects the Economy". *Economia (Pontificia Universidad Católica Del Peru. Departamento de Economía)* 43 (85): 65–88.
- Vahlne, Jan-Erik, and Jan Johanson. 2013. "The Uppsala Model on Evolution of the Multinational Business Enterprise—From Internalization to Coordination of Networks". *International Marketing Review* 30 (3): 189–210.
- Verbeke, Alain, M. Amin Zargarzadeh, and Oleksiy Osiyevskyy. 2014. "Internalization Theory, Entrepreneurship and International New Ventures". *Multinational Business Review* 22 (3): 246–69.
- Wang, Tangjia. 2014. "Is Confucianism a Source of Corruption in Chinese Society? A New Round of Debate in Mainland China". *Dao* 13 (1): 111–21.



# **Part III**

## **Philosophical Explanations for Political Action of the Organization**



# 17

## The Pathology of Corporate Power

Jeffrey Bone

[F]or your merchants were the magnates of the earth, and all nations were deceived by your sorcery. (Revelations 18:23)

Corporate structures of political power are immense. Witness the major digital platforms of Facebook, Amazon, Apple, and Google. In 2019, these companies collectively accounted for nearly 10% of the market value of all listed US stocks (Crandall, 2019, p. 627). These corporate empires are also uniquely set apart from other multinational enterprises in that they are multifaceted political agents capable of preventing further government oversight (Committee for the Study of Digital Platforms, 2019). What are we to make of the political power that these companies wield in modern society?

---

J. Bone (✉)

Haub School of Business, Saint Joseph's University, Philadelphia, PA, USA  
e-mail: [jbone@sju.edu](mailto:jbone@sju.edu)

Some biblical scholars have interpreted the opening quote from Revelations as an indictment of political and economic systems built on consumerism (Tuveson, 1968; Gin, 2012). To this end, some have drawn comparisons between America's current political and economic systems to "evil Babylon" as portrayed in Revelations (Pagels, 2012, p. 2). The corrosive effects of corporate hegemony are likely a contributing factor toward this viewpoint. In particular, the effects of titanic digital platforms such as Facebook, Amazon, Apple, and Google that are able to avoid governmental regulation that could rein in their colossal powers.

This chapter predicts a palpable and overriding decline of corporate power in the coming decade on account of new legislation. It draws upon the work of Francis Fukuyama who envisioned history as a progression from one socio-economic period to another (Fukuyama, 1989). Looking to the philosophies of Georg Wilhelm Friedrich Hegel and Karl Marx, Fukuyama argued that every system produces an *antithesis* which, after a struggle, evolves into a new *synthesis*. At which point the cycle would repeat.

In more simple terms, the progression starts with a problem, leading to a reaction, followed by a solution. Fukuyama persuasively argued that at the end of the Cold War the world was coalescing toward liberal democratic principles. In the same way, this chapter argues that significant social and economic turbulence caused by unchecked corporate power will eventually lead to the diminishment and breakup of the major digital platforms.

Primarily, this chapter questions the implications of what will occur if corporate power reaches an apex. Evidence of this is suggested by the landmark US Supreme Court case of *Citizens United* which held that the First Amendment prevents the government from restricting financial support for political communications by corporations (Citizens United, 2010). Factors such as these may lead to a tipping point where democratic institutions are threatened.

Some commentators have suggested that the increasing power in transnational businesses is creating private organizations that are beyond regulatory control by their home states (Korten, 2015, p. 19). In order to govern the extraterritorial activities of these institutions, novel international rules will have to be created as the world transitions away from the

post-Cold War Neoliberal order toward what has been called a “Geoeconomic Order” (Roberts et al., 2019, p. 655). In this new epoch, the concentration of private economic and political power may become a tyrannical force in world affairs (Luttwak, 1990). One scholar has even predicted a futuristic world where multinational firms align with transnational military alliances such as NATO to create a “supranational nexus” that rivals the power of any particular state which seeks to regulate them (McCoy, 2017, p. 254).

This chapter examines what may bring about a revolution against a dystopian corporatocracy. In doing so, it raises a hypothetical scenario in which Mark Zuckerberg of Facebook is elected President of the United States. This analytical framework is a provocative jumping-off point that explores the philosophical nature of corporate power and its potential demise. The primary contribution of the chapter is to demonstrate that multinational corporations must be further regulated in order to avoid the consequences of this imaginary future.

The chapter begins with a critique of the theory known as political corporate social responsibility (CSR). To date, this theory has failed to adequately consider the potential vulnerabilities to society that are created when transnational corporations exceed the scope of governmental control and regulation. In essence, multinational corporations may become more politically powerful than the government itself. It is important to review the existing literature on political CSR because it provides an incomplete picture of corporate power. It is hoped that the contribution of the ideas presented in this chapter address both the advantages and the hazards that are created by the systemic growth of corporate self-regulation in a globalized world.

## **The Limitations of Political Corporate Social Responsibility**

Practically speaking, corporations exercise political rights through “lobbying, party funding and other activities to influence the political process” (Matten et al., 2003, p. 117). However, there has been a pronounced shift in the political role of transnational firms along with

how they are perceived by the public and the governments which seek to regulate them. For instance, market failures and the negative side effects caused by global businesses have caused some to fundamentally rethink the capitalist system and its progeny, the profit-seeking corporation (Chomsky, 1999).

Some commentators have speculated that problems facing society, such as maintaining economic growth while fostering environmental sustainability, will challenge the legitimacy of capitalist corporations (Scherer et al., 2013). An innovative proposal put forward primarily by Scherer and Palazzo known as political CSR assumes that public and private actors are both responsible for promoting aspects of sustainable development (2007, 2011). Therefore, businesses are increasingly expected to take responsibility for issues of public concern (Scherer et al., 2014).

Scherer and Palazzo's framework for political CSR is based on Jurgen Habermas's theory of democracy (2007). According to their proposal, the global expansion of corporations is the driving force for political CSR (2007). They theorize that transnational corporations shape global regulation in various ways and often when "governmental authorities are unable or unwilling to do so" (Scherer et al., 2016, p. 274).

Scherer and Palazzo's theory attempts to democratize the use of corporate power, especially in the transnational context where the major digital platforms operate. Their conception of political CSR shifts the traditional perspective from stakeholder pressure to the role of the corporation in solving global environmental and social challenges (2007, p. 1108). In this way, corporations have a role in promoting social welfare and the public interest (Scherer, 2018, p. 401).

Scherer and Palazzo's work is not the only theory that describes corporations as having political responsibilities. Some commentators have argued that corporate political participation is not newly emerging phenomena. Looking to the nineteenth century in Europe and the early twentieth century in the United States suggests that corporations have historically played a political role (Djelic and Etchanchu, 2017).

Using the concept of corporate citizenship, some commentators argue that economic threats to the sovereignty of states resulting from expansive globalization have shifted the role of corporations into political

dimensions (Matten et al., 2003). This may include Aristotelian notions of citizenship such as the “right to participate in the public life of the state” (Eriksen and Weigard, 2000, p. 15). This theory of corporate citizenship is linked to the existence of individual states and legal systems. However, in the transnational space one commentator has described a “subpolitics” where businesses must respond to pressures imposed by international civil society actors with environmental and human rights agendas (Beck, 1997). These international civil society groups include Greenpeace and Amnesty International, among others. Some commentators have advocated for civil society actors to take on an active role in policymaking and to limit the participation of corporations in the process (Hussain and Moriarty, 2018).

While a transnational company may be accountable to civil society actors, this chapter argues that multinational corporations have effectively escaped the trappings of any particular jurisdiction or legal system. Theorist of political CSR such as Scherer and Palazzo has articulated the responsibilities of corporations when it comes to challenges such as sustainability; however, they fail to adequately consider the negative ramifications of corporate political power. In particular, when it comes to the major digital platforms, these ramifications are significant. For instance, Facebook, Amazon, Apple, and Google are all well financed and positioned in order to lobby politicians and regulators (Chen, 2019).

In some cases, their role as media outlets allows them to claim First Amendment protections which can prevent regulatory changes (Balkin, 2016). For example, these organizations increasingly control the means through which politicians reach their constituents (Committee for the Study of Digital Platforms, 2019). This connectivity allows them to directly engage users in challenging political initiatives that disadvantage them. On account of these political powers, corporations such as the major digital platforms are testing the idea that expansive government regulation is obsolete.

It has been suggested that further political CSR research is required in terms of reassessing the role of the state (Frynas and Stephens, 2015, p. 502). What political CSR theorists are missing is that there are corresponding privileges as well as obligations that are in play if a transnational business has escaped the control of governmental authority. One such

privilege is that multinational corporations may avoid the regulation of any particular jurisdiction. This is concerning because corporations may become politically dangerous if they cannot be controlled with state-based sanctions and oversight (Crouch, 2010; Lindblom, 1977). In their seminal paper, Jensen and Meckling argued that the theory of the firm relies on the “police powers of the state” in the enforcement of legal norms (1976, fn. 14). Accordingly, as the power of a state to regulate a firm diminishes, the theory of the firm needs to be changed and further developed (Scherer and Palazzo, 2011). As opposed to developing a new theory of the firm, this chapter envisions what may bring about a revolution against a world order dominated by corporations. First, the chapter examines the provocative works of Francis Fukuyama and Karl Marx as it relates to historical shifts in political systems.

## Corporations and the End of History?

In his article, “The End of History?” Francis Fukuyama draws upon the philosophies of Georg Wilhelm Friedrich Hegel and Karl Marx, who similarly defined history as a progression from one epoch to another (Fukuyama, 1989). Fukuyama was not questioning if history was really over. Instead, he argued that political structures create an *antithesis*, which leads to social unrest, and ultimately into a new *synthesis*. According to Fukuyama, this cycle repeats itself throughout history.

Some commentators have suggested that the conflict between capitalism and communism emerging from the aftermath of World War II unleashed certain cultural forces (Scherer et al., 2016, p. 277). These cultural forces included a shift toward ethnic nationalism, tribalization, and religious fundamentalism (Huntington, 1993; Ignatieff, 1995). Writing about the end of the Cold War, Fukuyama predicted a curtailment of these cultural forces by positing that the world was arriving at a new synthesis of western liberal democracy.

In a comparable fashion, Marx predicted that social unrest would lead to a revolution that concludes in a socialist utopia. It should be remembered that Marx believed socialism would only rise after the failures of

capitalism were revealed. Marx was commenting that the moral status of capitalism was exploitative and thus condemnable. In his critique, Marx tried to develop a science of history to explain how societies “arise, persist, and decline” (Reiman, 1991, p. 143). In the *Communist Manifesto*, Marx and Engels endorsed the revolution that would be required in order for post-capitalism to be replaced with communism: “The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries, unite!” (Marx and Engels, 1974, p. 98).

The arguments in this chapter do not go so far as Marx in predicting the end of the capitalist movement. Instead, it is proposed that excessive corporate power may lead to a regulatory confrontation to strip outsized corporations of their dominant positions using antitrust measures, among other legislative tools. This would target individual corporations as opposed to a broad attack on capitalist systems. In his writings, Marx did address the corporate form. He predicted that corporations, or joint-stock companies as they were known in his time, would lead to the overcoming of markets and ultimately capitalism (Singer, 2018, p. 47).

This chapter does not affirm Marx’s contention that capitalism will be brought down with the introduction of a new social order. However, Marx’s insight into the inexorable growth of corporate power in a capitalist system is a salient point. Marx is not the only one to call for action against the emergence of a corporatocracy. For instance, at the beginning of the twentieth century, US President Theodore Roosevelt asked Congress to curb the power of prodigious corporations, called in those days “trusts” (Roosevelt, 1901). His speech to Congress was delivered subsequent to the enactment of the *Sherman Antitrust Act* (1890) that was aimed at limiting the monopolistic power of large corporations through antitrust regulation.

It should be noted that corporations were not always powerful entities that required legal restrictions to keep them in check. Indeed, the corporation is a historic institution. The word *corporation* derives from *corpus*, the Latin word for body, or body of people. According to the English jurist William Blackstone, corporate forms were a Roman invention (Blackstone, 1803, p. 469). These institutions were used to apportion government leases among investors (known as *Publicans*) who became leaseholders of the government. The investments were typically used for



public infrastructure, building monuments, and raising armies for war (Goetzmann and Rouwenhorst, 2005, p. 32).

There are also prehistoric examples of organized commercial activity that resemble a corporate model as opposed to an individual merchant. Many basic commercial techniques developed as early as the Bronze Age and would later become practices used in Egypt and Persia (Hudson, 2004, p. 18). For instance, in the ancient Near East, there is evidence of profit-sharing agreements pertaining to trade, the leasing of lands and retail (Renger, 1994). During the seventh through fifth centuries BC, powerful Babylonian families utilized the *tamkarum* to employ “novel commercial strategies to manage estates and provision the palace and its armed forces” (Hudson, 2010, p. 9).

Elsewhere, quasi-corporate structures were used in China during the Tang dynasty (618–907 A.D.) and the Song dynasty (960–1279 A.D.). The Tang dynasty saw the development of the *ho-pen*, that was made up of a partner responsible for conducting the business along with passive partners who were merely investors. During the Song dynasty, the *ho-pen* expanded into the *douniu*, which contained several shareholders as we would know them today. Management of these businesses were conducted by *ching-shang*, which resembled a proto-board of directors (Carlen, 2013, pp. 110–113).

The medieval Muslim world also exercised influence on the development of corporate-like entities. A *Muqaradas* was a legal structure of flexible trading partnerships under Islamic law (Micklethwait and Wooldridge, 2003, p. 4). Around the same period, the Italians created corporate structures for the purpose of lending during the Renaissance. The Italian *compagnia* is a compound of two Latin words (*cum* and *panis*) meaning, “breaking bread together” (Micklethwait and Wooldridge, 2003, p. 8). These organizations were used to insulate against the effect of usury, a form of lending at high interest rates which was thought to be immoral. Christians condemned this practice, however, carefully used the legal intricacies of the *compagnia* to avoid it (Ferguson, 2008, p. 44 and 71).

Despite the prevalence of corporate entities used throughout history around the world, these inventive structures were not considered anything more than economic organizations that remained relatively

small in scale. This all changed with the emergence of joint-stock companies and royal chartered companies in Europe during the seventeenth and eighteenth centuries. A joint-stock company was an unincorporated association organized through a deed of settlement. Trustees own the stock and hold it for its members. Technically, there is a difference between joint-stock companies and the more rare form of corporations that required royal charters (Blumberg, 1993, pp. 14–15). Examples of these chartered corporations include the East India Company, the New England Company, and the Hudson's Bay Company, which founded in 1670 is still in operation today (Micklethwait and Wooldridge, 2003, p. 17). Often these corporations had exclusive trading rights in specific parts of the world.

In 1720, an event occurred that shattered public confidence in the joint-stock company enterprise. At the time, the South Sea Company was a British joint-stock company that was granted a monopoly to trade with South America. When the company was created, Britain was involved in the War of the Spanish Succession and Spain controlled South America. However, there was no practical foreseeability that trade would take place between South America and the company never realized any profit. Despite this, the stock in the company rose vastly in price before collapsing. The economic bubble became known as the South Sea Bubble. As a result, all British joint-stock companies had to convert to chartered corporations by obtaining the consent of parliament to continue operations (Micklethwait and Wooldridge, 2003, p. 40). Today, chartered corporations do not require government consent to operate and can be generated at will by its owners, the modern-day shareholder.

A few decades after the South Sea Bubble, British Lord Chancellor Edward Thurlow stated: "Corporations have neither bodies to be punished, nor souls to be condemned, they therefore do as they like" (Sampson, 1995, p. 17). These are the corporations that were critiqued by Marx as inevitably growing in dominance and power. Marx believed that ultimately corporations would lead late-stage capitalism to an epic struggle ending with a socialist revolution. The proposition put forward in this chapter is not that Marx was correct in predicting the end of capitalism. Rather, that the primary institutions of capitalism, profit-seeking corporations, will reach a point of economic tyranny that leads

to a populist revolt against their influence and power. This will usher in new reforms against large-scale companies including the digital platforms of Facebook, Amazon, Apple, and Google. These reforms will likely be in the areas of antitrust, privacy, data-use restriction, and consumer protection laws.

In sum, the corporate structures that existed prior to the seventeenth century do not resemble the major digital platforms of today in terms of scope and power. This chapter suggests that Facebook, Amazon, Apple, and Google will at some point preside over such wide-reaching economic spheres of influence, that the public, politicians, and regulators will demand corporate political powers be collapsed. Next is a hypothetical scenario to demonstrate how the powers of the major digital platforms may reach a tipping point where they threaten democratic institutions.

As Fukuyama and Marx before him posited, every system eventually reaches a crisis, followed by a solution. The main argument of this chapter is that corporate power will overwhelm the masses and lead to the tightening of economic regulation leading to the end of the politically powerful corporation.

## **An Imagined World**

This chapter examines some theoretical issues concerning the role of corporations and political power. In particular, it explores the nature of historical change and imagines how a great shift may occur leading to a revolution against a corporatocracy in the United States.

In doing so, the chapter raises a hypothetical scenario: in 2024, the chief executive officer and controlling shareholder of Facebook, Mark Zuckerberg, is elected President of the United States along with Vice President Nikki Haley, former governor of South Carolina. Under this scenario, President Zuckerberg carries out an agenda to weaken and essentially disband federal privacy laws and antitrust regulation. President Zuckerberg stands to gain personally from these changes as he has retained control of his investment in Facebook even though he is in the White House. The American public and Congress have learned to

tolerate such conflicts of interest given they were rampant during the Trump administration.

In 2022, Facebook partners with Apple to create a free phone service. Under the free service plan, when customers buy Apple iPhones all external functions are locked down as only Facebook and Apple products can be utilized on the phones. In order to incentive customers to utilize the plan, the phone service and data is completely free. However, customers must agree to a “Terms of Use” policy that stipulates that all personal information and data accumulated on the iPhone is the property of Facebook and Apple. The expectation is that millions of people will decide the trade-offs are worth the free service.

The free service plan is put on hold through a federal district court injunction filed by the US Department of Justice. The injunction is upheld by the courts because Facebook and Apple’s free service plan amounts to a potential violation of federal antitrust laws. The Department of Justice successfully argues in federal court that they need 14 months to study the proposed free service plan before taking further action. This maneuver by the federal government is what causes Zuckerberg to run for the presidency on a pro-business agenda. Zuckerberg’s message to American voters is simple: “Our organizations want to give you free phone service and data, and the current administration will not give it to you... Is that freedom?” This is a popular message that sways voters to elect Zuckerberg on the Republican ticket over his Democratic Party rival in a landslide victory.

At the time of the election, Zuckerberg and Apple appeal the federal court injunction before the US Supreme Court. However, Zuckerberg’s first act in office is to work with Congress in disbanding privacy laws and antitrust regulation that are preventing the free service plan from coming into operation. Congress goes along with these regulatory changes as President Zuckerberg ran on this agenda and was soundly elected. Further, both the House of Representatives and the Senate are controlled by Republicans.

These legal modifications brought about by President Zuckerberg and Congress allow Facebook and Apple to monetize personal information about their customers and sell it wholesale to Amazon. Amazon desires this information because of its new service, Amazon Health Inc. This

division of the company essentially is a health provider that, for a healthy individual, typically costs half of a traditional health insurance plan in the United States. The costs are significantly reduced for healthy individuals because with the information collected from the iPhones, Amazon is able to gather probing health information on individual users. This information allows Amazon Health to determine a rate of coverage based on the person's habits and lifestyle. This is without even discussing or requesting such information from the user. If Amazon Health deems that an individual leads an unhealthy lifestyle, they are charged a greater premium or even denied coverage.

The health data collected on users of the free phone service is shockingly accurate. As one indicator, vigorous movement of the phone is a telling pattern on whether the person exercises regularly. Further, by 2022 most individuals in the United States process payments over their phone as opposed to by credit card. So, it is clear to Apple and Facebook how often individuals eat at fast-food restaurants, purchase tobacco products and alcoholic beverages, or otherwise lead an unhealthy lifestyle. Google also begins selling the privacy data of its users to Amazon Health which is lucrative given Google's algorithms become incredibly reliable predictors of the identity of an individual that uses its search function. These search profiles are also telling indicators of a person's lifestyle and habits.

Civil society groups begin to raise alarms at these moves by the major digital platforms and argue these companies are destroying citizens' civil rights and privacy protections. Moreover, the erosion of antitrust laws proves to be ruinous to consumers as they lead to larger and larger businesses that dramatically push out smaller competitors. The surviving businesses are now firmly in a position to take advantage of their monopoly power by charging much more for goods and services of all kinds because they do not face any meaningful competition in the market.

Economic forces, such as the exploitation of consumers, work to produce an *antithesis* and the formation of the structural conditions for a revolutionary situation (Femia, 1975, p. 29). In a Marx-style movement, thousands of protestors in all major US cities begin violently rioting

against the federal government as they demand regulations to protect consumers.

A wave of anger directed at President Zuckerberg sweeps across the United States on account of his disastrous policies. During the midterm elections in 2026, the Republicans lose control of Congress. Newly elected Democrats in Congress start impeachment proceedings against President Zuckerberg. Given the strong public and political support for impeachment, Zuckerberg ultimately resigns allowing for Vice President Nikki Haley to become President of the United States. To calm the nation, President Haley gives in to the demands of the Democrats in Congress by appointing Senator Elizabeth Warren as the new Secretary of Commerce. Secretary Warren works with Congress to enact a revival of the provisions in Warren's 2018 *Accountable Capitalism Act* that failed to pass into law at that time.

This new law requires that for all companies with revenue over \$1-billion, 40% of its board of directors must be elected by the employees. Further, 75% of shareholders and directors must approve any political spending by the corporation. Finally, the law contains what is known as a federal *constituency statute* that places on the directors of these companies a legal duty to create general public benefits. These benefits must go beyond shareholder profit and serve the interests of employees and the environment, among other outside stakeholders.

Secretary Warren also oversees the reintroduction of the US antitrust provisions previously enforced before their repeal under the leadership of President Zuckerberg. The bill reintroducing these provisions is titled the *Prevention of Corporate Power Act*. This new law embraces what has been called a "Brandeisian" approach to antitrust regulation (Crane, 2014, p. 835). This theory of antitrust regulation is named after former activist US Supreme Court Associate Justice Louis Brandeis who was an early proponent against what he called the corporate "curse of bigness" (Brandeis, 1934).

Central to the Brandeisian model is the understanding that excessive control in a marketplace creates a threat to the common good and to democratic institutions (Kahn, 2017, p. 742). Essentially, the theory focuses on whether a business has accumulated significant political power that requires intervention by courts and regulators. If so, the business

must be broken up and divided in a similar fashion to the *trust busting* carried out by US President Theodore Roosevelt. In the early twentieth century, President Roosevelt was responsible for breaking up both the largest railroad monopoly at the time and Rockefeller's Standard Oil through muscular use of the *Sherman Antitrust Act* (Ruddy, 2016). Recently, the Brandeisian model has enjoyed surprising momentum in academic and public discourse as anger grows toward what is considered a "rigged economy" (Dayen, 2020, p. 292).

Back to the hypothetical, other laws are also tightened aimed at privacy, data-use restriction, and consumer protection. These new laws introduced by the Haley administration produce the intended impact of breaking up and dramatically reducing the powers of companies such as Facebook, Amazon, Apple and Google. Further, if given the opportunity, President Haley commits to nominating as the next Supreme Court justice an individual who adamantly disagrees with the legal findings of the 2010 *Citizens United* decision. If the *Citizens United* ruling is overturned, it will prevent corporations from exercising First Amendment rights to financially support political groups without monetary limits.

In sum, in language similar to that expressed by Hegel, Marx, and Fukuyama, corporate power at its extreme produces an *antithesis* which, after social and political unrest, evolves into a new *synthesis*. Fukuyama was arguing that at the end of the Cold War the world was moving forcefully toward a liberal democratic vision. Similarly, this chapter has proposed that corporate power is reaching a summit, which will ultimately unwind and lead to significant regulation that will breakup large-scale corporations, including the major digital platforms.

## Conclusion

Corporations today occupy social positions "equivalent to the prominent posts held in other eras by the church, nobility, the army, even the feudal lords" (French, 1984, p. ix). In particular, the major digital platforms of Facebook, Amazon, Apple, and Google are uniquely set apart from other

transnational businesses in that they are suave political agents capable of preventing further government regulation.

The hypothetical presented in this chapter envisions a grand theater of corporate power. However, the purpose of the hypothetical is not to engage in a hyperbolic exercise. Legal precedent such as the case of *Citizens United* is troubling and may lead to the concentration of corporate political power in the hands of few. As such, the predictions set out in the hypothetical on the concentration of momentous corporate power is already occurring given the profuse lobbying and weighty market value of the major digital platforms (Crandall, 2019).

Moreover, this chapter illustrates that the theory of political CSR provides an incomplete picture concerning the political dimensions of the corporate form. While its theorists highlight the obligations on transnational businesses such as bestowing a role in solving global environmental and social challenges, these theorists fail to account for the privileges that are also accorded to transnational corporations. One such privilege is that multinational firms effectively escape the control of any particular governmental authority and can carry on profit-making activities without fear of sanction. This is a very serious concern as transnational businesses may become dangerous to the preservation of the environment and human rights if they become unbounded from any state-based legal system. If this came to fruition, these firms may act in the interest of increasing profits and to amass political power at the expense of other stakeholder interests.

Today, corporate structures are the supreme powers. A capitalist corporation is a potent apparatus of wealth generation, a nexus of data, and both a funder and facilitator of political maneuvering. Simply put, corporations have already taken their position as brokers of power on the world stage. This chapter argues that extractive capitalism in the United States is on a course toward the scenario set out in the hypothetical where large-scale companies will be broken up and the remnants tightly regulated. It is not too late to correct course and begin the strict regulation of corporate power by the federal government in our current time.



## References

- Balkin, J. (2016) Information Fiduciaries and the First Amendment. *University of California Davis Law Review*, 49, 1183–1234.
- Beck, U. (1997) Subpolitics: Ecology and the Disintegration of Institutional Power. *Organization & Environment*, 10(1), 52–65.
- Blackstone, W. (1803) *Blackstone's Commentaries: With Notes of Reference, to the Constitution and Laws, of the Federal Government of the United States; and of the Commonwealth of Virginia*. Philadelphia: William Young Birch and Abraham Small.
- Blumberg, P.I. (1993) *The Multinational Challenge to Corporation Law: The Search for a New Corporate Personality*. Oxford: Oxford University Press.
- Brandeis, L.D. (1934) *The Curse of Bigness: Miscellaneous Papers of Louis D. Brandeis*. O. Fraenkel (ed). New York: Viking Press.
- Carlen, J. (2013) *A Brief History of Entrepreneurship: The Pioneers, Profiteers, and Racketeers Who Shaped Our World*. New York: Columbia University Press.
- Chen, A. (2019) In the Private Interest? Business Influence and American Democracy. In F. Lee and N. McCarty (eds), *Can American Govern Itself?* 15–44. New York: Cambridge University Press.
- Chomsky, N. (1999) *Profit over People: Neoliberalism and Global Order*. New York: Seven Stories Press.
- Citizens United v. Federal Election Commission, 558 U.S. 310 (2010).
- Committee for the Study of Digital Platforms: Politics Subcommittee, <https://research.chicagobooth.edu/-/media/research/stigler/pdfs/politics---report.pdf>, 5 (2019).
- Crandall, R. (2019) The Dubious Antitrust Argument for Breaking Up the Internet Giants. *Review of Industrial Organization*, 54, 627–649.
- Crane, D.A. (2014) The Tempting of Antitrust: Robert Bork and the Goals of Antitrust Policy. *Antitrust Law Journal*, 79, 835–853.
- Crouch, C. (2010) The Global Firm: The Problem of the Giant Firm in Democratic Capitalism. In D. Coen, W. Grant and G. Wilson (eds), *The Oxford Handbook of Business and Government*: 148–172. New York: Oxford University Press.
- Dayen, D. (2020) *Monopolized: Life in the Age of Corporate Power*. New York: The New Press.
- Djelic, M.L. and H. Etchanchu (2017) Contextualizing Corporate Political Responsibilities: Neoliberal CSR in Historical Perspective. *Journal of Business Ethics*, 142, 641–661.

- Eriksen, E. and J. Weigard (2000) The End of Citizenship? In C. McKinnon and I. Hampsher-Monk (eds), *The Demands of Citizenship*: 13–24. London: Continuum.
- Femia, J. (1975) Hegemony and Consciousness in the Thought of Antonio Gramsci. *Political Studies*, 27(1), 29–48.
- Ferguson, N. (2008) *The Ascent of Money*. New York: Penguin Press.
- Fukuyama, F. (1989) The End of History. *The National Interest*, 16, 3–18.
- French, P. (1984) *Collective and Corporate Responsibility*. New York: Columbia University Press.
- Frynas, J.G. and S. Stephens (2015) Political Corporate Social Responsibility: Reviewing Theories and Setting New Agendas. *International Journal of Management Reviews*, 17, 483–509.
- Gin, K. (2012) *Damned Nation: The Concept of Hell in American Life, 1775–1865*. New York: Oxford University Press.
- Goetzmann, W. and K.G. Rouwenhorst (2005) *The Origins of Value: The Financial Innovations that Created Modern Capital Markets*. Oxford: Oxford University Press.
- Hudson, M. (2004) Introduction: The Role of Accounting in Civilization's Economic Takeoff. In M. Hudson and C. Wunsch (eds), *Creating Economic Order: Record-Keeping, Standardization, and the Development of Accounting in the Ancient Near East*: 1–22. Bethesda, MD: CDL Press.
- Hudson, M. (2010) Entrepreneurs: From the Near Eastern Takeoff to the Roman Collapse. In D. Landes, J. Mokyr and W. Baumol (eds), *The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times*: 8–39. Princeton, NJ: Princeton University Press.
- Huntington, S.P. (1993) The Clash of Civilizations. *Foreign Affairs*, 72, 22–49.
- Hussain, W. and J. Moriarty (2018) Accountable to Whom? Rethinking the Role of Corporations in Political CSR. *Journal of Business Ethics*, 149, 519–534.
- Ignatieff, M.A. (1995) *Blood and Belonging: Journeys into the New Nationalism*. New York: Farrar, Straus and Giroux.
- Jensen, M.C. and W.H. Meckling (1976) Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3, 305–360.
- Kahn, L. (2017) Amazon's Antitrust Paradox. *Yale Law Journal*, 126, 710–805.
- Korten, D.C. (2015) *When Corporations Rule the World*, 3rd edition. San Francisco: Berret-Koehler.
- Lindblom, C. (1977) *Politics and Markets: The World's Political-Economic Systems*. New York: Basic Books.

- Luttwak, E. (1990) From Geopolitics to Geo-economics. *The National Interest*, 20, 17–23.
- Marx, K. and F. Engels (1974) Political Writings. In David Fernbach (ed), *Vol. 1 The Revolutions of 1848*. New York: Random House/Vintage Books.
- Matten, D., A. Crane and W. Chapple (2003) Behind the Mask: Revealing the True Face of Corporate Citizenship. *Journal of Business Ethics*, 45, 109–120.
- McCoy, A. (2017) *In the Shadows of the American Century: The Rise and Decline of US Power*. Chicago: Haymarket Books.
- Micklethwait, J. and A. Wooldridge (2003) *The Company: A Short History of a Revolutionary Idea*. Toronto: Random House.
- Pagels, E. (2012) *Revelations: Vision, Prophecy, & Politics in the Book of Revelations*. New York: Viking Penguin.
- Reiman, J. (1991) Moral Philosophy: The Critique of Capitalism and the Problem of Ideology. In T. Carver (ed), *The Cambridge Companion to Marx*: 143–167. Cambridge: Cambridge University Press.
- Renger, J. (1994) On Economic Structures in Ancient Mesopotamia. *Orientalia*, 63, 157–208.
- Roberts, A., H.C. Moraes and V. Ferguson (2019) Toward a Geoeconomic Order. *Journal of International Economic Law*, 22, 655–676.
- Roosevelt, T. (1901) First Annual Message to Congress, December 3, 1901 [unpublished] online: Miller Center of Public Affairs, University of Virginia. <https://millercenter.org/the-presidency/presidential-speeches/december-3-1901-first-annual-message>.
- Ruddy, D. (2016) *Theodore the Great: Conservative Crusader*. Washington, DC: Regnery History.
- Sampson, A. (1995) *Company Man: The Rise and Fall of Corporate Life*. New York: Times Business.
- Scherer, A.G. (2018) Theory Assessment and Agenda Setting in Political CSR: A Critical Theory Perspective. *International Journal of Management Reviews*, 20(2), 387–410.
- Scherer, A.G. and G. Palazzo (2007) Toward a Political Conception of Corporate Responsibility: Business and Society Seen from a Habermasian Perspective. *Academy of Management Review*, 32, 1096–1120.
- Scherer, A.G. and G. Palazzo (2011) The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and Its Implications for the Firm, Governance, and Democracy. *Journal of Management Studies*, 48, 899–931.

- Scherer, A.G., G. Palazzo and D. Matten (2014) The Business Firm as a Political Actor: A New Theory of the Firm for a Globalized World. *Business & Society*, 53(2), 143–156.
- Scherer, A.G., G. Palazzo and D. Seidl (2013) Managing Legitimacy in Complex and Heterogeneous Environments: Sustainable Development in a Globalized World. *Journal of Management Studies*, 50(2), 259–284.
- Scherer, A.G., A. Rasche, G. Palazzo and A. Spicer (2016) Managing for Political Corporate Social Responsibility: New Challenges and Directions for PCSR 2.0. *Journal of Management Studies*, 53(3), 273–298.
- Singer, A. (2018) *The Form of the Firm: A Normative Political Theory of the Corporation*. New York: Oxford University Press.
- Tuveson, E. (1968) *Redeemer Nation: The Idea of America's Millennial Role*. Chicago: University of Chicago Press.



# 18

## Organizing Resistance: DiY as Ethical and Political Praxis

Luigi Maria Sicca, Maria Auriemma,  
and Domenico Napolitano

The limits defined by genre, identity, niches and scenes...all of these concepts take form and consolidate with strategic solemnity, specific to their respective contexts, creating new and ever more numerous and

---

L. M. Sicca (✉)

Business Organization and HR Management, University of Naples  
Federico II and Scuola Superiore Meridionale, Naples, Italy  
e-mail: [lumsicca@unina.it](mailto:lumsicca@unina.it)

M. Auriemma

Literary, Linguistic and Comparative Studies, University of  
Naples L'Orientale, Naples, Italy

D. Napolitano

Business Organization and HR Management, Scuola Superiore Meridionale,  
Naples, Italy

unique roles for consumers; they define tasks and interests, create boundaries of inclusion, and allow a kind of participation which excludes needs and urgencies: everyone gets her/his/\* favorite dish, and discussion is allowed only between colleagues. (excerpt, interview #2, GC, 18 May 2018)

## DiY: A Foreword, with Some Philosophical and Political Background

Our goal in this chapter is to examine the *DiY* (*Do it Yourself*) movement's organizational philosophy, with particular focus on the concept of *independence*. Beginning with an examination of organizational practices in two DiY events, we will illustrate the importance of independence in developing organizational practices which are materialist, immanent, and ethical.

DiY is a political and philosophical movement which has been applied in a vast array of contexts, including political activism (Wall 1999), philosophy (Bakunin 1989; Proudhon 1994; Bookchin 1995; Chomsky 1999), economics of mutual aid (Kropotkin 1902), cooperative projects, resisting commodification of art (Adorno 1982), and use of digital and communication technologies (Di Scipio 2013; Ippolita 2014). DiY as a practice was born from the confluence of British rave culture (youth movements which organized illegal parties in the 1980s and 1990s) with a series of protest movements which shared an anti-authoritarian bent in struggles for social justice. But the movement's theoretical root structure reaches deep into the European philosophical tradition of anarchy and Italian, French, and German conceptions of autonomy (Negri 1976, 1977, 2005; Tronti 1977, 2019 [1966]; Lotringer and Mrazzini 1980; Castoriadis 1988; 1997; Geronimo 2012 [1990]).

DiY's most prominent trait is the overarching importance of *independence*, manifested in the movement's reliance on *self-production* and widespread refusal to participate in the market dynamics of the 'culture industry' (Adorno and Horkheimer 2002). Of nearly equal importance is the preservation of absolute material, spiritual and expressive autonomy. DiY is undoubtedly a niche, and it has seen its greatest

success in underground and counterculture movements. These movements reject the hegemonic conception of art as a job, and of artworks as ‘objects’ (Gramsci 2011; Bourdieu 1996), and are strongly critical of show-business and mass-production, ideas which first gained prominence during the rise of *punk* culture (McKay 1996, 1998; Glasper 2006).

DiY entertains a peculiar relation with organizing (Reedy 2014; Land and King 2014; Ferretti 2016), and is beginning to receive wider attention from scholars of organization. In particular, DiY organization occupies a curious ethical position: on one side it emphasizes the importance of personal relations and volunteerism, encouraging self-organization and self-production, with a predilection for direct action (Wall 1999; Duncombe 2002). While these behaviors are generally approved of by mainstream society, it also affirms the need for political activism which results in practices of resistance, non-professionalism and counterproductive work behaviors, generally considered in contrast with common sense (Gramsci 2011).

These aspects are clearly evident in artistic events organized according to DiY practices, which often share a critical attitude toward established practices, resulting in a preference for non-institutional and non-traditional spaces and methods. Here, personal relations and interactions are of central importance, both in the organization of the events and in the artistic expression itself. Consequently, the resulting ‘object’ or artwork is considered less important than the processes which generated it. There is no profit motive—subsistence is considered sufficient, and self-financing is commonplace. These factors are reflected in radical lifestyle choices made by proponents, which allow them to maintain strong autonomy in all areas of their lives, at the cost of exposing themselves to the risk of self-marginalization.

In this chapter, we will perform a detailed analysis of organizational aspects of DiY culture in its artistic declination, through participant observation (Kunda 1992) of the activity of a group of artists based in Naples. After briefly summarizing the research methods employed (sect. “[Research Methods](#)”), we will describe the two festivals under study: *Alterra!* and *Weird Bu(a)rn Dance* (sects. “[The Naples Experience](#)”, and [A Critical Look at the Empirical Data](#)). Based on our participant observation of the two events, we will discuss the implications that such radical

‘independence’ has for organizational ethics. We argue that, due to DiY’s reliance on methods derived from anarchy, true independence allows no separation between theory and practice, manifesting instead as an immanent thought (sect. [DiY: Independence and Anarchy](#)). The central role of personal relationships within DiY manifests in the movement’s focus on resistance, together with the push to create heterotopia (sect. *DiY and Heterotopia*). In conclusion (sect. [Toward Open Ethics: Organizing Without Organization](#)), we argue that this concept of independence consists of the immanent expression of ethical ideas of organizing, based on concepts found in the writings of Spinoza (1985), Deleuze (1988) and Latour (1986). We have chosen to utilize the concept of ‘organizing’ and not ‘organization’, referring to the idea of ‘organizing without organization’ suggested by Czarniawska (2014).

## Research Methods

This section describes an ethnographic research project documenting the DiY organizational practices of a group of artists based in Naples. The research was performed by two of the three authors of this article, employing the method of participant observation (Becker and Geer 1957; Atkinson and Hammersley 1994) as well as a series of in-depth interviews with the artists.

From 2008 to 2019, we followed a group of artists comprised of M. Gabola, Sec\_, F. Gregoretti, A. Saggiomo, M. Argenziano, T. Salvati, G. Cavalieri, G. Pellegrini, and M.DellaMorte. During this period, the artists organized two festivals: *Alterra!* (2008–2013) and *Weird Bu(a)rn Dance* (WBD) (2012–2019). We participated in all facets of planning and preparation, including numerous meetings and the search for appropriate spaces in which to host the events. We also assisted in the practical operations necessary (borrowing and moving amplification systems, cleaning and preparing the spaces, cooking, hosting visiting artists, etc.).

In the first phase of research, the artist-organizers were not informed of our intention to research the experience. We preferred to blend in with the rest of the staff in order to get ‘fly on the wall’ access (Wittgenstein



1953; Kunda 1992). This would allow us to experience the organization *hic et nunc*, reconfiguring our own experiences according to the 'knowledge of the members' (Garfinkel and Wieder 1992). As we began the second phase, the interviews required us to reveal our research activities. This revelation was well-received by the group, and we were able to continue our activity as participant observers. In fact, the artists we interviewed showed interest in our research and were quite happy to collaborate.

The interviews were semi-structured but open-ended, and we were free to explore issues emerging during the conversation. Initial interviews helped us to become familiar with the shared concepts, language, culture, knowledge, symbols, plans, and tacit implications circulating in the reference community, allowing us to identify a number of aspects which the community took for granted, but which were necessary for our research. Information proffered by the early interviewees made it possible to gradually select and refine a set of questions and critical points meriting further discussion. In keeping with ethnographic fieldwork praxis, successive interviews served to clarify the way in which members of the community related to philosophical concepts inherent to DiY.

After completing our fieldwork, we examined interviews and notes in light of the philosophical works referenced by the interview subjects. Combining this with our own research into the history and concepts central to the DiY movement offered new conceptual tools with which to interpret the results of the fieldwork and interviews (Kunda 1992). This process of 'reflexive triangulation' (Cardano 2003: 79) served to redefine (and in some cases eliminate) the 'sensitizing concepts' (Blumer 1969) which had initially inspired the research itself.

Specifically, it revealed the error inherent in our original intent to examine philosophical theory and practical organization as two separate fields. Thus, instead of attempting to compare theory and practice in DiY, the goal became that of understanding how the actions undertaken in DiY practices were, in themselves, philosophical gestures. The concept of 'independence' was suggested to us by the artists, and expanding our own definition of the term beyond what the artists themselves had intended offered the key to reconceptualize our own experience.

Adopting anarchy's conception of independence while borrowing some reflections from post-structuralist thought, we arrived at a philosophical approach which sees *theoresis* and *praxis* as inseparable (Adler and Borys 1993). This interpretation leads to a reflection on the ethics of organizing.

## The Naples Experience

I think the crucial aspect of DiY is the way it attempts to subvert cultural consumerism without resorting to a head-in-the sand utopia in which money has no role. Instead, we are trying to build awareness of the impact that economic contributions will have in creating a sustainable model which allows activities to continue in each specific context. (excerpt, interview #3, Sec\_, 20 February 2019)

### Altera! Pratiche non Convenzionali

*Altera! Pratiche non convenzionali* is a festival founded in 2008 and held each year until 2013, initially in the outskirts of Naples, and then in the city itself. It gathered the support of numerous musicians, performers and artists who, despite differing backgrounds and artistic preferences, chose live performance as their principal field of research and experimentation.

During the interviews granted to us after we had revealed our role as researchers, the artists discussed the conditions which contributed to the birth of *Altera!*:

According to Sec\_, *Altera!* 'was born out of a need to share spaces, languages and passions, while developing deeper relationships than were possible in more traditional, institutional contexts [...] *Altera!* was also a space in which to meet musicians and develop an audience for new languages and practices, while discussing possible futures and the ethical and political content that these practices implied' (excerpt, interview #3, Sec\_, 20 February 2019).

M. Gabola, who came up with the concept of the festival in the first place, says that *Alterra!* ‘was a way to give a name to a series of events, share spaces and meet people. It was a way to put ourselves out there and try out new approaches which combined socializing, music and fun’ (excerpt, interview #1, MG, 15 January 2018).

It’s worth noting that the experimental, mobile, and unstable organizational form was a deliberate choice made by the artist-organizers, integral to—and inseparable from—their idea of experimentation.

The organizational methods of the festival depended entirely and directly on the group of artists who had conceived it. They went in person to pitch their ideas to the owners of the spaces they wanted to use, later picking dates and agreeing on artist fees (usually just enough to cover travel expenses). When it was impossible to reimburse visiting artists with drink sales, they asked for donations from the audience. Visiting artists, regardless of prestige, were not offered paid accommodation, but were hosted directly by the organizing artists or their friends. Food was prepared and shared by the organizers, often holding lunch parties to share expenses and create opportunities for socializing. If the musicians or performers didn’t have their own cars, the organizers would ask friends to offer rides or lend out their cars to move artists between train stations and airports, sleeping quarters, and performance venues. During festival events, there was always a merch table selling self-produced records by members of *Alterra!* and other artists from previous years (any income was given back to the artists). This kind of self-financing was necessary in order to remain autonomous and independent from the cultural financing methods common to other events, a choice that M. Gabola underlined during our interview:

[...] we tried to find ways to maintain financial autonomy to avoid having to depend on any one person or entity [...] we wanted to avoid being too attached to any specific source of funds. [...] I recall that, at the time, counterculture and underground movements were seen as contributing to some nasty processes, such as globalization and runaway gentrification. (interview #1, MG, 15 January 2018)

Thus, a combination of factors allowed the artists (both those presenting and those organizing) to identify and choose one another, building relationships based on a perceived common intent or approach, while at the same time discovering and experimenting with new strategies and approaches to their own chosen field and specific language.

April 2008, in the cold, gray city of Avellino, we find Black House Blues, a small club on the outskirts of the city which would host the performances of *A Spirale* and *Jealousy Party*. In the dark and claustrophobic atmosphere of the club, listeners find themselves sucked into a whirlwind sonic assault with no clear organization or direction. Artist Mat Pogo reads from a handful of loose sheets on a music stand, his body contracting with every word. The audience is shocked, unsure of what to make of the performance.

April 2010: Il Perditempo is an iconic club, an epicenter of experimental performance, music, and literature in Naples. Tonight's performer steps onstage with a sort of homemade double bass, built from a lightning rod and electrified to produce long, grating, distorted sounds. Yann Keller, wearing a woman's dress, performs with his lightning-rod bass in the tiny bar, surrounded by casual drinkers, there by chance, mixed with listeners who had come for the festival.

April 2011, again at Il Perditempo, Swiss artists Dave Phillips e Francisco Meirino arrive for their Italian debut. Their performance is so loud that some audience members suffer vertigo, while several residents of the building come outside to check that everything is alright. Two days later, Phillips makes a second appearance, this time sharing the stage with Aspec(t)—a duo project consisting of M. Gabola and Sec\_. This time Phillips performs with a series of contact microphones, electronic devices and his voice, accompanied by videos of animals being butchered, again at Black House Blues in Avellino. They are greeted by unexpected enthusiasm from the shocked audience. A few days later, another highly respected composer of *musique concrète* and experimental video, Jérôme Noetinger, performs in duo with young composer Sec\_. The performance is executed using open reel tape decks in a tiny room above Oblomova, a shop selling LPs and clothing in Naples' Via San Sebastiano. It's impossible to fit the entire audience into the tiny room, and many listen from the adjacent room, or from the ground floor.

March 2012. Following complex negotiations, fundraising, and logistical battles, Swiss artist Andy Guhl arrives. Guhl is a founding member of the group Voice Crack and inventor of *cracked everyday electronics* (which employs everyday objects for sound production) and *hardware hacking* audio/video. By modifying or manipulating everyday objects (LED bike lights, battery operated toys and electric blenders and more), Guhl shatters the line dividing household objects from musical instruments by focusing our attention on their sonic characteristics. Guhl's presence is particularly important because his work focuses attention on *the physical object* and the manipulation necessary to produce sound in a performance which allows the audience to *see* what it is hearing. Guhl's work is enthusiastically received, especially by Naples' underground musical community and the artists organizing *Alterra!*. As A. Saggiomo explained during our interview:

That performance inspired many of us to try constructing our own instruments. Besides saving money, this guaranteed unique results impossible to achieve with industrially produced instruments. It also encouraged us to learn new technical skills, allowing us to expand our autonomous production on an even broader scale. (excerpt, interview #4, AS, 3 March 2019)

As the interviews made clear, the final objective of the artist-organizers was to develop greater independence, both in expressive content and in the means of production. This meant assuming control and responsibility for every phase of production and organization, from infrastructure to the acquisition of materials, logistics, communication, and economic sustainability (Bertoncini, 2003; Di Scipio, 2012; Sicca, 2000; Diana et al., 2017; Mallozzi and Tortora, 2017).

2013 would be the event's final year. The flyer contains the following statement:

Born out of a community of listeners and creators of experimental music, this informal and unregulated collective has evolved into a virtual sandbox for new artistic practices, from the study and application of methods of autonomous production to critical exploration of artistic languages in their most contemporary forms. With the goal of shattering a model

which sees art and culture as consumable products, this year ALTERA! redefines itself as a space in which to question established relationships. We wish to encourage critical examination of problems such as our relationship to technology, the concept of objects as means, questioning contemporary artistic languages and their capacity to concentrate and express power.

## Weird Bu(a)rn Dance

First held in 2012, *Weird Bu(a)rn Dance* (WBD) was conceived as a party to be held in the periphery of Benevento, approximately 60 km from Naples. The event was announced via direct email invitations, which included a brief description of the concept, a list of instruments and tools which would be available for participants as well as a further list of material that would be required. Email recipients were invited to participate in all aspects of the organization, including technical and logistical preparations, food procurement and preparation, and carpooling. The majority of performances presented at the event were works under construction, fragments of larger pieces, and solo or group improvisations.

According to Sec\_, WBD 'was not designed explicitly to build community. It didn't matter if you played well or poorly - we weren't worried about satisfying audience expectations, but rather focused on having fun in a social context. It was a chance to try new things' (excerpt, interview #3, Sec\_, 20 February 2019).

In the words of A. Saggiomo, who physically hosted the event, 'WBD is a party. It's a party with friends, with a certain number of concerts and performances (quite a lot, actually). But there are a lot of them exactly because there is no attempt at artistic direction—this is a deliberate choice we have made. So, anyone who wants to play should just come, and play' (excerpt, interview #4, AS, 3 March 2019).

These statements made it clear that the performances were not the driving force of the event, but rather the result or consequence of the process being enacted, which was about sharing every step of preparation, organization and execution. Cooking, cleaning, and decoration of the spaces being used, setting up sound systems and pitching tents and so on were all performed communally. From the very beginning, it was

absolutely clear that there was no distinction between performers and spectators; each guest was expected to take responsibility for making sure things ran smoothly, whatever that would entail.

There were two, very different performance spaces: the first was a room of approximately 20 square meters painted entirely in black, on the first floor of the country house which hosted the event. When the day's performances were finished, the room was used as a dormitory for guests who wished to spend the night. The second performance space was a designated outdoor area, situated between the chicken coop and the building's external staircase.

Besides the non-traditional use of the spaces themselves, the most relevant aspect for the purposes of our discussion is the fact that, in this case, the artists had chosen to isolate themselves from urban daily life. They had selected an isolated space, far from distractions, and with no possibility to disturb or be disturbed by uninterested third parties.

The first edition of WBD was reminiscent of a two-day open rehearsal: a handful of friends meeting to share fragments of ideas, the seeds of possible future projects. There wasn't even an official line-up and no printed promo material was produced. For WBD's organizers, the event was an escape strategy, both to get away from the torrid Neapolitan summer heat, but also to seek alternatives to *Alterna!*, which had begun to lose focus. As it gained recognition, it had moved closer to the institutions it had initially criticized. Its organizers were being invited to curate experimental programs within major festivals and participate in panel discussions and present their experiences in polite society. Many saw this as a betrayal of its founding principles.

In 2013, WBD was announced with a poster, circulated principally online, but also printed and hung (illegally) along streets and in train stations throughout Naples. WBD had no means of fundraising, meaning there was no way to cover travel expenses, even for Italian artists. The only money spent by the organization was used to pay for food and drinks.

In 2014, email returned as the principal promotional format, and participants were invited to present their own finished works, works in progress, or simply to join the fun by participating in the work of others.

2015–2016: until this point, the participants had remained fairly constant year-to-year: for practical purposes, WBD could be considered a private (and local) event. At least in part, the lack of turnover among artists was due to the need to keep numbers of performances at a reasonable level. The risk was that of transforming the event into a simple series of performances typical of mainstream festivals. This would risk sacrificing the informal, party atmosphere at the center of the project's ethos.

In 2017, invitations were more widely circulated, and participation reached about 80 people (including artists and spectators). This was a substantial change with respect to previous years, and the intimate, informal party-among-friends atmosphere of the first years began to fade. In preceding editions, there had been no clear distinction between organizers, performers, and spectators: everyone was responsible for everything. In 2017, however, we can find a clear boundary between the roles.

## A Critical Look at the Empirical Data

I'm against art as a profession, against the idea that 'artist' can constitute an identity. Properly 'packaging' the 'product' (which is often a person), requires significant time and energy, creating fixed and artificial identities or roles for the sake of marketing efficiency. (excerpt, interview #2, GC, 18 May 2018)

For the purposes of our discussion, we identify the following elements as central to the concept of independence:

1. *The choice of non-conventional spaces with an important symbolic element*: the space should be somehow *different* when compared to traditional performing spaces. This expresses a deliberate choice of identity on the part of the organizers. Changing spaces regularly avoid predictability and prevent easy recognition of a repeatable formula.



This is intended to avoid creating dynamics of control: the organization refuses to create a stable and recognizable identity, which risks becoming a criterion for inclusion or exclusion. Furthermore, this choice can be also seen as a strategy to prevent the ‘absorption’ of their practice by the hegemonic culture (Gramsci 2011).

2. *Emphasis is shifted from the artistic ‘product’ to the personal relationships which arise among the artists. There is a general refusal of art as a profession. Artists avoid the spotlight and seek to undermine the mechanisms of culture as industry:* according to the artists themselves, the most important outcomes are the relationships generated between the artists when applying these practices over time. This approach flies in the face of the art market, which tends to see artworks as *objects*, able to exist independent from their creators. Personal interviews shed further light on this concept, with artists emphasizing the importance of *choosing* these methods and this community, a community which attempts to resist what some call the *festivalization of culture* (Taylor 2014). Additionally, rejecting the idea of art as profession (as seen already in the case of Fluxus, Situationism, Futurism and Dadaism), implies rejecting the idea of an artistic *product*. This is a direct attack on the category of ‘artist’ as a bourgeois professional, while also implying a reflection on the specific type of relations implied by the *objects of arts*: these invisible and impalpable relations convey specific ‘hidden’ values (i.e., artwork as a marketable item), thus contributing to spread ideas necessary for the construction of an ideology of common sense (Gramsci 2011).
3. *There is also a desire to share knowledge, techniques, and experiences:* a concert is no longer simply an exhibition to be passively received. Rather, it is an opportunity for reflection, in which the audience may leave with more questions than answers: How or why did the artist construct or refine that specific instrument. How and why did he/she/\* choose her/his/\* tools? This point is closely tied to the preceding one, since priority is given to intangible aspects of the work, and much importance is placed on the sharing of personal experiences and unique skill sets.

4. *The use of improvisation as an agile and efficient method for artistic collaboration, together with the rejection of authorship:* when improvising, the artist must be totally present and responsible, not only for her/his/\* own choices and actions, but also for the presence of other performers with whom he/she/\* is interacting (Mattin 2009). During improvisation, the artist's feelings of security and trust—in her/his/\* own command of an artistic language or ability to control a specific situation, for example—are drastically reduced. As a result, it becomes difficult (if not impossible) to respect 'common sense' ideas about what the artistic outcome should be. In reality, such attempts at control or applications of skill are seen as counterproductive in the real-time process of improvisation. These conditions create a kind of solidarity between artists and audience. The unstable and ephemeral nature of the space thus created encourages critical reflection on the role and necessity of such practices in social, political, and artistic dimensions (Mattin 2009). Indeed, insofar as the outcome cannot be separated from the context and moment of its performance, improvisation as a practice is intrinsically critical of concepts of form and authorship.
5. *Refusal to recognize separate roles or identities between artists and organizers, and the striving for autonomous production:* self-organization and self-production require each participant to develop a global awareness of all aspects of the event. This includes acquiring necessary devices and tools, as well as the possibility of applying creative *détournement* (Debord 1994). In this vision, artistic creation is not seen as separate from—or more important than—organizing, nor is organizing seen as subordinate or preliminary to the creative moment. Each aspect is integral to the process of self-production, and they may at times be indistinguishable.
6. *Strong theoretical-philosophical background:* most members of the organization were deeply familiar with philosophical theories underpinning independence, as well as with the history of analogous cultural movements. This knowledge served as inspiration for their own practices and methods.

## Independence in Organizing and Philosophy

The underground is cool and everything, but it's a tough lifestyle.  
(excerpt, interview #5, TS, 19 September 2019)

Based on these points, we can begin to discuss the implications that independence has for organizing. If we trace the philosophical roots of independence back to anarchist thought, we will find that *theoresis* and *praxis* are inseparably linked, leading to an ethics of organizing. As we'll see, this ethics is based on concepts like resistance and the rejection of authority. It can be seen as a philosophy of immanence and performance, drawing on Deleuze's reflections on Spinoza and the writings of Bruno Latour.

### DiY: Independence and Anarchy

Independence consists in the possibility to act for oneself and make one's own decisions, without requiring help and free from external influence. This concept was first given philosophical dignity by Rousseau (1762). He connected independence to a natural condition, one of innocence, in which persons are acting in the absence of social relations or language. The seminal discontinuity between nature and history coincides with the loss of independence, and the birth of the *social contract*, the only instrument with which to defend personal liberty in the context of social relations.

Independence, especially independence from institutions—and thus, from the State—is one of the foundations on which anarchist thinking bases its structure. In anarchy, independence is a form of *resistance*: a possible means of escape from the traps laid by various hegemonic powers which inevitably seek to dominate individual actors, depriving them of liberty. In the words of Giampietro Berti (1994), one of the most attentive observers of anarchist thought, freedom and equality are understood as fundamental precepts for orderly and 'spontaneous' human communal living. Rousseau's thinking echoes in these concepts.

As Berti introduces his definition of the word ‘anarchy’, literally, *the absence of authority*, he underlines the fact that this definition contains an evident dilemma: ‘Our attention is immediately drawn to a problem without a solution: try as you like, any attempt to define anarchy must begin by defining it in the negative, because the principles on which it is based are always the negation of a thing, most specifically, the negation of authority’ (Berti 1998: 12). For Berti, the indeterminacy of this foundational negation comprises freedom from every monopoly. Indeed, the absence of any attempt to define or describe an ideal social order makes it impossible to declare what anarchy *should* be. This extreme conceptual coherence leads to two possible visions of anarchy, apparently at odds with one another.

On the one hand, Berti argues that anarchy cannot be put into practice, for such an act would intrinsically contradict the meaning of the term itself. In that sense, Berti considers anarchy to be utopic, and unreachable. On the other hand, Alfredo Bonanno, one of Italy’s most radical anarchic thinkers, argues that anarchy conceives of no separation between theory and practice, knowledge and application: ‘Anarchy doesn’t have a theoretical component and a practical component: the two are indivisible. Action is itself theory, and theory is itself action’ (Bonanno 2015: 31). In Bonanno’s vision, anarchy is not utopic, but rather an emergent condition, an idea which exists only in the moment in which it is put into practice.

Despite the apparent contrast between these two visions, they share a common point: neither author views anarchy as an assemblage of moral principles. As Berti notes, the paradoxical nature of a society in which each individual is free and no individual can limit another’s liberty makes it impossible to define liberty based on a common transcendental principle. Liberty then must be defined as something inexhaustible, but constantly created—something which does not exist in the absence of individuals, but rather is generated in the interactions between them. Berti calls this ‘the ethic of anarchy’ (Berti 1998: 14). In a very similar way, Bonanno considers anarchy something more than mere reasoning; for him, it is also ‘a matter for the heart’ (Bonanno 2015: 33), and therefore can never be properly expressed via formulas or rules.

The line which connects DiY, with its predilection for independence and resistance, to anarchy's philosophical heritage moves along a circular path: if, on the one hand, 'artistic' DiY constructs its practices based on these theoretical precepts, it is also true that those theories themselves are born from a specific series of practices being applied in real life. In this respect, DiY reveals its affinity for Gramsci's thought (Gramsci 2011).

In scouring the meager offering of source material and books dedicated to exploring and analyzing DiY, written with a principally British and American audience in mind, the most evident genetic trait linking DiY with anarchy is their common preference for direct action.

Although anarchy sees liberty and equality as causal principals at the root of human action rather than the results of a specific historical and socioeconomic process, this implies no teleological connotation: both principles tend to express themselves through constant change and experimentation. This same idea is central to the practices we have examined in the context of DiY.

Anarchy, anti-authoritarianism, libertarianism (and therefore DiY as well) each contain a deeply rooted double-bind in their founding principles. On the one hand, these movements are generally seen in a negative light by society; on the other hand, they suggest interesting and vigorous models of social organization.

One example can be found in the spaces selected for DiY events. These spaces generally have a strong symbolic function, that of 'organizational saga' (Clark 1972), which strives above all to express and underline the characteristic of independence. This mechanism can be observed at work in the events of *Altera!* which are embedded directly in the urban context through two connected methods: some events are organized 'off-grid', often in spaces which are underground both figuratively and literally, spaces which allow the creation of a kind of temporary community. In other cases, events are designed to invade or occupy an everyday situation, using artistic practices to modify or alter it beyond recognition. In fact, the ubiquity of these experiences eliminates any possibility to control the narrative; they unfold in the confluence and interaction between many factors. For this reason, they are exquisitely inclusive and open, and despite the refusal of organizers to adopt an

institutional paradigm, the outcome can be seen as an example of direct democratic action.

In the same sense, independence can be expressed in the refusal to adopt a cultural or political identity, or it can serve as the precondition necessary for the performative construction of a personal, cultural or genre identity, free from institutional and mass-media influence, as suggested by Butler (2010). Developing greater awareness of the personal and cultural significance of our actions, the use of direct action, self-reliance in the acquisition of materials and technical know-how, the creation of a space and a context: each of these acts represents an implicit protest against the 'The Society of the Spectacle' (Debord 1994). Such acts can serve as protests, focusing attention on the problems and contradictions inherent to more mainstream methods.

Thus, the overarching quest for independence common to our examples may be interpreted as a form of cultural and artistic *resistance*. *Se déprendre de soi même*: the act of escaping from the self and from the mass of 'heterogeneous discursive elements' which seek to control, surveil, and 'overcode' (Deleuze and Guattari 2006) a space in order to make it productive (Festa 2015) becomes an exercise in personal liberation and alternative social construction.

The appeal to resistance has significant consequences for the ideas and practices of organizing as well, and resistance as a construct is gaining wider attention from organization scholars. Their approach has been twofold: in addition to its role as a form of political and collective engagement in organizations (Spicer and Böhm 2007; Contu et al. 2013), it is also seen as the expression of situated and emerging actions or counter-actions in the organizational setting (Wiedemann et al. 2021), which contribute defining workers' identity in contrast to hegemonic moves by management (Brown and Humphreys 2006). Balogun et al. (2011) show how resistance in organizational settings operates at the micro-level in a role which goes well beyond mere subversion to become an important part of integration.

Performing resistance while organizing, and at the same time explicitly claiming resistance as intrinsic to its actions and strategies, DiY seems to be positioned as a bridge between the above mentioned perspectives. In

particular, it seems to recall the combination of resistance and improvisation as theorized by Wiedemann et al. (2021: 629): ‘Resistance does not necessarily need a linear sequence of a forceful event, planning and execution. It can be enacted simultaneously while unfolding, through improvisation’. As we will argue in the sixth section of this chapter, the ethical and political statement of DiY should not be sought in pre-defined norms or constraining frames. In keeping with the anarchic idea of independence, resistance within DiY finds its proper destination in an ethics open to emergence, non-intentionality, and happening—all aspects that we have identified as central to the practice of improvisation, which in fact is highly promoted within DiY.

While DiY practices are practical attempts to undermine and sabotage the imposition of interactive schemes present ‘in markets, institutions, aesthetics, entertainment, always in the context of professional relations, and within the structures and programs typical of the mainstream’ (Holmes 2009: 31), those practices propose (admittedly imperfect) models whose greatest strength lies in their impermanence. It is this impermanence which allows them to divert resources and energy away from the machinery of ‘The Society of the Spectacle’, shattering (at least within their own contexts and events) any semblance of market dynamics: Fame no longer is a measure of prestige, the economic value of an artwork has no connection to its artistic value, and mainstream attempts to portray art as a ‘flexible’ profession are unmasked, revealing the existential and material instability intrinsic to the lives of artists.

## DiY and Heterotopia

The concept of independence, as it relates to anarchy, points to a tension between utopia and heterotopia.

The example of *Weird B(u)arn Dance* incorporates some aspects which may prove illuminating for our discussion. In contrast with *Alteral!*, which was conceived and organized within the urban context, the organizers of WBD chose to hold the event far from the city, preferring to avoid creating—or suffering from—any disturbances deriving from interactions with ‘normal’ city life. In this sense, they preferred to disappear, a

strategic choice made in the hope of escaping notice, control, and harassment which was becoming more common in Naples. This self-imposed marginalization seems like an attempt at creating a temporary utopia. But it can also be seen as an attempt to create a *Temporary Autonomous Zone* (Bey 1995), which is more appropriately defined as a heterotopia.

Taken as a whole, WBD can be analyzed as an esthetic experience and as a social experience: the physical location chosen (the countryside) was entirely isolated from daily city life, and the event was contained to a specific time frame (two to three days at most). Within this *frame*, everything which occurred followed rules and behavior patterns; there were roles, but they are flexible, elastic, and interchangeable; there were fixed structures which allowed the event to function, and these were made known to all participants.

Thus isolated from the city, WBD had no ambitions to shock or stun its audience. Instead, it was created to suspend the rules of everyday life, interrupt the flow of time, and break norms and roles. This was accomplished through a latent sense of self-exclusion (and exclusivity), the feeling of entering into a 'secret society'.

Alice O'Grady (2015) sees the choice of outdoor spaces common to Britain's *free festivals* as a necessary condition when creating an environment which activates personal and political freedom, one in which it is possible to feel the sense of well-being which derives from such experiences. Besides offering a strong contrast to the urban framework surrounding most participants' daily lives, the idyllic surroundings allow festival-goers to reconnect with more authentic ways of living. At the same time, in selecting a rural context, the festival is expressing an ethical choice which encourages reflection on problems connected to ecology, economics, and respect for the environment.

The small festivals cited by O'Grady are conceived as collective experiences, encouraging direct participation, and co-creation. This approach aligns with the practices of WBD and *Alter!*, but also with those of many other events organized by the artist-organizers we studied. These practices can be seen as expressions of autonomy and self-determination, viable alternatives to mainstream daily life. More specifically, they suggest ways of having fun outside the boundaries of what mainstream society



generally offers, and this suggestion becomes concrete in the moment in which it occupies a physical-temporal space.

It's easy to see the connection to the concept of utopia, central to the definition of anarchy as an ideal which transcends time, 'a universal idea without concrete determinations' (Berti 1998: 13). But the way in which these festivals manage to stratify different 'places' within the same space merits examination through the lens of *heterotopie* (heterotopia) proposed by Foucault (1986). According to Foucault, heterotopias are counter-sites, 'a kind of effectively enacted utopia [...] Places of this kind are outside of all places, even though it may be possible to indicate' (Foucault 1986: 24). He goes on to say that space is the great obsession of our time. Our time sees a space characterized by simultaneity, by juxtaposition, and by dispersion. We no longer experience the world as a linear path, but rather as 'a network that connects points and intersects with its own skein' (Foucault 1986: 22). This network defines the space in which we live as *emplacement* (site). On the contrary, space in the medieval period was defined as *espace de localisation* (space of emplacement), which comprised a hierarchy of places, be they sacred or profane, closed or open, urban or rural.

Despite the vastly powerful technical and conceptual tools available to us, we are unable to analyze or formalize this site, and for this reason, space in our time cannot be desanctified entirely. In other words, we are unable to break certain dichotomies which remain in force: the clear distinction between private and public space, between spaces for work and those for free time, and between spaces for production and spaces for culture. In such a space, groups will define their own utopian spaces in which to conduct their lives, in which to work, move, and exist.

Among these various places which make up space, there are some (writes Foucault), which are *fundamentally* different, places 'that have the curious property of being in relation with all the other sites, but in such a way as to suspect, neutralize, or invert the set of relations that they happen to designate, mirror, or reflect' (Foucault 1986: 24). These exceptional places can be separated into two categories: utopias and heterotopias. Utopias are ideal places, without a real space. They have an analogical or metaphoric relationship with society and are places in which society achieves perfection. On the other hand, there are indeed

real places which seem to be circumscribed by society itself, and which appear to be ‘counter-sites’, utopias made real. These are the heterotopias ‘in which the real sites, all the other real sites that can be found within the culture, are simultaneously represented, contested, and inverted [...] As a sort of simultaneously mythic and real contestation of the space in which we live’ (ibidem).

In so-called counter-culture, the concept of heterotopia served to inspire the suggestive (and equally aleatory and unstable) Temporary Autonomous Zones (T.A.Z.) (Bey 1995), born in the margins. These areas allow for the creation (often by artistic means) of physical and imaginary spaces in which existence is intensified and individuals can express their creativity without limits. In the definition of T.A.Z.s, relationships are again considered central, assuming a nearly poetic value in criticizing and supplanting institutional models.

## Toward Open Ethics: Organizing Without Organization

Our discussion so far has brought to light a series of unresolvable tensions and difficulties connected to the idea and practice of independence. The anti-authoritarian urge to resist at all costs makes it seem at best naive and utopian, at worst irresponsible and destabilizing. At the same time, independence can indeed give rise to positive social initiatives informed by rigorous philosophical discussions. In this final section, we argue for a vision in which independence is seen as an organizational ethics, informed by a philosophy of immanence.

In many studies on organization, organizational ethics are seen as the application of moral principles to organization (Faldetta 2011, 2018, 2021). Our discussion of independence suggests an alternative approach. In his reading of Spinoza, Gilles Deleuze (1988) remarks that Spinoza’s vision of ethics is fundamentally separate from morality. *Dues sive natura* is not a transcendent principle which informs material beings, but rather an immanent condition of matter itself. Thus, it expresses itself in matter, but has no power over it. In this pantheist (better yet, immanentist) vision, affections and passions assume a central role (Spinoza 1985).

For Deleuze, in the absence of a transcendental principle (be it an idea, form or species), beings need not adhere to any given definition, but are instead defined by their ‘capacity for being affected’ (Deleuze 1988: 27). Affections are divided into two categories: *actions* and *passions*. The first category is associated with the capacity to act, while the latter regards the capacity to be affected by the actions of others. In both cases, these capacities are individual capacities, and they can be seen in the individual’s skill in ‘organizing good encounters, composing actual relations, forming powers, experimenting’ (ivi: 119). In Deleuze’s reading, this leads us to consider ethics as an experiment on ‘modes of existence’ which has much in common with ethology. This directly opposes and replaces ‘morality, which always refers existence to transcendent values’ (ivi: 23). ‘Any organization that comes from above and refers to a transcendence, be it a hidden one, can be called a theological plan: a design in the mind of a god, but also an evolution in the supposed depths of nature, or a society’s organization of power’ (ivi: 128). On the contrary, when viewed through the lens of immanence, ‘there is no longer a form, but only relations’ (ibidem). The importance of affections is thus correlated to the importance of encounters and relationships. An immanent ethic does not forbid or direct, but rather describes relationships, meetings, and new compositions which grow out of the interaction of affections.

Here, we find a theme which will be taken up by Bruno Latour in the field of actor-network theory (see also Czarniawska 2014). The ‘power of associations’ is, for Latour, the effect of a ‘composition’ (Latour 1986: 265) made by heterogeneous actors. Organization, in this sense, is the product of associations and relationships which are essentially ‘performative’ (ivi: 273). That is, they cannot be defined ‘*in principle*’ because they manifest only ‘*in practice*’. For Latour, this approach must be considered separately from the ‘ostensive’ (ivi: 272) approach, which seeks to discover the principles which underlie the associations, and guide the relationships and practical outcomes. In this sense, Latour’s distinction between performative and ostensive approaches recalls Deleuze’s separation between ethics and morality and, more generally, between immanence and transcendence.

The concept of independence belongs to the first category, that of ethics, performance, and immanence. Insofar as it conceives of no separation between theory and practice, it is essentially performative. In its preference for the process rather than the product, independence places great importance on relationships, associations, and fruitful encounters. And its focus on self-sufficiency, autonomy, and self-production reveals it as both immanent and anti-authoritarian. It rejects rules and focuses on affections.

'Independence' then focuses attention on the performative nature of every social organization, without encouraging the application of pre-existing ideas to any given situation, which would create a transcendence of principles. Rather, organizational methods are determined through practice and experiment. Artistic experimentation, political struggle, and organizational ethics thus become indivisible, interlocking parts of a greater whole.

Following Latour's reasoning, the organization itself is an effect of this whole, rather than the force which holds it together. That force can be found in the *affections* and the *objects*. The former produce connections through desire, while the latter give those connections permanence by making them material.

The festivals we have examined represent the union between these two aspects: created and maintained with no specific ambition other than their own realization, they are the expression of affections and the relationships they create; the actual events themselves are the material 'objects' which reinforce these relationships through memories, experiences and documentation (recordings, photos, posters, etc.).

In all these senses, we can see independence as a form of 'organizing without organization' (Czarniawska 2014: 148). If we see organization as coinciding with life itself in its ability to create relationships, it becomes difficult to think of organization as creating 'order out of disorder' (Cooper 1986: 328). This concept seems to recall Cooper's deconstruction of the boundaries which circumscribe the organization, in which every attempt to distinguish whether something is inside or outside of the organization must be seen as an idealistic position or an act of force. In adopting a more 'ecological' position, Cooper invites us to think of organization and disorganization as co-dependent. In this immanent

vision, every attempt to define organization risks becoming a *supplement* to a condition of essential ‘undecidability’ (ivi: 316).

This sense of organization as impure, fragile, unfinished, dynamic, and always open to disorganization is the main interest of ‘alternative organization theories’ (Hassard et al. 2008). The ethics of organizing without organization is in direct opposition to mainstream theories of management, which tend to consider the event as a product, even when operating in ‘independent’ contexts (Land and King 2014; Masino and Zan 2002). Rather than imagining the event as a vessel, a container to be filled with content, independence leads to an ethics of organization in the sense we described above. The event is not a product, but rather a process, whose goal is the creation and development of relationships.

This understanding of organizational ethics is not without problems however. There is no doubt that the events described in this chapter (and many others like them) tend to transform their practices into ideologies, converting ethical precepts into moral principles. The result is a concrete step away from the immanence we wish to support. And it would be hard to overstate the practical difficulty of rigidly applying the concept of independence in every area of daily life. There is also the risk of ‘institutionalizing’ radical practices. This occurs when mainstream contexts or events attempt to present elements of the underground as ‘strange attractions’ for their most audacious spectators.

Nevertheless, this tension reveals a challenge intrinsic to DiY ethics. If independence is not a dogma, but its antithesis, its legitimacy cannot be measured by the purity of its adherents’ application of the principle. On the contrary, independence is intrinsic to groups, expressed in the variety of relationships and associations within them. We submit that independence is always spurious, always hybrid, and the concept of heterotopia helps to clarify this mix of concepts.

The rural context chosen for WBD seems to move in the opposite direction, toward detachment and utopia. Nonetheless, its propensity for constant change has transformed it into a bridge between the city and the countryside. *Alterra!*, on the other hand exemplifies heterotopia in the way it occupies various strata of the urban context, layering purity and impurity, inhabiting, and channeling the flux between underground and ‘overground’.

## Conclusions: Possible Ways Forward

In this chapter, we have analyzed the concepts and methods of DiY organization. After a brief description of the political and cultural context of DiY, we described research performed on two events through participant observation: *Altera! Pratiche non convenzionali* and *Weird Bu(a)rn Dance*. The material collected was analyzed according to the symbolism of the spaces chosen, the prevalence of improvisation, self-sufficiency in production and representation, and resistance, and each of these elements was examined in relation to the concept of independence. This clarified the philosophical importance of independence, which derives from an ethics of immanence and performance, leading to a need for organization theory to confront the challenge of organizing without organization. In our conclusion (and in keeping with the spirit of DiY), our intention is not to conclude, but rather to explore possible ways forward, beginning with an analysis of the organizational labels (Czarniawska 2006, 2014) of the two organizations we studied: *Altera* e *Weird Bu(a)rn Dance*.

In Latin, *Altera* is an accusative singular neutral noun, declined as *alter, altera, alterum*. It means another, the other, any other, the former, the latter. As a verb *alterare* it can mean modify, distort, damage. *Weird Bu(a)rn Dance* refers to a barn, an ‘other space’. This space is enclosed, but it is situated within an open field, a marginal place. The ambiguity of meaning incorporated in the names of each event suggests a philosophical and political reflection: DiY’s refusal of easy definition is part of its strive to remain a movement, avoiding at all costs allying itself with the institutions it criticizes.

An example of a similar philosophical and political nexus can be found in chamber music examined by Adorno (1976) and the Frankfurt School, a musical genre which has become one of the most deeply institutionalized, despite its beginnings as a counterculture movement offering an alternative to the supremacy of sacred music. From its origins in late Middle Ages it was a sort of ‘counter-culture’ in some ways inimical to ‘official culture’. The musicians were responsible for organizing their own activity, making them ‘entrepreneurs and managers of themselves’ (Sicca 2000: 146–147). A few centuries later, the model by which counterculture spreads (as described in this chapter) have remained

largely unaltered. This is exactly the process that DiY tries to avoid: to be absorbed by the hegemonic culture.

There is also another relevant factor in the experiences we have described: the events are concentrated within limited geographical areas (Naples and the Campania region), but they are connected to a network of similar events occurring worldwide. This exemplifies a second critical element of counter culture: the ability to initiate a movement locally, in politically and socially marginalized contexts such as Naples, Benevento, and Avellino, which is nonetheless connected to something broader. In reality, both festivals, despite their small size, must be seen as representatives of Italy on the international stage.

Flying in the face of mainstream conceptions which expect internationalism to speak a common language (English, which became the de facto global language in the years after World War II, both in academia and in every other context), the international network to which *Altera!* and *Weird Bu(a)rn Dance* subscribe is united by the common language of protest. This movement expresses complaints and frustrations felt across the globe and aims to change the rules of the game and of social relationships in order to create a powerful force for sharing and resistance worldwide.

In keeping with our aim to offer 'possible ways forward', we conclude with the following consideration by Bourdieu and Wacquant (1999: 52n): 'nothing is more universal than the pretension to the universal or, more accurately, to the universalization of a particular vision of the world; and that the demonstration sketched here would hold, *mutatis mutandis*, for other fields and other countries'.

**Acknowledgements** This research was funded by puntOorg International Research Network.

## References

- Adler, P.S., Borys, B. (1993) 'Materialism and Idealism in Organizational Research', *Organization Studies*, 14(5): 657–679.
- Adorno, T.W. (1976) *Introduction to the Sociology of Music* [1962], New York: The Seabury Press.
- Adorno, T.W. (1982) 'On the Fetish-Character in Music and the Regression of Listening' [1938], in A. Arato and E. Gebhardt (Eds.), *Essential Frankfurt School Reader*, New York: The Continuum Publishing Company.
- Adorno, T.W., Horkheimer, M. (2002) 'Culture Industry', in Id., *Dialectic of Enlightenment* [1947], translated by E. Jephcott, Stanford, CA: Stanford University Press.
- Atkinson, P., Hammersley, M. (1994) 'Ethnography and Participant Observation', in Norman K. Denzin and Yvonna S. Lincoln (Eds.), *Handbook of Qualitative Research*, pp. 248–261, Thousand Oaks, CA: Sage Publications.
- Bakunin, M. (1989) *Statism and Anarchy* [1873], translated by Marshall S. Shatz, Cambridge: Cambridge University Press.
- Balogun, J., Jarzabkowski, P., Vaara, E. (2011) 'Selling, Resistance and Reconciliation: A Critical Discursive Approach to Subsidiary Role Evolution in MNEs', *Journal of International Business Studies*, 42: 765–786.
- Becker, H.S., Geer, B. (1957) Participant Observation and Interviewing: A Comparison, *Human Organization*, 16(3): 28–32.
- Berti, G.D. (1994) *Un'idea esagerata di libertà. Introduzione al pensiero anarchico*, Milano: Elèuthera.
- Berti, G.D. (1998) *Il pensiero anarchico dal Settecento al Novecento*, Vol. 1, Manduria-Bari-Roma: Piero Lacaita Editore.
- Bertoncini, M. (2003) 'Äolsharfen und andere nutzlose Dinge', *MusikTexte*, 96: 46–57.
- Bey, H. (1995) *T.A.Z.: The Temporary Autonomous Zone, Ontological Anarchy, Poetic Terrorism*, The Anarchist Library.
- Blumer, H. (1969) *Symbolic Interactionism*, Englewood Cliffs, NJ: Prentice-Hall.
- Bonanno, A.M. (2015) *Autodifesa al processo di Roma per banda armata, ecc.*, 2nd ed., Trieste: Edizioni Anarchismo.
- Bookchin, M. (1995) *Social Anarchism or Lifestyle Anarchism. An Unbridgeable Chiasm*, Edinburgh-San Francisco: AK Press.
- Bourdieu, P. (1996) *Rules of Art: Genesis and Structure of the Literary Field* [1992], Stanford, CA: Stanford University Press.



- Bourdieu, P., Wacquant, L. (1999) 'On the Cunning of Imperialist Reason', *Theory Culture Society*, 16: 41.
- Brown, A.D., Humphreys, M. (2006) 'Organizational Identity and Place: A Discursive Exploration of Hegemony and Resistance', *Journal of Management Studies*, 43: 2.
- Butler, J. (2010) 'Performative Agency', *Journal of Cultural Economy*, 3(2): 147–161.
- Cardano, M. (2003) *Tecniche di ricerca qualitativa. Percorsi di ricerca nelle scienze sociali*, Roma: Carocci.
- Castoriadis, C. (1988) *Political and Social Writings, Vol. 2: 1955–1960. From the Workers' Struggle Against Bureaucracy to Revolution in the Age of Modern Capitalism*, ed./trans. David Ames Curtis, Minneapolis: University of Minnesota Press.
- Castoriadis, C. (1997) *The Imaginary Institution of Society* [1987], translated by Kathleen Blamey, Cambridge, MA: MIT Press.
- Chomsky, N. (1999) *Profit over People: Neoliberalism and Global Order*, New York: Seven Stories Press.
- Clark, B.R. (1972) 'The Organizational Saga in Higher Education', *Administrative Science Quarterly*, 17(2):178–184.
- Contu, A., Palpacuer, F., Balas, N. (2013) 'Multinational Corporations' Politics and Resistance to Plant Shutdowns: A Comparative Case Study in the South of France', *Human Relations*, 66(3): 363–384.
- Cooper, R. (1986) 'Organization/Disorganization', *Social Science Information*, 25: 299–335.
- Czarniawska, B. (2006) *The Three-dimensional Organization: A Constructionist View* [1993], Lund: Studentlitteratur.
- Czarniawska, B. (2014) *A Theory of Organizing*, 2nd ed., Cheltenham, UK: Routledge.
- Debord, G. (1994) *The Society of Spectacle* [1967], New York: Zone Books.
- Deleuze, G. (1988) *Spinoza: Practical Philosophy* [1981], translated by R. Hurley, San Francisco: City Light Books.
- Deleuze, G., Guattari, F. (2006) *A Thousand Plateaux*, English translated by B. Massumi, Minneapolis: University of Minnesota Press.
- Di Scipio, A. (2012) *Pensare le tecnologie del suono e della musica*, Napoli: Editoriale Scientifica.
- Di Scipio, A. (2013) 'Sound Object? Sound Event! Ideologies of Sound and the Biopolitics of Music', *Soundscape. Journal of Acoustic Ecology*, 13: 10–14.
- Diana, R., Sicca, L.M., Turaccio, G. (2017) *Risonanze. Organizzazione, musica e scienze*, Napoli: Editoriale Scientifica.

- Duncombe, S. (2002) *Cultural Resistance Reader*, London and New York: Verso.
- Faldetta, G. (2011) 'The Logic of Gift and Gratuitousness in Business Relationships', *Journal of Business Ethics* 100 (1 Supplement): 67–77.
- Faldetta, G. (2018) 'A Relational Approach to Responsibility in Organizations: The Logic of Gift and Lévinasian Ethics for a 'Corporeal' Responsibility', *Culture and Organization* 24 (3): 196–220.
- Faldetta, G. (2021) *Il dono nelle organizzazioni aziendali*, Napoli: Editoriale scientifica.
- Ferretti, F. (2016) 'Organisation and Formal Activism: Insights from the Anarchist Tradition', *International Journal of Sociology and Social Policy*, Emerald.
- Festa, F. (2015) 'La potenza plebea della musica', *alfabeta2*.
- Foucault, M. (1986) 'Of Other Spaces', *Diacritics*, 16(1): 22–27.
- Garfinkel, H., Wieder, D.L. (1992) 'Two Incommensurable, Asymmetrically Alternate Technologies of Social Analysis', in G. Watson and R.M. Seiler (Eds.), *Text in Context: Studies in Ethnomethodology*, pp. 175–206, Newbury Park: Sage.
- Geronimo, (2012) *Fire and Flames. A History of the German Autonomist Movement* [1990], Oakland: PM Press.
- Glasper, I. (2006) *The Day the Country Died: A History of Anarcho Punk*, London: Cherry Red.
- Gramsci, A. (2011), *Prison Notebooks* (Volumes 1, 2 & 3) [1975], New York: Columbia University Press.
- Hassard, J., Kelemen, M., Cox, J.W. (2008) *Disorganization Theory. Explorations in Alternative Organizational Analysis*, Oxon: Routledge.
- Holmes, B. (2009) 'Ricattare la sovversione. Rovesciare le regole del gioco culturale', in M. Baravalle (Ed.), *L'arte della sovversione. Multiversity: pratiche artistiche contemporanee e attivismo politico*, Roma: Manifestolibri.
- IPPOLITA (2014) *La Rete è libera e democratica. FALSO!* Bari: Laterza.
- Kropotkin, P.A. (1902) *Mutual Aid: A Factor of Evolution*, New York: McClure Phillips & Co.
- Kunda, G. (1992) *Engineering Culture. Control and Commitment in a High-Tech Corporation*, Philadelphia: Temple University Press.
- Land, C., King, D. (2014) 'Organizing Otherwise: Translating Anarchism in a Voluntary Sector Organization', *Ephemera: Theory & Politics in Organisation*, 14 (4): 923–950.
- Latour, B. (1986) 'The Power of Association', in J. Law (Ed.), *Power, Action and Belief: A New Sociology of Knowledge?* London: Routledge and Kegan Paul.

- Loerlinger, S., Marrazzi, C. (Eds.) (1980) *Autonomia. Post-Political Politics*, New York: Semiotext(e).
- Mallozzi, C., Tortora, D. (2017) *La bottega del suono. Mario Bertoncini. Maestri e allievi*, Napoli: Editoriale Scientifica.
- Masino, G., Zan, L. (2002) 'Il Ferrara Buskers Festival: progettualità, emergenza e costellazione di significati', *Micro & Macro Marketing*, 1: 85–114.
- Martin. (2009) *Noise and Capitalism*, San Sebastian, Gipuzkoako Foru Aldundia-Arteleku.
- McKay, G. (1996) *Senseless Acts of Beauty. Cultures of Resistance Since the Sixties*, London and New York: Verso.
- McKay, G. (1998) *DiY Culture. Party and Protest in Nineties Britain*, London and New York: Verso.
- Negri, A. (1976) *Proletari e Stato: Per una discussione su autonomia operaia e compromesso storico*, 2nd ed., Milano: Feltrinelli.
- Negri, A. (1977) *Il dominio e il sabotaggio. Sul metodo marxista della trasformazione sociale*, Milano: Feltrinelli.
- Negri, A. (2005) *Books for Burning*, translated by T. Murphy et al., London: Verso.
- O'Grady, A. (2015) 'Dancing Outdoors: DiY Ethics and Democratised Practices of Well-being on the UK Alternative Festival Circuit', *Dancecult: Journal of Electronic Dance Music Culture*, 7:1.
- Proudhon, P.J. (1994) *What Is Property?* [1840], Cambridge: Cambridge University Press.
- Reedy, P. (2014) 'Impossible Organisations: Anarchism and Organisational Praxis. Management, Business, Anarchism', *Ephemera: Theory & Politics in Organisation*, 14(4): 639–658.
- Rousseau, J.J. (1762) *Du contrat social*, Amsterdam: Marc-Michel Rey.
- Sicca, L.M. (2000) 'Chamber Music and Organization Theory: Some Typical Organizational Phenomena Seen Under The Microscope', *Culture and Organization*, 6(2): 145–169.
- Spicer, A., Böhm, S. (2007) 'Moving Management: Theorizing Struggles Against the Hegemony of Management', *Organization Studies*, 28(11): 1667–1698.
- Spinoza, B. (1985) *Ethics* [1677], translated by E. Curley, in *The Collected Works of Spinoza, Volume I*, Princeton NJ: Princeton University Press.
- Taylor, J. (2014) *The Festivalization of Culture*, Milton Park, Taylor & Francis Ltd.
- Tronti, M. (1977) *Sull'autonomia del politico*, Milano: Feltrinelli.
- Tronti, M. (2019) *Workers and Capital* [1966], London: Verso.

- Wall, D. (1999) *Earth First! and the Anti-Roads Movement*, London: Verso.
- Wiedemann, N.J.B., Pina e Cunha, M., Clegg, S.R. (2021) 'Rethinking Resistance as an Act of Improvisation: Lessons from the 1914 Christmas Truce', *Organization Studies*, 42(4): 615–635.
- Wittgenstein, L. (1953) *Philosophische Untersuchungen*, Berlin: Suhrkamp Verlag.



# 19

## The Aristotelian Commutative Justice and The Management of the Firm's Stakeholder Relations

Roberta Troisi and Luigi Enrico Golzio

### Introduction

Over the last 30 years, stakeholder theory has emerged as a new framework to replace the dominant economic model of the firm's behaviour (Meckling and Jensens 1976). In its most basic sense, stakeholder theory arises from the rejection of the idea that firms have to focus on the shareholders' interests by maximizing their profits (Freeman 1994; Freeman et al. 2020; Freudenreich et al. 2020).

---

R. Troisi (✉)

Department of Political and Communication Science,  
University of Salerno, Fisciano, Italy  
e-mail: [rtroisi@unisa.it](mailto:rtroisi@unisa.it)

L. E. Golzio

Department of Economics—Marco Biagi, University of Modena  
and Reggio Emilia, Modena, Italy

Following Freeman's seminal contribution (1984), authors have written about stakeholders and their relations with firms for the last 30 years (e.g. Freeman 1994, Evan and Freeman 1988, Miles 2017, Retolaza et al. 2019, Harrison et al. 2019, Berman and Johnson-Cramer 2019).

A paramount number of studies together with a considerable variety of theoretical perspectives has based the debate on three main approaches.

Descriptive approach attempts to ascertain whether stakeholders' interests are taken into consideration by corporations or not. The instrumental approach looks to the effects of stakeholders' management on corporate performance. Normative approaches are concerned with the reasons why stakeholders' interests should be taken into account.

We focus on the normative perspective (Reed 2002, Frances-Gomez et al. 2015). How organizations should interact with stakeholders, having normatively differentiated claims, is the question with greater theoretical implications. Researchers who took this approach have drawn on a diversity of ancient and contemporary philosophical sources for guidance and inspiration (Brown and Forster 2013; Buchholz and Rosenthal 2005; O'Rourke et al. 2020). Aristotle seems to be one of the most-quoted sources. His writings on ethics are used to develop the theoretical foundations of social justice that should inspire any firm when extending its objectives beyond the shareholders' profits maximization (Costello 2019; Harrison and Wicks 2019; Wijnberg 2000).

Despite the significant advancements, to date, some aspects in the normative-founded realm remain undetermined.

We know a lot about the following fundamental assumptions: (i) the distribution of benefits fulfils the manager's moral duty; (ii) the moral duty is guided by the principle of equality; (iii) the principle of equality stems from a firm's complex multi-objectives/functions.

However, the rationale of the distribution of benefits is not clearly stated. Furthermore, distributive justice is often taken for granted when dealing with the manager's moral duty and equality among stakeholders.

On the contrary, the potential relevance of Aristotle's notion of commutative justice remains unexplored. Notwithstanding, Aristotle

indicates the distributive justice as that of the State and the commutative as that of private exchange since of the beginning of "*Nicomachean ethics*".

We propose a shift of perspective from distributive justice, substantially founded on the "relations among agents and quantity" to the commutative one, founded on the criterion of "equivalence within the exchange". A new foundation for normative stakeholder theory can be provided by integrating Aristotle's idea of exchange as an ethical action with more recent economic and sociological assumptions aimed at extending the notion of fairness in market-exchanges from its strict focus on the "material resources" to the more encompassing concept involving its dynamics and non-material resources.

It is proposed to reconsider the distribution of the benefits as exchanges instead of a unilateral provision, along the same lines as Aristotle viewed the distribution of equivalent goods between agents. Along this line, some issues in normative stakeholder perspective may be dealt with more successfully than before, with both theoretical and practical implications.

Finally, the commutative idea of justice can find a significant test bench in organizational justice. Although strands of current literature have autonomously developed, many of the organizational justice arguments are consistent with the assumptions of the fairness of the exchange, potentially extensible to all the stakeholders.

The chapter is organized as follows:

This chapter will offer some insights into stakeholder theory. Aristotle's notion of distributive justice is then compared with the commutative one. The latter will be then integrated and extended through some economic and sociological assumptions on the market-exchange. Returning to modern organization theory, commutative justice as an ethical exchange will be addressed to demonstrate how it can act as a theoretical basis that leads to a different approach to justice, along with the advantages in stakeholders' management. The link with organizational justice is then shown. Finally, we draw some conclusions.

## Stakeholder Theory, Some Insight

### Who Are the Stakeholders?

Despite the variety of approaches followed and the consequent heterogeneity of the research questions, in its most basic sense, stakeholder theorists agree on two theoretical premises: managers must consider a wide set of stakeholders and managers have an obligation towards all stakeholders which include, but extend beyond, the shareholders. While the manager's role seems unanimously accepted, the stakeholder's one still has no general consensus. Even if a general definition of stakeholders is essentially simple, because who is and who is not a stakeholder means who has interests to be satisfied, the nature of interaction with the organizations remaining one of the most controversial issues in this field (Freeman et al. 2020; Friedman and Miles 2006; Kaler 2003; Miles 2012). It is conditioned by both the theoretical approach followed and the variability of the criteria applied to define a satisfactory list of agents whose interest are at stake.

For this reason, we rely on the basic assumptions about stakeholders that are defined by Freeman, even if we are aware that the theoretical developments are numerous (see, e.g., Miles 2017) and not always in line with the original concept.

Freeman (1984) defined stakeholders as any “group or individual who can affect, or is affected by, the achievement of a corporation’s” (p. vi) or “organization’ purpose” (p. 54), “firm’s objectives” (p. 25), “organization’s objectives” (p. 46) or “performance”.

A clear consequence stems from this definition.

The wide array of stakeholders is up to the multiple interactions which an organization could be involved in. Interaction is not casual: since it affects an organization's purpose, it is underpinned by an interest both on the stakeholder and the organizations side.

More specifically, how does the stakeholder impact the organization? What is the form of the stake?

The way stakeholders can condition the organizational purpose is proportional to their numbers. The impact can be positive and results in



the investment of resources to create values or in general benefits. Otherwise, it could result in different kinds of assistance that spans from help to promotion. Contrarily impact can be negative, such as opinion movements that can damage the image of the organization or other damage that is a concrete obstacle to the functioning of the organization. In contrast to the last one, it is the organization to procure damage and the stakeholders to react by claiming their rights.

Regarding the extent of the impact, it can be related to the general organizations' objectives, as well as any single actions. Finally, it can be related in a different way to the performance (Miles 2011).

An attempt to classify the stakeholders according to a criterion of relevance for the organization can also be attributed to Freeman (1984, p. 46). He distinguishes between primary and secondary stakeholders.

Economic stakeholders are more closely involved in the organizational management since they have the position of shareholders or they are holders of a formal contract. In addition, they make specific investments that increase the value of their contribution to the firm's management, while reducing it to the market. Finally, they gain interest in a fair distribution of the surplus. On the contrary, institutional and social stakeholders typically do not have contractual relations with the firm. They can have positive or negative external effects, resulting from the joint production of the goods or services of the firm's management.

One main common denominator seems to emerge from the single attempts to create order among stakeholders: it stands in the relation between the firm and stakeholders. Interest is not firm-centric, rather it is characterized by mutuality. In turn, the relation can be shaped as a formal contract, in its nature incomplete and thus integrable by the parties, or as an informal interaction by parties, in both the case of a positive and negative events.

Substantially if there is a stakeholders' unitary view, it relies on the mutual power relations due to the reciprocal dependence of the interests at play. They can be agreed, distinct or opposed: in this sense, they will influence the nature of the relations.

## How Does the Organization Impact the Stakeholders?

The distinction between primary and secondary stakeholders had disappeared.

In Evan and Freeman (1988) and Freeman (1994), a radical change of direction leads to a series of assumptions about the need for substantive equality in satisfying stakeholders' interests through the distribution of benefits. It is pointed out how any stakeholder has a right to be treated as an end, not as a means. This implies that their interests should be assessed and weighted more fairly when treated under the "veil of ignorance" (Rawls, 1971) that allows firms to ignore stakeholders and exclusively considering the interests at stake.

A fundamental principle to incorporate in a firm's Statutes has been suggested as follows:

"Corporations shall be managed in the interests of its stakeholders, defined as employees, financiers, customers, employees, and communities" (Freeman 1994, p. 417).

This is a general prescription in need of specification.

On one hand, Freeman argues "Corporations should attempt to distribute the benefits of their activities as equitably as possible among stakeholders, in light of their respective contributions, costs, and risks".

On the other, there seems to be an exception: "inequalities among stakeholders are only justified if they raise the level of the least well-off stakeholder" (Freeman 1994, p. 415). Although these are indications of great importance in directing the choices of the firm, when applied they could appear uncertain, mutually idiosyncratic and partly in contradiction with the general principle above mentioned.

First, it seems that equality has to be achieved by quantifying precisely the benefits for the different stakeholders, overlooking that the units of measurement are unlikely to be objective. The difficulty in finding a certain measure is exacerbated by being unilaterally defined. Thus, the idea of mutual relations between firm and stakeholder is, at this stage, totally underplayed.

Secondly, it is difficult to understand what distribution criterion of benefits accruing to the stakeholders should work. Specifically, in the

case of inequalities, it seems to refer to the one underpinning distributive justice, whereas it is unclear in all the other cases. Equality between stakeholders based on the nature of the riskiest or most expensive contribution can be ambiguous.

Therefore, if the degree of the risk or the cost is related to the characteristics of the stakeholders, this is equally a criterion of distributive justice. If the risks and costs are a measure of the contribution calling for one equivalent, in this case, the criterion is that of commutative justice.

There are other issues in Freeman's assumptions.

If Freeman's suggestions converge in the rules of distributive justice, they cannot by definition take place behind a veil of ignorance because, as discussed below, differently from the social one, a firm's justice is based on the different characteristics of precise stakeholders. If on the contrary, it deals with commutative justice, as clarified below, the fairness of exchanges cannot be defined unilaterally nor through a comparison with other exchanges.

During the 30-year development of stakeholder theory, many authors who took the normative approach have focused on the idea that stakeholders' benefits are ruled by the social allure of distributive justice (Sacconi 2006), with commutative justice being overlooked.

It appears from this discussion that there is a need for improvement and elaboration of the issues.

The problem is not at all theoretical, because the application of a principle of distribution is in itself the validation of a general rule of equality. In one case, equality mirrors the relationship between stakeholders and contributions, in the other, it mirrors the relationship between the single stakeholder and organization through the exchange. One possible criterion is not theoretically better than the other one. For both, however, the right conditions are necessary to be correctly applied.

## Aristotle's Idea of Justice

*Aristotle's thought on distributive and commutative justice is discussed to understand in what circumstances they can be usefully employed. Commutative justice is then extended through recent economic and sociological assumptions on the fairness of exchange.*

In many passages of Aristotle's thought, justice emerges as a natural principle of coordination and harmony in human relations. In this sense, it is manifested as a particular virtue, founded on the concept of medium between two extreme quantities that are too much and too little. Aristotle distinguishes between distributive and commutative justice. Both are expressions of a particular justice. In both cases, therefore, it is not about giving the same, but rather about giving to each his own. The first difference between the kinds of justice is in the nature of the agents involved. Distributive justice is the justice of political relations; therefore, it regulates the public relations between *polis* and citizens. It consists mainly of the distribution of honours and public wealth. On the contrary, commutative justice regulates the relations between private individuals and mainly turns into the fair exchange of goods.

The second is in the nature of the goods. Distributive justice in Aristotle concerns the division of common goods among the members of a community. On the contrary, the goods involved in a private exchange are by definition the goods owned by individuals.

The kind of agents and the kind of goods are two elements that orient the criteria of distribution in the two forms of justice.

This argument is relevant since it is constantly overlooked in many organizational studies which, on the contrary, consider distributive justice the main possible rationale in the distribution of the stakeholder's benefits, by altering its nature from a criterion that may rule public relations and common goods into a rationale of private relations, useful for private goods.

Further insights related to distributive justice and commutative justice are useful so as to understand their differences and their area of application.

## Distributive Justice

Distributive justice is meant in terms of allocation rather than an exchange, namely, as the distribution of common goods to different citizens by the *polis*, or more generally by the State. “Just” in distribution is the result of at least two relationships involving two subjects and two goods. Aristotle describes an arithmetic Eq. (1131 to 1133b)<sup>1</sup> for which the relationship that exists between two goods must be the same that exists between two persons. The “just” in distribution is therefore mathematically calculable according to a proportion whose terms indicate two persons and two quantities of goods. Once indicated the two persons with A, B and the two quantities of goods with C, D, the consequence is:  $A:B = C:D$ .

The equality of the right distribution concerns the relations: the relations between the two subjects are equal (proportional) to the relations between the goods. If the relationships are the same, there is a difference between the two subjects, which is maintained and reflected in the division of the common goods. The Aristotelian concern is therefore to introduce a principle of justice in an unequal distribution, and, at the same time, to preserve the cohesion of the polis without levelling the differences. For Aristotle, all citizens are not equal, on the contrary, differences are recognized and maintained even in the distribution of common goods. Substantially, it will be given more according to the quality of the people that the State identifies as more courageous and less to the less courageous, more to those that the state will recognize needier and less to the less needy.

There are many problems in considering distributive justice as a rationale for distributing benefits among stakeholders. This is true despite the fascination that it has always attracted and its consequent wide application. The idea that “just” stands in the proportion between subjects and goods incorporates an ideal of social justice which is unlike to be switched to a private field.

---

<sup>1</sup> Page numbers in references to and quotations from Aristotle’s works are, as is common, the page numbers in the 1831 Bekker edition. Quotations from the Nicomachean ethics are as translated by W. D. Ross, revised by J. L. Ackrill and J. O. Urmson, Oxford and New York, Oxford University Press, 1980.

The theoretical idea goes hand in hand with many practical difficulties that may lead to an unsatisfactory application. First of all, as previously stated, distributive justice is meant as the justice of public relations. The criteria of the “hero”, of the “needy”, of the “courageous” are unilaterally established by the polis and, at the same time, legitimately. The polis confers benefits to its citizens as it represents those citizens. Citizens accept polis decisions according to a mandate that legitimizes decisions on their behalf.

When applied to stakeholders, there is a problem of legitimacy when unilaterally defining the distribution criteria.

Where the polis represents its citizens, organizations do not represent their stakeholders. Therefore, the unilateral definition of the benefits distribution criteria for private resources may result in an unacceptable distribution. Stakeholders management is a way of organizing the firm so that it can be naturally responsive to the concerns of its stakeholders since those stakeholders can affect the plans and activities of the firm (Husted 1998; Lehtinen et al. 2019). The difficulty in accepting what is unilaterally stated is exacerbated by the uncertainty inherent the quantification of criterion. Whereas it may be easy to quantify goods to distribute, it is more difficult to quantify the value of an agent in comparison with others.

Furthermore, where it is hard to compare values among a homogeneous category of citizens, in the case of stakeholders it can only worsen. The list of stakeholders includes individuals and associations, as well as local communities, public bodies, banks. Stakeholder heterogeneity does not mirror a single set like that of citizens. Even if the criteria were improved, there would still be a problem of comparison between difficult-to-compare subjects. Stakeholders are articulated into sub-categories with which firms have precise relations. The same veil of ignorance necessary to achieve social justice is not replicable in these circumstances. Simply, social justice is hard to compare with the firm’s justice.

Finally, uncertainty in defining the value could turn into a distorted application of distributive justice.

The more the criterion is uncertain, the more it can be manipulated favouring a stakeholder through discretionary evaluations related to the organization's preferences.

CEO wage differences according to gender can be meant as a case of misuse of distributive justice. Theoretically, a CEO salary should depend on the meritocratic criterion of the achievement of the firm's objectives together with the investment in employment (educations, work experience and so on). However, many studies have underlined how earnings are seldom objectively measurable and often reflect a gender bias (Lips 2013).

Along this line, it has been shown that even if there is no will to manipulate, the distribution according to objective differences among individuals is not applicable to firm contexts, due to the implicit bias that the vast majority of the people hold.

Studies in this field underlined two main results: (i) implicit bias is often racial (Gallo and Beachum, 2020) with the managers less likely to provide a black candidate a positive performance evaluation; (ii) implicit bias conditions the evaluation of what is "more or less" according to the evaluator's position in a specific category. Thus, people who are in an average economic condition will be able to estimate very rich all those who possess more than themselves, and very poor all those below. The discourse can be generalized to firms, and their ability to make classifications (Casal 2018).

## Commutative Justice and Market-Exchanges

Relatively few studies refer to commutative justice as a regulation criterion of stakeholder management. When it happens, it is limited to specific interactions with singular categories of stakeholders (Dauda et al. 2016). Otherwise, commutative justice is considered primarily as the justice of negative interactions, through which to measure the damage caused to a form of restoration (Goodstein and Butterfield 2010). This concept has particular relevance when related to the firm's negative externalities such as workplace accidents, (Heraghty et al. 2020), the firm's environmental polluting, (Zhang et al. 2019), and the product damage

on employees, customers and communities in general (Varadarajan 2020). Rarely, it has been considered as the normative basis of the general stakeholders' interaction, since it has been emphasized as a mere principle of regulating market-exchanges, disregarding its ethical value and its wider capacity to regulate private relations.

The "arithmetiche" proportion that underlies commutative justice consists of the operation that in the language of contemporary mathematics is called equality. It consists of the following binary equivalence relationship where  $A = B$ . The difference between the proportion and that at the basis of distributive justice is obvious. Here the terms involved are only two and refer to the quantities of goods: they must be equivalent. Aristotle is careful to point out that in this equality the terms A, B indicate two quantities of goods that are unequal and must be brought to equality. On the contrary, neither the parties' qualities nor the pre-existing social relations between the individuals are considered. The relationship between the subjects is both voluntary and symmetrical. Simply, the agents exchange. Along this line, exchanges are characterized by giving the corresponding of what one receives. Aristotle specifies that the common measure of exchange is not the interest but rather the need (1133a, 26–28). If there is no reciprocity, there cannot even be a social relationship. Moreover, how much the need supports society as a kind of link is evident. If two persons do not need each other, or even one of them, they do not produce exchanges (1133b, 6–10). Thus, the measure of the value, in being a measure of the reciprocal need of the goods allows to anchor commutative justice to goods and disconnect from people. Finally, it is not limited to regulating the "just" relations but it can even counterbalance those that have manifested as unjust. The amount that must be compensated to those who have suffered injustice is equivalent to the damage suffered. However, some criticisms of commutative justice as a rationale for the management of the stakeholder's benefits have been made.

It is not exactly ethical to give a little when stakeholders can give a little because of their status. The lack of consideration of the inequality among different persons or groups in the interaction with firms should lead to giving less to whom has fewer resources and more to who has more resources to exchange (Mildenberger 2020). Essentially, the problem of



inequality would recur for commutative justice through the goods to be exchanged. This is the case of the genetic resources where legal protection of international treaties ensures “fair and equitable sharing of benefits” in the case of their industrial use. Substantially fairness is built upon the idea that individuals and communities that participate in a study ought to have some benefits from it, especially when the study is on commercial products that generate profits for the sponsors and is conducted in resource-limited countries.

At the same time, many authors have argued that commutative justice marginalizes poor States and communities with limited biological resources due to its focus on exchange. Poor communities have greater costs in renouncing their limited resources that are not counterbalanced with a low share in the benefits (Deplazes-Zemp 2019). Similarly, firms should generally take into account how their practice together with their policies naturally generates different impacts within a population. Vulnerable consumers should be typically considered apart in the logic of consumers targeting (Klein 2016). These concerns cannot be overcome if the comparison is between material resources as well as between goods with a market-price, at least not in the light of Aristotelian reflection. Aristotle’s main aspiration was to link material exchanges between private individuals to the ethics of the equivalent in it being a safeguard clause to inspire *lex mercatoria*. Nowhere in the thought of the Aristotle there is a reference to the extension of exchanges to a more-complex notion comprehensive of the exchange dynamics and the nature of the goods to be exchanged.

Finally, the same notion of the need to underpin the exchange refers to the materiality of resources as a target. However, the notion of Aristotelian fair exchange can be easily complemented with those economic and sociological contributions that over time have expanded the notion of fairness of exchange as related to a more-complex process. In its most basic simplification they refer to the dynamic between parts such as the dialogue, the conversation as driving forces (McCloskey 1998) with exchanges that have been intended as mainly cooperative as founded on mutual expectations such as the part cannot increase their usefulness by changing strategy, given the strategies of others (Buchanan 1968). Furthermore, it is taken for granted that exchange are not the strict

exchange between material resources rather it involves a set of further assets. The focus is on the subjective evaluation of the values of the goods: for example, in Simmel (1958) the same difficulty of acquisition, the magnitude of sacrifice required by exchange, is, therefore, the particular element that shapes the value. On this line the complementary theories of the relational goods (Becchetti et al. 2008) and immaterial incentives (Arrow 2000) have widely enlarged the benefits of the exchange to a set of immaterial resources for their key role in carrying out an exchange.

Even if these are only insights into complex reflections about the assumption that market-exchange is seldom limited to a transaction with diverging interests and strictly focused to the economic resources, it is enough to show positive implications in extending Aristotle's view of exchange.

There are advantages in considering an exchange both between equivalent goods that are not exclusively material and strengthened by the dynamics of interaction between subjects. The advantage of non-material exchange is that it remains an agreement between the parties whose value is contingent-value to their estimation and thus can be extended to a range of non-material specific assets, including those that are not tangible, for instance, social goods as reputation, trust, reliability. Furthermore, it is surely advantageous learning from an experience of interaction shifting from an isolated negotiation to a repeated exchange.

Reconsidering the two examples described above.

If poor communities have greater costs in renouncing their limited resources, sponsor firms can support the expansion of the production. This in turn can lead to an increase of profit-sharing from which the firm could in the time subtract the costs of the promotion. A good exchange often means reviewing its specific characteristics within a broader relationship. Furthermore, immaterial assets can be considered in this kind of exchange. Reciprocity can also stand in the mutual reinforcement of their actions, establishing a relation between the value a firm distributes and the amount it creates (Cropanzano et al. 2007). Finally, there is an indisputable return in terms of reputation when sponsors support the poorest communities.

A case of how vulnerable consumers can be fairly faced with comes from COVID 19 and its associated financial pressure on small

entrepreneurs. Although incentivized by the States, many banks have chosen personal measures of supports such as the suspension of the payment of loan instalments or the revision of the instalment according to prerequisites such as (i) a previous condition of financial health, (ii) the lockdown and (iii) a long-term relationship with the bank. This logic looks at the contingent difficulties and the related estimation of the entrepreneurs' higher sacrifice to the payment instead of applying overall facilities to all the small entrepreneurs, generally considered in need. Examples of the good functioning of fairness in retail are multiplied in times of COVID-19, ranging from home delivery of food for people at risk of contagion, on the contrary, to the payment of a surcharge in the case of an excessive purchase of goods with low availability. In these cases, the logic of the value of the sacrifice made rather than that a mere exchange can be seen. Finally, it is evident that a need arises from a contingency, and thus it may vary. The weakness or the strength is assessed with exclusive reference to the exchange discussed, with the consequence that the protected subject could be for many other profiles—compared to his position in that specific exchange—much stronger (or much weaker) than the other part in the exchange. Thus, it does not identify agents in fixed categories.

## Theoretical and Practical Implications

*Here is discussed how an enlarged idea of commutative justice could be of use to improve modern stakeholder theory and the kind of practical advantages.*

There are two kinds of implications that come with our arguments. The former stands in a theoretical advancement that helps to overcome some of the indeterminacy identified in stakeholder theory. The second is the practical advantages that derive for stakeholder management.

From a theoretical point of view, identifying in commutative justice the rules for the distribution of benefits consistently integrates the arguments that are at the basis of the theory of stakeholders. If the definition of stakeholder itself relies on the mutual power relations among them and the firm, the criteria for distributing benefits should also express

the reciprocity of the roles, and therefore be internal to the relationship. Fairness of the agreement considers two private parties in a position of equality. On the contrary, distributive justice, in being unilaterally defined, reduces the value of the relationship between subjects and nullifies the equivalency of the parties. There is an important consequence that is reflected in the same notion of equality.

The equality pursued through commutative justice is, first and foremost, between individuals entering into relationships thus, equality between organization and stakeholders. It is then reflected in the equality between stakeholders, in the sense that all stakeholders are entitled to benefits according to the measure that will depend on the nature of the individual relationship with the firm.

Equality according to commutative justice allows everyone to obtain what they found acceptable in the exchange. On the contrary, equality according to distributive justice allows the firms to apply its rules in defining how all the stakeholders can have benefits.

Moreover, differently from social justice, the rules of distributive justice are aimed at comparing precise subjects instead of categories: along this line, a veil of ignorance is not applicable, failing a significant meaning of equality.

Finally, commutative justice as the rationale for positive relations is symmetrical to restorative justice, considered only in the case of negative relations. Damage provides a proportional restoration nor it is conceivable that the restitution may depend on the characteristics of the person who has suffered the damage. Employing the same criteria both for positive and negative relations is in itself a form of equality.

There are some advantages that commutative justice shows directly impacting on the management of the stakeholders.

Rules of commutative justice lead to a more easily acceptable distribution of benefits. In the interests of equality, both the parties must take responsibility for accepting the burden of fairness within the exchange. The parity of positions allows to exit the agreement whenever the balance between what one receives and the quantum of his/her sacrifice is not considered equivalent. Furthermore, the parties can consider a broad set of assets, both material and immaterial that can lead to achieving a steady acceptance. Rules of commutative justice tend to expand the

space of agreements rather than reduce it. In this, a fair exchange focuses on its dynamic during the time. Only a few studies emphasized the fairness of the agreement under a “defensive” perspective, particularly on the organization’s side. In this sense, firms would give benefits for what they strictly receive (Azid and Rawashdeh 2018). On the contrary, many studies show how commutative rules are incremental (e.g. Harrison and Bosse 2013). The just for a firm is not give less of what they receive. People reciprocate to the way they are treated by returning similar treatment. Trustworthiness leads to more trustworthiness. Generosity leads to a return of generosity. “If stakeholders believe a firm is providing more value than it is obligated to provide, then they will likely reciprocate” (Harrison and Bosse 2013). This process concerns all the stakeholders, each for their relationships. For example, communities could contribute by supporting expansion projects, workers can support the enterprise in times of crisis, customers can grow in loyalty and by this way increase that demand. Obviously, what is incremental tends to widen the set of assets both material and immaterial.

Rules of distributive justice do not create stakeholders’ taxonomy since they are contingent upon every relation. For example, along with its guidelines, there is no need to identify needy subjects but rather it is possible to estimate a specific need as a stakeholder’s greater sacrifice within a relationship. In this way, the relationships are much more flexible and highly adaptable to the changes that take place over time.

It is symmetrical to that used for shareholder’s interests. While distributive justice goes hand in hand with a general idea of social justice, without it being characterized by a firm, commutative justice is what regulates the shareholder and firm’s relations. Again, equality stands also in the same criterion used for every stakeholder.

## **Employee Management: Commutative Justice and Organizational Justice Theory**

*Here are discussed the various point of contacts between an enlarged idea of commutative justice and organizational justice.*

In contrast to the rules of the distribution of benefits, the manager's rules of behaviour have been underexplored in current stakeholder literature theory. The boundary between the two fields is not clear, although the former is specific to distribution, while the latter should inform the manager's behaviour in any interaction with the stakeholders. In Freeman's analysis (1984), references to behavioural rules are reduced when compared to distribution rules. In addition, they seem to refer primarily to the employees. The main managerial responsibility is to address the corporate values, consistently with those of the stakeholders. Furthermore, managers must treat all the stakeholders according to the mutual accepted ethical standards that include considerations of fairness.

These few references have particular importance for two reasons: (1) in general terms, the parties share ethical standards of conduct according to the rules of equality, specific of their relation, which call for commutative justice; (2) when focusing on the employees, the notion of "sharing" mirrors some tenets at the basis of the organizational justice line of research (Homans 1961; Adams 1965; Silva and Caetano 2016). Although mainly theoretical, the insights we offer have the advantage of developing a complete framework for the employees' organizational management by highlighting the procedures and rules that guide decision-making in the organizations alongside the distribution of resources and obligations.

It is well-known how organizational justice represents a line of research developed independently from stakeholder theory (Hosmer and Kiewitz 2005), essentially based on both the employee personal view of justice in the workplace and the consequent subjective acceptance of what is just.

In their most basic sense, two sub-fields deal with organizational justice pursued through procedural rules and one is about the allocative rules of the organizational resources. Thus, processual and interactional justice are about rules focused on how to exchange, whereas organizational distributive justice is about rules focused on what to exchange. In common with commutative justice, all the three concepts intersect with the notion of exchange between workers and organization extended to both material and immaterial assets (Leventhal 1980; Bouazzaoui et al. 2020).

When singularly examined, procedural justice deals with appropriate and fair criteria that orient the manager's behaviours in the relations with the employees. Attributes of the rules which are widely accepted in literature (Virtanen and Elovainio 2018; Kurdoglu 2019) seem to be in line with most of the tenets of commutative justice. According to current literature, the procedures must be consistent across time, without any special advantage for anyone, in line with the contents of equality examined in commutative justice. Furthermore, they share with commutative justice their contingent nature since they must contain some opportunity to be modified and reversed (Yadav and Yadav 2016), their representative nature, in reflecting all the basic concerns of individual and subgroup impacted by the allocation; and above all their consistency with the fundamental moral and ethical values held by employees (Cropanzano et al. 2018). Subsequent empirical research highlights employees as an active player in role enforcement, essentially on the same organizational level. This is in particular for the voice effect (Stinglhamber et al. 2020) whereby employees' opinion can influence organizational decision-making through different forms of intervention (Ghani and Hyder 2020).

Along the same line, interactional justice deals with procedures even if it emphasizes the interpersonal nature of the formal decision-making procedures. It identifies the quality of specific treatments employees receive during the enactment of the organizational procedures (Bies and Moag 1986). In this sub-field, the rules of behaviours are more clearly specified as well as easily comparable with commutative justice principles. There is the idea that managers should (1) provide adequate explanations of a decision-making process outcome, (2) treat employees with sincerity and dignity, (3) avoid prejudicial statements. This shows how interactional justice is an autonomous form of fairness (Cropanzano et al. 2002). At the same time, when managers/superiors deploy interactional justice rules, they ensure a degree of parity in the work relations in line with commutative exchanges.

Lastly, some insight is given to organizational distributive justice. It implies substantive rules, which in many ways recall the Aristotelian notion of distributive related to social justice, yet limited to work relations. The main elements are as follows. In the original definition, it

refers to the employee's expectation that the rewards will be proportional to his costs. This idea has been refined referring distributive justice as equity (Adams 1965) in terms of the equitable ratio between corporate incentives and personal contributions obtained by a comparison with a target ratio related to the colleagues at the workplace. The resources at play are both material and immaterial, with corporate incentives including: "*Pay, rewards intrinsic to the job, satisfying supervision, seniority benefits, fringe benefits, job status and status symbols*" (p. 277). On the other hand, personal contributions include: "*Education, intelligence, experience, training, skills seniority age, sex, ethnic background social status, and, of course, the effort he expends on the job*" (p. 278). Furthermore, manager distribution of benefits (Leventhal 1980) is aimed to support employees' behaviour in pursuing an organizational goal according to an *allocation norm*: "*A social rule which specifies criteria that define certain distributions of rewards and resources as fair and just*" (p. 94). The starting conditions are the same for all the employees involved in the distribution, although any concrete benefits depend on the individual performance related to the organizational objectives. The example of salesmen is emblematic. Sale areas are defined with the same potential of revenues per each salesman but the concrete distribution will be up to the single agent. Lastly, the organizational objective is contingent, resulting in different organizational expectations related to the employee's performance. Contrary to its definition, distributive justice seems to share both some tenets of the Aristotelian commutative and distributive justice. The comparison with a target recalls the proportion at the basis of distributive where the contingency of the benefits, while their surplus related to the individual performance seems to reflect elements of commutative justice.

The importance of this focus is twofold. First of all, the rules of organizational justice characterize the relationship between the employees and organization, placing the subjects mainly in a peer-condition. The manager's behaviour is mainly addressed to share and consequently to promote employees' acceptance. Apart from the comparison with a target performance in organizational distributive justice, overall considered the application of the organizational justice rules refers to the two agents within a relationship whose balance is both specific and contingent to



the relationship itself. It seems that organizational justice places the relationship between two subjects on the ground of the symmetry of the exchange, despite the different hierarchical position. Finally, what is valid for one stakeholder is also extensible to others? In our idea, an extension to equal behavioural rules would give greater certainty and completeness to the relationship with all the stakeholders, as is in the case of employees. Finally, it may produce particular advantages in the ongoing stakeholders' interactions where the expectations about a relation substantially and procedurally just can counterbalance the trust. Further studies should be focused on this point.

## Conclusions

This chapter aimed to offer a new perspective on the stakeholder distribution of benefits. The comparison between an expanded notion of commutative justice and distributive justice has been provided.

Commutative justice emphasizes the characteristics of the single relation and assesses whether there is parity between performances. Distributive justice first frames the relation within a scheme of appropriate allocation of benefits between the members of a certain community. Then it assesses whether there is a correspondence between what everybody gives or obtains and certain qualities considered relevant. We have underlined that one possible criterion is not theoretically better than the other. For both, however, the right conditions are necessary to be correctly applied.

Facing the problem of the justice of exchange, it comes to deciding whether achieving some form of harmony between the parties, or differently pointing on the relevant parties' qualities to define what is due. These second perspective relies on qualities that the parts have before and regardless of the interaction considered.

The problem is not only theoretical, since the application of a principle of distribution is in itself the validation of a general rule of equality. In one case, equality mirrors the relationship between stakeholders and contributions, in the other, it mirrors the relationship between the single stakeholder and organization through the exchange. Furthermore, we

have highlighted how distributive justice creates some issues that seem to affect the correct distribution of benefits between the stakeholders. These issues can overcome through the application of an extended idea of commutative justice, that is not strictly focused on the exchange of material resources.

Finally, we have associated the tenets of commutative justice to the stakeholder's benefits distribution with the tenets of the organizational justice, by assessing their consistency.

Two considerations must be emphasized. The normative approach allows for an analysis of what should be done and therefore it legitimizes a theoretical advancement about commutative justice and its tenets. On the contrary, a descriptive perspective could show that concrete cases are extraordinarily reduced. Somehow rules of fair exchange and mutual strength among parties might be unwelcome to organizations. However, further studies should measure the impact of commutative justice rules on company performance.

The second consideration regards the notion of equality addressed in this study. The equality we relied on is not only referred to a correct understanding about what is fair according to the circumstances, but it also lies in the application, in similar circumstances, of the same kind of rules to all the stakeholders. Thus, commutative justice is generally applied in case of negative events and equality should suggest its application also in case of positive events. Furthermore, this kind of justice is enforced towards the shareholders and thus employable for the other stakeholders. Finally, organizational justice and its tenets are valid for employees and thus, should be valid for all the stakeholders. Further studies should be addressed to developing these insights.

## References

- Adams, J. S. (1965) Inequity in social exchange. In Berkowitz, L. (Ed.), *Advances in experimental social psychology* (Vol. 2, pp. 267–299). New York: Academic Press.

- Arrow, K. J. (2000). Observations on social capital. *Social capital: A multifaceted perspective*, 6, 3–5.
- Azid, T., & Rawashdeh, O. H. (2018). The notion of “Moral Firm” and distributive justice in an islamic framework. *Intellectual Discourse*, 26.
- Becchetti, L., Pelloni, A., & Rossetti, F. (2008). Relational goods, sociability, and happiness. *Kyklos*, 61(3), 343–363.
- Berman, S. L., & Johnson-Cramer, M. E. (2019). Stakeholder theory: Seeing the field through the forest. *Business and Society*, 58(7), 1358–1375.
- Bies, R. J., & Moag, J. F. (1986). Interactional justice: Communication criteria of fairness. In Lewicki, R. J., Sheppard, B. H. & Bazerman, M. H. (Eds.), *Research on negotiations in organizations* (pp. 43–45). Greenwich, C.T.: JAI.
- Bouazzaoui, M., Wu, H. J., Roehrich, J. K., Squire, B., & Roath, A. S. (2020). Justice in inter-organizational relationships: A literature review and future research agenda. *Industrial Marketing Management*, 87, 128–137.
- Brown, J. A., & Forster, W. R. (2013). CSR and stakeholder theory: A tale of Adam Smith. *Journal of Business Ethics*, 112(2), 301–312.
- Buchanan, J. M. (1968). *The demand and supply of public goods* (Vol. 5). Chicago: Rand McNally.
- Buchholz, R. A., & Rosenthal, S. B. (2005). Toward a contemporary conceptual framework for stakeholder theory. *Journal of Business Ethics*, 58(1–3), 137–148.
- Casal, P. (2018). Distributive justice and human nature. In *The Oxford Handbook of Distributive Justice* (p. 259). Oxford University Press.
- Costello, G. J. (2019). The philosophy of innovation in management education: A study utilising Aristotle’s concept of Phronesis. *Philosophy of Management*, 18(3), 215–230.
- Cropanzano, R., Prehar, C. A., & Chen, P. Y. (2002). Using social exchange theory to distinguish procedural from interactional justice. *Group & Organization Management*, 27(3), 324–351.
- Cropanzano, R., Bowen, D. E., & Gilliland, S. W. (2007). The management of organizational justice. *Academy of Management Perspectives*, 21(4), 34–48.
- Cropanzano, R., Rupp, D. E., Thornton-Lugo, M. A., & Shao, R. (2018). Organizational justice and organizational. *The Oxford Handbook of Organizational Citizenship Behavior*, 1, 59.
- Deplazes-Zlehtinemp, A. (2019). Challenges of justice in the context of plant genetic resources. *Frontiers in Plant Science*, 10.

- Dauda, B., Denier, Y., & Dierickx, K. (2016). What do the various principles of justice mean within the concept of benefit sharing? *Journal of Bioethical Inquiry*, 13(2), 281–293.
- Evan, W. M., & Freeman, R. E. (1988). A stakeholder theory of the modern corporation: Kantian capitalism.
- Frances-Gomez, P., Sacconi, L., & Faillo, M. (2015). Experimental economics as a method for normative business ethics. *Business Ethics: A European Review*, 24, S41–S53.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach* (p. 46). Boston: Massachusetts: Pitman Publishing Inc.
- Freeman, R. E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly*, 409–421.
- Freeman, R. E., Phillips, R., & Sisodia, R. (2020). Tensions in stakeholder theory. *Business and Society*, 59(2), 213–231.
- Freudenreich, B., Lüdeke-Freund, F., & Schaltegger, S. (2020). A stakeholder theory perspective on business models: Value creation for sustainability. *Journal of Business Ethics*, 166(1), 3–18.
- Friedman, A. L., & Miles, S. (2006). *Stakeholders: Theory and practice*. Oxford University Press on Demand.
- Gallo, G., & Beachum, F. (2020). Framing implicit bias impact reduction in social justice leadership. *Journal of Educational Leadership and Policy Studies*, 3(3).
- Ghani, B., & Hyder, S. I. (2020). Employee voice behavior at individual and organizational level: an integrative review. *Journal of Critical Reviews*, 7(4), 2704–2716.
- Goodstein, J., & Butterfield, K. D. (2010). Extending the horizon of business ethics: Restorative justice and the aftermath of unethical behavior. *Business Ethics Quarterly*, 453–480.
- Harrison, J. S., & Bosse, D. A. (2013). How much is too much? The limits to generous treatment of stakeholders. *Business Horizons*, 56(3), 313–322.
- Harrison, J. S., Barney, J. B., Freeman, R. E., & Phillips, R. A. (Eds.). (2019). *The Cambridge handbook of stakeholder theory*. Cambridge University Press.
- Harrison, J. S., & Wicks, A. C. (2019). Harmful stakeholder strategies. *Journal of Business Ethics*, 1–15.
- Heraghty, D., Rae, A. J., & Dekker, S. W. (2020). Managing accidents using retributive justice mechanisms: When the just culture policy gets done to you. *Safety Science*, 126, 104677.

- Homans, G. C. (1961). *Social behavior: Its elementary forms*. New York: Harcourt, Brace, and World.
- Hosmer, L. T., & Kiewitz, C. (2005). Organizational justice: A behavioral science concept with critical implications for business ethics and stakeholder theory. *Business Ethics Quarterly*, 67–91.
- Husted, B. W. (1998). Organizational justice and the management of stakeholder relations. *Journal of Business Ethics*, 17(6), 643–651.
- Kaler, J. (2003). Differentiating stakeholder theories. *Journal of Business Ethics*, 46(1), 71–83.
- Klein, T. A. (2016). Exploring the ethical and societal implications of market segmentation and targeting: Macromarketing and distributive justice perspectives. *Social Business*, 6(2), 109–124.
- Kurdoglu, R. S. (2019). The mirage of procedural justice and the primacy of interactional justice in organizations. *Journal of Business Ethics*, 1–18.
- Lehtinen, J., Aaltonen, K., & Rajala, R. (2019). Stakeholder management in complex product systems: Practices and rationales for engagement and disengagement. *Industrial Marketing Management*, 79, 58–70.
- Leventhal, G. S. (1980). What should be done with equity theory? *Social Exchange* (pp. 27–55), Springer, Boston, Massachusetts, MA.
- Lips, H. M. (2013). The gender pay gap: Challenging the rationalizations. Perceived equity, discrimination, and the limits of human capital models. *Sex Roles*, 68(3–4), 169–185.
- McCloskey, D. N. (1998). *The rhetoric of economics*. Univ of Wisconsin Press.
- Meckling, W., & Jensen, M. (1976). Theory of the firm: Managerial behavior, agency cost and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Mildenberger, C. D. (2020). *Commutative justice: A liberal theory of just exchange*. Routledge.
- Miles, S. (2011, June). Stakeholder definitions: Profusion and confusion. In EIASM 1st interdisciplinary conference on stakeholder, resources and value creation, IESE Business School, University of Navarra, Barcelona.
- Miles, S. (2012). Stakeholder: Essentially contested or just confused? *Journal of Business Ethics*, 108(3), 285–298.
- Miles, S. (2017). Stakeholder theory classification: A theoretical and empirical evaluation of definitions. *Journal of Business Ethics*, 142(3), 437–459.
- O'Rourke, M., Vasko, S. E., McLeskey, C., & Rinkus, M. A. (2020). Philosophical dialogue as field philosophy. *A Guide to Field Philosophy: Case Studies and Practical Strategies*, 48–65.
- Rawls, J. (1971). *A theory of justice*. Harvard University Press.

- Reed, D. (2002). Employing normative stakeholder theory in developing countries: A critical theory perspective. *Business and Society*, 41(2), 166–207.
- Retolaza, J. L., Aguado, R., & Alcaniz, L. (2019). Stakeholder theory through the lenses of catholic social thought. *Journal of Business Ethics*, 157(4), 969–980.
- Silva, M. R., & Caetano, A. (2016). Organizational justice across cultures: A systematic review of four decades of research and some directions for the future. *Social Justice Research*, 29(3), 257–287.
- Simmel G. (1958). *Philosophie des Geldes*, Leipzig, Dunker & Humblot, 1900 revised by Dunker & Hamp; Humblot IV edition, Berlin.
- Sacconi, L. (2006). A social contract account for CSR as an extended model of corporate governance (I): Rational bargaining and justification. *Journal of Business Ethics*, 68(3), 259–281.
- Stinglhamber, F., Ohana, M., Caesens, G., & Meyer, M. (2020). Perceived organizational support: The interactive role of coworkers' perceptions and employees' voice. *Employee Relations: The International Journal*, 42(1), 107–124.
- Varadarajan, R. (2020). Market exchanges, negative externalities and sustainability. *Journal of Macromarketing*, 0276146720926525.
- Virtanen, M., & Elovainio, M. (2018). Justice at the workplace: A review. *Cambridge Quarterly of Healthcare Ethics*, 27(2), 306–315.
- Wijnberg, N. M. (2000). Normative stakeholder theory and Aristotle: The link between ethics and politics. *Journal of Business Ethics*, 25(4), 329–342.
- Yadav, L. K., & Yadav, N. (2016). Organizational justice: An analysis of approaches, dimensions and outcomes. *NMIMS Management Review*, 14–31.
- Zhang, Q., Yu, Z., & Kong, D. (2019). The real effect of legal institutions: Environmental courts and firm environmental protection expenditure. *Journal of Environmental Economics and Management*, 98, 102254.



# 20

## Restorative Justice and Sustainable Development: A Preview of Holistic and Systemic Contextual Change

Nikos Valance

There is no Such Thing as Society  
—Margaret Thatcher

### The Concepts of Restorative Justice and Sustainable Development

Two contemporary social movements, one nascent, the other fairly well entrenched but in some ways struggling against contentious political headwinds, rely on similar paradigm shifts. The nascent social movement is Restorative Justice which, though still relatively unknown, has begun to develop more recognition both within the United States and around the world. However, it still remains unfamiliar to most people. Within

---

N. Valance (✉)  
West Hartford, CT, USA  
e-mail: [nvalance@aol.com](mailto:nvalance@aol.com)

relevant professional fields it is more familiar and, with a growing volume of professional and academic literature, the approach to the administration of justice offered by Restorative Justice is becoming more well-known. Even among those who are familiar with Restorative Justice very often a precise understanding of the model of justice and the operative principles it embodies nonetheless remain ambiguous. This is changing but, with the exception of New Zealand, a systematized program that applies the principles of Restorative Justice throughout a jurisdictional system of justice has yet to be achieved.

The operative concept of justice within Restorative Justice is to repair the harm created by a crime through a process that will “make things right.” This is in contrast with the meaning of justice that is conventionally understood as retribution and punishment. Restorative Justice views the conventional system—of “justice as punishment”—as simply adding to the harm created by the initial offense. Restorative Justice instead seeks to “make things right” by putting its focus on the needs of both the victim and the offender due to the crime. It further views crime as harming the victim and the offender’s communities and allows them to participate in the restorative process. In that process, which requires the voluntary participation of the victim, the offender and any other participants, the victim is given the opportunity to enter into dialogue with the offender, primarily to obtain information (e.g. why did you select me for the offense?) and to express how the offense has impacted his or her life. The offender, as part of the dialogue, is asked to be accountable and take responsibility for what has occurred by responding to the offender and offering their own views/reasons for committing the harm/offense. The consequences that will attach to the offender for their actions are determined, within the limits of the law and the cooperation of a supervising authority,<sup>1</sup> by consensus involving all parties involved in the Restorative process.

It is important to remember that a Restorative process is not outcome-specific, as it is with mediation (a settlement) or even a trial (a verdict), but instead it is process-specific. The process, grounded in dialogue and framed by the principles described above, is the goal rather than a

---

<sup>1</sup> For example a probation officer or a judge.



specific outcome, such as “forgiveness” or an “apology.” It is also important to understand that the Restorative process may take place at any time before, during, or after the legal proceedings. It may occur prior to charges being filed, after charges are filed but before a trial, after a trial but before sentencing, or after sentencing, perhaps even many years after sentencing, which may be more likely in cases of serious physical violence.

These are what one may call the operational aspects of Restorative Justice. They describe how Restorative Justice works. The foundational aspects of Restorative Justice, however, are where the real paradigm shift takes place, situating it in serious contrast with the guiding ideology of our conventional, retributive, criminal justice system. In terms of outcomes, Restorative Justice, as described above, seeks principally to “make things right.” In that sense, Restorative Justice *seeks to heal*. This is the all-important key to understanding what Restorative Justice is all about. Retributive Justice, on the other hand, seeks to punish within a framework of “just deserts.” In simple, and ironic terms, the Retributive Justice system insists that an effective way to administer justice is by hurting people who have hurt people in order to show that it’s wrong to hurt people. Rather than creating a dialogue between offenders and victims, which is central to the Restorative Justice approach, Retributive Justice separates offenders from victims and in the process further alienates both from each other and, simultaneously, from the system of justice. Then, by substituting the state for the victim, the system completely marginalizes the victim from any formal relationship with the process of justice. And while Restorative Justice may not be applicable in all cases, especially since voluntary participation is required and because mandatory minimum sentencing requirements may pose roadblocks, the sense of reform and change that it brings when it is allowed to function is nonetheless significant and truly differentiates it from the Retributive model. There is, still, an even deeper and more fundamental contrast between Restorative Justice and Retributive Justice, a contrast which provided the first clue to the possibility of a linkage between Restorative Justice and Sustainable Development. Because while Retributive Justice rests on individualism as the basis for its world view, Restorative Justice relies on a worldview that is relational. This yields an approach that

views healing as justice in reliance on the interconnectedness of all things and thereby the survival of society. In the Restorative Justice model all things, inclusive of the earth, the natural world, and the human world, are connected and affect each other. A harm to one is inevitably a harm to others who are connected to, or somehow in relationship with both the victim and the perpetrator. This means community is central to the core processes employed by Restorative Justice, and it is why dialogue is the central response within Restorative Justice. Restorative Justice also creates space for intuitive responses to individuals and situations, with compassion being chief among these intuitive responses. This is different from proceeding strictly according to the law and its abstract relationships, and forms the core of the overall purpose of Restorative Justice which is to “make things right” and effect a healing of the harms that have occurred within a given interaction.

Sustainable Development is a much more familiar concept which has taken root in the public imagination and discourse in many different ways. The broadest definition of sustainable development is probably its earliest definition. The challenge of maintaining sustainability was first introduced on the global stage in 1972 at the UN Conference on the Human Environment in Stockholm, specifically in the context of maintaining sustainability with respect to economic growth and development. The phrase “sustainable development” was formally introduced eight years later in 1980 in a publication titled “World Conservation Strategy: Living Resource for Sustainable Development.” Finally the phrase was adopted in 1987 in the report of the United Nations Commission on Environment and Development, known at the Brundtland Commission, after its chairwoman, Gro Harlem Brundtland. The Brundtland Commission’s definition, which was used for the next 25 years, stated: “Sustainable Development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>2</sup> This intergenerational definition ultimately evolved away from a focus on intergenerational needs to include a more

---

<sup>2</sup> Brundtland, G. H. (1987). *Our Common Future: Report of the World Commission on Environment and Development*. Geneva, UN-Dokument A/42/427. 41.

holistic approach which links economic development, social inclusion, and environmental sustainability.<sup>3</sup>

One of its clearest manifestations, and one of its most contested politically, are concerns related to climate change and the economy's conversion to renewable sources of energy. But what we see in the shift to a consciousness focused on conservation for present and future purposes as well as the rectification of environmental harms provides insights into the similarities between Restorative Justice and Sustainable Development. Both require a shift from a world view that is centered on individuals and a "go it alone – survival of the fittest" mentality to one that requires not only the recognition but also the modeling of behavior and responses around the notion of interdependence as the basis for sustainability, society, progress and life in the natural world. Given this basic compatibility, combined with the implications of a paradigm shift within any cultural or societal institution, the primary question which the project emerging from this essay seeks to address is whether the development of one but not the other of these social movements would contradict the full emergence of the change being sought. If so, what socio-economic institutions are impediments to either or both and how might those impediments be linked in the way Sustainable Development and Restorative Justice are assumed to be linked by this author? Finally, once identified, what prescriptions, if any, may be applied to mitigate the impediments? Or is the process a natural one that arises out of necessity and rather than mitigation of obstacles the prescription should be encouragement for further, perhaps accelerated, development?

## The Notion of Efficiency

There are two scholars who bring some clarity to this question. But first, David R. Loy brings some context to it. In his discussion of "The Religion of the Market," Loy begins by acknowledging that "religion is

---

<sup>3</sup> Sachs, Jeffrey D. (2015). *The Age of Sustainable Development*. New York, NY: Columbia University Press, 5.

notoriously difficult to define.”<sup>4</sup> Through the adoption of a functionalist view and understanding religion as what grounds us by teaching us what the world is, and what our role in the world is, he says it becomes obvious that traditional religions are fulfilling this role less and less because that function is being supplanted by other belief and value systems. Loy then asserts, convincingly in my opinion, that today the most powerful alternative explanation of the world is science, the most attractive value system is consumerism and their academic offering is economics. On that basis, he argues that our present economic system

should also be understood as our religion, because it has come to fulfill a religious function for us. The discipline of economics is less a science than the theology of that religion, and its god, the Market, has become a vicious circle of ever increasing production and consumption by pretending to offer a secular salvation....[it is] more apparent that the Market is becoming the first truly world religion, binding [all of us] into a worldview and a set of values whose religious role we overlook only because we insist on seeing them as “secular.”<sup>5</sup>

Loy suggests that there may be a positive outcome from this, redolent of the concept of sustainability which by extension invites the principles of Restorative Justice, when he continues by saying:

The situation of religions today is becoming so critical that the environmental crisis may actually turn out to be a positive thing for religion. That is because ecological catastrophe is awakening us not only to the fact that we need a deeper source of values and meaning than market capitalism can provide but also to the realization that contemporary religion is not meeting this need either.<sup>6</sup>

One of the core virtues within the religion of economics is efficiency. However, that term can take on different meanings. It can refer to a situation where one individual or entity profits without any

---

<sup>4</sup> Loy, David R. (1997). The Religion of the Market. *Journal of the American Academy of Religion*, 65(2): 275.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

other taking a loss, also known as Pareto Efficient.<sup>7</sup> It can also refer to an economy that is running at maximum output utilizing all available resources. Another meaning is the strict measure of the amount of the economic output per unit of input. The unit of input could be any number of things, for instance energy inputs or labor inputs per hour. Purdue University Professor of Botany Steve Hallett tackles the revered concept of efficiency saying that rather than being the keystone for productive growth in the system, it is actually a highly misunderstood and a very counter-productive phenomenon, especially in the era of globalization. Globalization, Hallett says, “takes away the ‘shutdown’ triggers of environmental feedbacks. The overconsumption [within a social group] ought to cause a slowdown, reducing consumption. In the global economy, however, the resource is found elsewhere [outside the group] and the consumption continues. Globalization is a massive efficiency mechanism that secures resources for the dominant few, but it is also a sign of danger. When productivity and growth from local resources become impossible to access we begin to source them worldwide, but they are now becoming scarce worldwide. The global economy is stripping resources from all over the world and scattering its wastes into the land, the waters, and the air. A global economy, when it becomes a global machine of efficiency, becomes a global efficiency trap.”<sup>8</sup>

There is also an efficiency parallel that can be made with the contemporary justice system which on the one hand yearns for greater efficiency in the processing of criminal cases—from low level, quality of life, crimes, to violent felonies. It also relies, however, on the belief that punishment, even to the point of “mass incarceration” and involving the privatization of prisons, is the most efficient way to deliver justice, or “just deserts.” This is also an efficiency trap within the contemporary justice system, primarily because the “feedback” mechanism generated by the efficiency of incarceration is either being misunderstood or just sorely ignored. American prisons are notorious for the violent atmosphere that predominates within them. This violence exists between

---

<sup>7</sup> Pareto Efficient implies resources are allocated in the most efficient way. It does not imply fairness or equality.

<sup>8</sup> Steve Hallett, *The Efficiency Trap, Finding a Better Way to Achieve a Sustainable Energy Future* (Prometheus Books, Amherst, NY, 2013) 182.

inmates as well as between corrections officers and inmates. Incarceration in this environment does nothing to produce “good citizens” upon release, especially after someone has spent several decades behind bars. In fact, it produces the opposite. Nonetheless, a huge majority of inmates, roughly 80 percent, will reenter civilian life.<sup>9</sup> The obvious question is whether American prisons are preparing inmates to assume a productive role in society, or is the prison experience creating additional trauma which will ultimately be more damaging to society even if it does remove an individual from society for a number of years. In other words, to borrow from Hallett’s discussion, is the Justice system inefficient and does remedying this inefficiency require changing our perspective on what justice means?

In a talk given to the American Antitrust Institute, Hallett summarized his thesis for the crowd of antitrust lawyers attending AAI’s June, 2014 Invitational Symposium which focused on *A Multidisciplinary Examination of Efficiency*.<sup>10</sup> Hallett is a botanist and so he thinks in terms of systems and in his talk he uses a forest as a metaphor for the economy. As described above, our first misconception is to view efficiency as a good thing. According to Hallett, it’s actually pretty difficult to think clearly about efficiency. Our assumptions about it are based on the notion that if, for example, with respect to the energy crisis, we become more efficient in the use of non-renewable sources of energy (gas, coal), those resources will last longer, thus delaying the crisis and due to efficiency we’ll also pollute less. His contention, though, is the more efficiently we use a resource the faster it will disappear. The efficient use of the resource brings progress in production, as a result of which there will be more consumption of the resource and therefore further depletion rather than retention or renewal.

That, according to Hallett, is Efficiency Trap 1. Efficiency Trap 2 is where Hallett employs the economy as a forest metaphor, with the

---

<sup>9</sup> For details regarding the costs of imprisonment and conditions in American prisons, see The Brennan Center for Justice’s report “Conviction, Imprisonment and Lost Earnings” available at: [https://www.brennancenter.org/sites/default/files/2020-09/EconomicImpactReport\\_pdf.pdf](https://www.brennancenter.org/sites/default/files/2020-09/EconomicImpactReport_pdf.pdf).

<sup>10</sup> Steve Hallett’s, “Efficiency Traps in Ecological and Economic Systems”, a talk given to The American Antitrust Institute, Invitational Symposium: *A Multidisciplinary Examination of Efficiency*, Washington DC, June 14, 2014 available at: [http://www.antitrustinstitute.org/media/6.18.14\\_AAI\\_LuncheonSpeaker\\_SteveHallett.mp3](http://www.antitrustinstitute.org/media/6.18.14_AAI_LuncheonSpeaker_SteveHallett.mp3).

overriding message being that economists, (and antitrust lawyers—his audience for this talk), need to be more concerned with dynamic efficiency. Not understanding the complexities of the forest, and viewing it as an economic resource, i.e. timber, it is seen in terms of its price and its health in terms of its productivity. The more productive it is, the healthier it is. We ignore that it exists in a *relational dependence* with other things in the forest. But productive translates as more and more trees, usually of one or two particular kinds dominating the forest. However, a forest is a dynamic system which undergoes cycles that involve multiple species and, Hallett contends, eventually most of them burst into flames. This, Hallett explains, is not necessarily a bad thing. It's just a thing. It's what forests do.

Hallett's point is that we always look at systems in the way that's easy to look at them. Is the forest growing wood? But, according to Hallett, it's just harder to measure the dynamic questions. Instead, we rely on simple questions being posed about complex systems, which lead to simple conclusions that are not necessarily true but efficiency allows us to ignore the more complex reality, to our detriment. Consequently, we assume that if productivity is still going up, then all is probably well. Failure often comes very suddenly when productivity is still rising, and the reason is because we push and push and push and insist that the system produce and produce and produce even after the natural cycle of the system is used up. Then it doesn't decline, it fails.

Hallett's thesis is reminiscent of the Marxist influenced economist Joseph Schumpeter's theory of Creative Destruction. Schumpeter believed that Creative Destruction, which describes the incessant product and process innovation mechanism by which new production units replace outdated ones, would be responsible for the demise of the Capitalist system for reasons similar to the processes described by Hallett's Efficiency Trap. The term Creative Destruction did not originate with Schumpeter, but he popularized it in his book *Capitalism, Socialism and Democracy*.<sup>11</sup> However, despite the fact that Schumpeter was describing

---

<sup>11</sup> Schumpeter, Joseph A. (2014) [1942]. *Capitalism, Socialism and Democracy*. (2nd ed.). Floyd, Virginia: Impact Books.

processes that would eventually destroy Capitalism, the term subsequently gained popularity among neo-liberal and free market economics as a description of processes such as downsizing in order to increase the efficiency and dynamism of a company.

But Hallett's perspective is one of engendering sustainability, rather than accepting the collapse of the system. In Hallett's metaphor of the forest when one or two tree species dominate the forest, the forest is then doomed. It cannot sustain itself with one or two species so clearly dominating. Hallett ties this to economic problems such as monopolies, monopsony and other domination problems such as wealth inequality. The bottom line for Hallett is that a focus on efficiency maintains productivity but masks imminent failure.

In similar contextual terms, the gross efficiency employed in the American retributive system of justice, one based on punishment as justice, which has, based on efficiency concerns, morphed into a system of mass incarceration, is doomed to fail,<sup>12</sup> in much the same way, and for many of the same reasons that Hallett highlights with respect to the resource economy.

Here I'd like to introduce the work of the late 2009 Nobel Laureate in economics, and the first woman to ever receive the Nobel Prize in economics, Elinor Ostrom. Ostrom was not an economist, she was a political scientist, based at Indiana University. But she did exactly what very few economists ever do. She went into the field to see what people do. The background to her contribution dates to 1968 when an ecologist named Garret Hardin wrote an article in the journal *Science* describing the economic theory known as *The Tragedy of the Commons*.<sup>13</sup> The theory describes a hypothetical situation within a shared-resource system where individual users acting independently according to their own self-interest behave contrary to the common good of all users by depleting that resource through their individual actions. Ostrom went into the field and discovered that the exact opposite is happening.

---

<sup>12</sup> With many of the signs of that failure already present. See, for example, The Brennan Center Report, cited *supra*, note 9.

<sup>13</sup> Hardin, G. (1968). *The Tragedy of The Commons*. *Science*, 162(3859): 1243–1248.



Dr. Ostrom's field work, detailed in her 1990 book<sup>14</sup> "Governing The Commons," demonstrated that in more cases than not common pool resource users would act cooperatively to sustain the common pool resource by establishing and maintaining governance regimes to manage the resource, particularly in situations where state governance structures did not adequately do so or were otherwise unavailable. In her analysis, Dr. Ostrom cautioned against single governmental units at a global level to solve the collective action problem of coordinating work against environmental destruction. This was partly due to their complexity, and partly due to the diversity of actors involved. Among the key guidelines in Dr. Ostrom's proposal was the reliance on a polycentric approach, where key management decisions should be made as close to the scene of events and the actors involved as possible.

Much of Dr. Ostrom's field work dealt with smaller scale common pool resource users. However, "Governing the Commons" does dedicate considerable attention to the ways in which municipal water management districts in the Los Angeles basin have cooperated with each other to insure that when the different hydrologic conditions that exist among the several municipal districts posed possible shortages, actions were taken through cooperative management agreements to insure the district having trouble would have support, and shared resources, from a neighboring district. The agreement also worked the opposite way. If, for instance, a district bordered the ocean with the heightened risk that the district's fresh water supply could become briny, or saturated with salt, that district was prohibited by the arrangement from pilfering fresh water from a neighboring district.

Ostrom's work also points out, significantly, that the stable sustainable management of common pool resources relied on several key organizing principles, including collective-choice arrangements that allow most resource appropriators to participate in the decision-making process; effective monitoring by monitors who are part of or accountable to the appropriators; a scale of graduated sanctions for resource appropriators

---

<sup>14</sup> Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action*, (Cambridge, UK, Cambridge University Press, 1990).

who violate community rules; and mechanisms of conflict resolution that are cheap and of easy access.<sup>15</sup>

“Ostrom’s Law” is an adage that represents how Elinor Ostrom’s work in economics challenges previous theoretical frameworks and assumptions about property, especially the commons. Ostrom’s detailed analyses of functional examples of the commons create an alternative view of the arrangement of resources that are both practically and theoretically possible. This eponymous law is stated succinctly by Lee Anne Fennell as: “A resource arrangement that works in practice can work in theory.”<sup>16</sup>

## The Relationship Between Restorative Justice and Sustainable Development

There is obviously much more that can be said about Ostrom’s reports from the field and Hallett’s theoretical views than has been presented here. And there are obviously many more researchers’ and scholars’ work to pursue. For example, a purposeful and insightful discussion must be developed regarding what a society, or institutions within a society, look like when they fail or transition and the dynamics of what results from that failure or transition. This would draw further on Schumpeter, would include Polanyi<sup>17</sup> and his views on substantivism as well as others. I only bring Hallett and Ostrom into the forefront of this proposal as representatives of my more recent (Hallett) readings on these topics as well as my not so recent, but regularly returned to (Ostrom) readings as exemplars of how I think these issues may be conceptualized and approached.

Given the background presented above, a question motivating this author is whether the adoption by a community or municipality of Sustainable (or Restorative) policies, gives rise consequentially to the development of Restorative (or Sustainable) policies (respectively). In other words, are the similarities in world view of the two paradigms,

---

<sup>15</sup> Ibid.

<sup>16</sup> Fennell, Lee Anne. (Mar 2011). Ostrom’s Law: Property Rights in the Commons. *International Journal of the Commons*, 5(1): 9.

<sup>17</sup> Polanyi, Karl. (1957). *The Great Transformation* Boston: Beacon.

specifically one that is relational with a shared emphasis on respect, community, responsibility and dialogue, strong enough so that the presence of one will naturally give rise to the development of the other? Is there a recognition, either implicit or explicit, that survival of the community relies on the sustainable shift in development and the restorative shift in justice? Further, is that what we're actually witnessing? If that recognition is there, why is it there? How did it come about? If one "conversion," i.e. to sustainability, is not ultimately accompanied by the same to restorative practices should it be imposed, encouraged, left alone? Has the more mature conversation about Sustainable Development and associated changes in the world view that have begun to inform the economic system, (a change which gained steam in the 1990s), been the provocateur for the natural emergence of a discussion supporting Restorative Justice policies and changes in the justice system in the first two decades of the present century? From a similar but reverse perspective, has Restorative Justice preceded and provoked the emergence of Sustainable Development in any given community?

Following Ostrom's guidance provides a basic approach to fieldwork as a way to address these questions. Ostrom's focus was on common pool resource users. For the project being developed by this author, the research will at least initially be based on a selection of case studies from among communities or municipalities that have responded/are responding in some way to climate change. Where communities have responded with sustainability policies—and what encompasses the range of such policies for the purpose of this study must be determined—we will ask if there is any evidence that Restorative Justice policies are being discussed, are being prepared for implementation or are already in operation in those communities. If the answer is yes, that there is the presence of both Sustainable policies and Restorative policies, then further tracking of this development will be sought to ascertain the influences giving rise to the development and to the extent possible, the causation. In other words, we will want to know what led to the development of one after the other.

Separately, but as importantly, the focus of this project would be developments in corporate behavior in the context of these pressures. From this perspective, it would be helpful if corporations were viewed

as communities of shareholders, rather than as individual entities or citizens.<sup>18</sup> Within the scope of corporate criminal law in the United States, this distinction remains somewhat problematical particularly in terms of the assignment of liability. There are, however, contributions to the business literature that are focused directly on this question by recognizing the shift from Instrumental to Integrative Logics in the context of business sustainability. Gao and Bansal describe this change as benefiting businesses and serving the original concept of business sustainability. According to them much of the research on organizational responses to social and environmental issues has been framed around an instrumental logic, i.e. how firms can benefit from addressing societal concern. But under this logic, corporate social and environmental investments are framed as response to stakeholder pressures that presumably carry significant financial implications. The authors explain that corporations tend to manage various social and environmental issues discretely and sequentially, as if such decisions are emerging distractions. This tendency creates a false and unnecessary polarization between business and society as if the two are at odds and need to be reconciled. This approach, they say, reinforces the tension between business demands and social expectations, which can create a self-fulfilling paradox.<sup>19</sup> They propose as an alternative logic, an integrative logic.

This logic recognizes the systems in which individual operations are embedded, from both a spatial and temporal perspective. Consequently, the three pillars of business sustainability, corporate financial performance, social performance, and environmental performance are produced and reproduced as part of a system. No individual elements can be isolated, and a change in one of these elements will result in changes throughout the tightly woven interconnected system.<sup>20</sup>

---

<sup>18</sup> This will require a discussion of corporate personhood, one that is complicated at best and controversial at all times, and one that I am eager to bring into the broader discussion of this proposed project. It is also one that I think cannot be avoided in the context of what this project seeks to determine.

<sup>19</sup> Gao, Jijun, & Pratima Bansal. (2013). Instrumental and Integrative Logics in Business Sustainability. *Journal of Business Ethics*, 112(2): 241.

<sup>20</sup> Ibid.

Employing this kind of logic which reverses the mainstream thinking within business communities as well as academia provides an already well- developed shift in the paradigm according to which businesses must operate to reduce unnecessary tensions and implement sustainable corporate behavior.

To my knowledge, there is currently no identified scholarly work that addresses this project's specific questions or overall framework. The pursuit of this project would, therefore, initiate a new area of literature and study while beginning to develop an understanding of how justice, when it is restorative, and development, when it is sustainable, are linked while shedding further light on how inequities in the systems of justice and development are also linked when justice is not restorative and development is not sustainable. This project will select its case studies from among communities or municipalities that have responded/are responding in some way to climate change. This work will rely at least in part on initiatives in selected communities around the world to establish projects such as Restorative Cities. An exemplar of a Restorative City is Whanganui in New Zealand. Restorative Cities combine restorative justice as part of the legal system with other restorative practices to guide aspects of the community's overall social fabric (see Van Cleynenbreugel, 2019<sup>21</sup>; Manozzi, 2019<sup>22</sup>; Saywood, 2019<sup>23</sup>; and Straker, 2019).<sup>24</sup>

Where communities have responded with sustainability policies, we will ask if there is any evidence that Restorative Justice policies are being discussed, are being prepared for implementation or are already in operation in those communities. If the answer is yes, then further tracking of this development will be sought to ascertain the influences giving rise to the development and to the extent possible, the causation. In other words, we will want to know what led to the development of one after the other. The pursuit of this project would potentially initiate a new area

---

<sup>21</sup> Van Cleynenbreugel, L. (2019). Leuven: Creating Support and Skills for Handling Conflicts in a Restorative Way. *The International Journal of Restorative Justice*, 2(2): 303–308.

<sup>22</sup> Mannozi, G. (2019). The Emergence of the Idea of a 'Restorative City' And its Link to Restorative Justice. *The International Journal of Restorative Justice* 2(2): 288–292.

<sup>23</sup> Saywood, J. (2019). Whanganui: Respectful Relationships at the Heart of Our City—A Story From New Zealand. *The International Journal of Restorative Justice*. 2(2): 320–324.

<sup>24</sup> Straker, C. (2019). Conclusion: The Restorative City—A Challenge About Means and Ends. *International Journal of Restorative Justice*, 2(2): 325–331.

of literature and study while beginning to develop an understanding of how justice, when it is restorative, and development, when it is sustainable, are linked while shedding further light on how inequities in the systems of justice and development are also linked when justice is not restorative and development is not sustainable. The results of this inquiry, particularly if the linkages and connections hypothesized in this essay are discovered to be true, would have significant impact for approaches to jurisprudence and economic development for the future.

## References

- Brundtland, G. H. (1987). *Our Common Future: Report of the World Commission on Environment and Development*. Geneva, UN-Dokument A/42/427.
- The Brennan Center for Justice at New York University School of Law, 2020: *Conviction, Imprisonment and Lost Earnings*. New York, 1–44.
- Fennell, Lee Anne. (Mar 2011). Ostrom's Law: Property Rights in the Commons. *International Journal of the Commons*. 5(1): 9–27.
- Gao, J., & Bansal, P., (2013). Instrumental and Integrative Logics in Business Sustainability. *Journal of Business Ethics*. 112(2): 241–255.
- Hadley, Michael L. (2001). *The Spiritual Roots of Restorative Justice*. Albany: State University of New York Press.
- Hallett, S. (2013). *The Efficiency Trap*. Amherst, NY: Prometheus.
- Hardin, G. (1968). The Tragedy of The Commons. *Science*. 162(3859): 1243–1248.
- Loy, David R. (1997). The Religion of the Market. *Journal of the American Academy of Religion*, 65(2): 275–290.
- Mannozi, G. (2019). The Emergence of the Idea of a 'Restorative City' and its Link to Restorative Justice. *The International Journal of Restorative Justice*, 2(2): 288–292.
- Polanyi, Karl. (1957). *The Great Transformation*. Boston: Beacon.
- Sachs, Jeffrey D. (2015). *The Age of Sustainable Development*. New York, NY: Columbia University Press.
- Schumpeter, Joseph A. (2014) [1942]. *Capitalism, Socialism and Democracy* (2nd ed.). Floyd, Virginia: Impact Books.

- Saywood, J. (2019). Whanganui: Respectful Relationships at the Heart of Our City—A Story From New Zealand. *The International Journal of Restorative Justice*, 2(2): 320–324.
- Straker, C. (2019). Conclusion: the restorative city—A challenge about means and ends. *International Journal of Restorative Justice*, 2(2): 325–331.
- Van Cleynenbreugel, L. (2019). Leuven: Creating Support and Skills for Handling Conflicts in a Restorative Way. *The International Journal of Restorative Justice*, 2(2): 303–308.

## Suggested Additional Reading

- Azmi, R. (2006). Business Ethics as Competitive Advantage for Companies in the Globalization Era. Available at: SSRN: <https://ssrn.com/abstract=1010073> or <https://doi.org/10.2139/ssrn.1010073>.
- Bazemore, G., & Maruna, S. (2009). Restorative Justice in the Reentry Context: Building New Theory and Expanding the Evidence Base. *Victims & Offenders*, 4(4), 375–384.
- Bennett, J. (2020). *Being Property Once Myself: Blackness and The End of Man*. Cambridge, Belknap Press.
- Bolitho, J. (2011). Restorative Justice: The Ideals and Realities of Conferencing for Young People. *Critical Criminology*, 20: 61–78
- Braithwaite, J., & Pettit, P. (1990). *Not Just Deserts, A Republican Theory of Criminal Justice*. Oxford: Clarendon Press.
- Braithwaite, J. (1999). Restorative Justice: Assessing Optimistic and Pessimistic Accounts. *Crime & Justice*, 25: 1–127.
- Braithwaite, J. (2000). Restorative Justice and Social Justice. *Saskatchewan Law Review*, 63: 185–194.
- Cobb, John B. (2018) *Putting Philosophy to Work: Toward an Ecological Civilization*. Anoka MN. Process Century Press.
- Cragg, W. (2016). *The Practice of Punishment Towards a Theory of Restorative Justice*. New York, Routledge.
- Crouch, C. (2011). *The Strange Non-Death of Neoliberalism*. Malden, MA: Polity Press.
- Daly, Herman E. (1991) [1977]. *Steady-State Economics* (2nd ed.). Washington, DC: Island Press.
- Daly, H. (1996). *Beyond Growth: The Economics of Sustainable Development*. Boston, Beacon.

- Daly, H. & Cobb, J. (1994) (1989). *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future*. Boston, Beacon.
- Daly, Herman E., & Farley, Joshua (2010). *Ecological Economics: Principles and Applications* (2nd ed.). Washington, DC: Island Press.
- Daly, K. (2002). Restorative Justice: The Real Story. *Punishment & Society*, 4(1).
- Dancig-Rosenberg, H., & Gal, T., (2013). Restorative Criminal Justice. *Cardozo Law Review*, 34: 2313–2346.
- Diamond, J. (2019). In the Aftermath of Rampage Shootings: Is Healing Possible? Hard Lessons from the Red Lake Band of Chippewa Indians and Other Indigenous Peoples. *Georgetown Journal of Law and Modern Critical Race Perspectives*: 101–136.
- Doak, J. & O’Mahony, D., (2006). The Vengeful Victim: Assessing the Attitudes of Victims Participating in Restorative Youth Conferencing. *International Review of Victimology*, 13(2): 157–177.
- Donaldson, T., & Dunfee, T. (1994). Toward a Unified Conception of Business Ethics: Integrative Social Contracts Theory. *The Academy of Management Review*, 19(2): 252–284.
- Fenn, E. (2014). *Encounters at the Heart of the World, A History of the Mandan People*. New York: Hill and Wang.
- Forrester, K. (2019). *In The Shadow of Justice: Postwar Liberalism and the Remaking of Political Philosophy*. Princeton, Princeton University Press.
- Fulkerson, A. (2009). The Drug Treatment Court as a Form of Restorative Justice. *Contemporary Justice Review*, 12(3): 253–267.
- Garbett, C. (2016). “And focused upon victims’ needs”: Toward an assessment of the victim-orientated principles of restorative justice practice. *Contemporary Justice Review*, 19(3): 307–324.
- Garbett, C. (2017). The International Criminal Court and Restorative Justice: Victims, Participation and the Processes of Justice. *Restorative Justice*, 5(2): 198–220.
- Gilmore, R. W. (2007). *Golden Gulag: Prisons, Surplus, Crisis and Opposition in Globalizing California*. Berkeley, University of California Press.
- Hanan, M. (2016). Decriminalizing Violence: A Critique of Restorative Justice and Proposal for Diversionary Mediation. *New Mexico Law Review*, 46: 122–169.
- Hawken, P., Lovins, A., & Lovins, L. H. (1999). *Natural Capitalism, Creating the Next Industrial Revolution*. Boston, Little Brown & Co.



- Hofstadter, R. (1963). *Anti-Intellectualism in American Life*. New York: Alfred A. Knopf.
- Hopkins, M. (2004). Corporate Social Responsibility: An Issues Paper. *Policy Integration Department: World Commission on the Social Dimension of Globalization*. International Labour Office, Geneva. Working Paper No. 27.
- Johnstone, G. (2011). *Restorative Justice, Ideas, Values, Debates*. New York: Routledge.
- Johnstone, G., & Van Ness, D. (2011). *Handbook of Restorative Justice*. New York: Routledge.
- Kuhn, T. (1962). *The Structure of Scientific Revolutions*. Chicago: University of Chicago.
- Lear, J. (2006). *Radical Hope Ethics in the Face of Cultural Devastation*. Cambridge, MA: Harvard University Press.
- Liebmann, M. (2019). Bristol: Working Together to Resolve Conflict and Repair Harm. *The International Journal of Restorative Justice*, 2(2): 298–302.
- Marshall, C. (2019). The Evolution and Meaning of the Restorative City Ideal: An Introductory Essay. *The International Journal of Restorative Justice*, 2(2): 293–310.
- McCarthy, E. (2016). Breaking Out: The Expansiveness of Restorative Justice in *Laudato Si*. *Journal of Moral Theology*, 5(2): 1-19.
- McCold, P. (2004). Paradigm Muddle: The Threat to Restorative Justice Posed by its Merger with Community Justice. *Contemporary Justice Review*, 7(1): 13–35.
- Moyn, S. (2012). *The Last Utopia: Human Rights in History*. Cambridge: Belknap Press.
- Noakes-Duncan, T. (2015). Restorative Justice in Prisons A literature Review. *Occasional Papers in Restorative Justice Practice*: Diana Unwin Chair in Restorative Justice: Victoria University, Wellington.
- O'Brien, S., & Bazemore, G. (2004). A New Era in Governmental Reform: Realizing Community. *Public Organization Review*: 205–219.
- Ostrom, Elinor. (1990). *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge, UK: Cambridge University Press.
- Ostrom, Elinor, & Walker, James. (2003). *Trust and Reciprocity: Interdisciplinary Lessons from Experimental Research*. New York: Russell Sage Foundation.
- Ostrom, Elinor, & Hess, Charlotte. (2007). *Understanding Knowledge as a Commons: From Theory to Practice*. Cambridge, Massachusetts: MIT Press.

- Patil, Y.D. (2014). Corporate Social Responsibility Towards Environmental Management. *Paper Presented by Author Feb. 11<sup>th</sup>, 2014 in the International Conference on Law, Society and Sustainable Development: Problems and Prospects at Nirma University.*
- Piketty, T. (2014). *Capital in The Twenty First Century*. Cambridge: Belknap.
- Piketty, T. (2020). *Capital and Ideology*. Cambridge: Belknap.
- Pogge, T. (2007). *John Rawls: His Life and Theory of Justice*. Oxford: Oxford University Press.
- Rawls, J. (1999). *A Theory of Justice*. Cambridge: Belknap.
- Robinson, C. J. (2019). *Cedric J. Robinson: On Racial Capitalism, Black Internationalism, and Cultures of Resistance (Black Critique)*. London: Pluto Press.
- Ruggie, J. (2013). *Just Business*. New York: W.W. Norton.
- Saulnier, A., & Sivasubramaniam, D. (2018). Restorative Justice: Reflections and the Retributive Impulse. In *Advances in Psychology and Law*: 177–210.
- Scherer, A., & Palazzo, G. (2009). The New Political Role of Business in a Globalized World—A Paradigm Shift in CSR and its Implications for the Firm, Governance, and Democracy. *Draft Paper to be presented at the Wharton School, University of Pennsylvania, April 16, 2009.*
- Sharma, L. (2017). Restorative Justice System: A Contemporary Analysis. *International Journal of Law*, 3(3): 39–44.
- Sloan, J. (2019). *Criminal Justice Ethics*. New York: Oxford.
- Stevenson, B. (2014). *Just Mercy a Story of Justice and Redemption*. New York: Spiegel & Grau.
- Suzuki, M., & Wood, W. (2017). Co-option, Coercion and Compromise: Challenges of Restorative Justice in Victoria, Australia. *Contemporary Justice Review*, 20(2): 274–292.
- Suzuki, M., & Wood, W. (2018). *Criminology & Criminal Justice*, 18(4): 450–467.
- Umbreit, M., Blevins, J., & Lewis, T. (2015). *The Energy of Forgiveness Lessons from Those in Restorative Dialogue*. Eugene, OR: Cascade.
- Van Ness, D., & Strong, K. (2015). *Restoring Justice: An Introduction to Restorative Justice*. New York: Routledge.
- Voegtlin, C., & Scherer, A. G. (2015). Responsible Innovation and the Innovation of Responsibility: Governing Sustainable Development in a Globalized World. *Journal of Business Ethics*.
- Von Hirsch, A., Roberts, J., Bottoms, A., Roach, K., & Schiff, M. (2003). *Restorative Justice & Criminal Justice, Competing or Reconcilable Paradigms?*. Portland, OR: Hart.

- Walgrave, L., & Leuven, K. (2011). Investigating the Potentials of Restorative Justice Practice. *W.J.L & Policy*, 36: 91–139.
- Wolf, A. (2017). *The Spirit of Dialogue: Lessons from Faith Traditions in Transforming Conflict*. Washington D.C.: Island Press.
- Wood, W. (2013). Victims as Stakeholders: Research from a Juvenile Court on the Changing Roles of Victims in Restorative Justice. *Western Criminology Review*, 14(1): 6–24.
- Wood, W. (2015). Why Restorative Justice Will not Reduce Incarceration. *British Journal of Criminology*, 55(5): 883–900.
- Wood, W., & Suzuki, M. (2016). Four Challenges in the Future of Restorative Justice. *Victims & Offenders*, 00:1–24.
- Zehr, H. (2015a). *The Little Book of Restorative Justice*. New York: Good Books.
- Zehr, H. (2015b). *Changing Lenses Restorative Justice for Our Times*. Harrisonburg, VA.: Herald Press.
- Zehr, H., Amstutz, L., MacRae, A., & Pranis, K. (2015). *The Big Book of Restorative Justice*. New York: Good Books



# 21

## Uncovering the Dialogical Dimension of Corporate Responsibility: Towards a Transcendental Approach to Economics, with an Application to the Circular Economy

Giancarlo Ianulardo , Aldo Stella ,  
and Roberta De Angelis 

### Introduction

Recent decades have witnessed a growing interest in the academic literature and among professionals and institutions on business ethics and the responsibility of corporation in society. The idea of corporate social responsibility (CSR hereafter)—which espouses the view that

---

G. Ianulardo (✉)

University of Exeter Business School, Exeter, UK

e-mail: [g.ianulardo@exeter.ac.uk](mailto:g.ianulardo@exeter.ac.uk)

A. Stella

University of Perugia, Perugia, Italy

e-mail: [Aldo.Stella@unistrapg.it](mailto:Aldo.Stella@unistrapg.it)

R. De Angelis

Cardiff University Business School, Cardiff, Wales, UK

e-mail: [deangelisr@cardiff.ac.uk](mailto:deangelisr@cardiff.ac.uk)

businesses have responsibility towards a broader constituency of stakeholders—gained momentum in the 1960s and since then the topic has triggered significant involvement of academics and management practitioners (Carroll, 2008; Wang et al., 2016). From the 1990s, numerous initiatives have flourished to help organisations to adopt CSR practices including certification and monitoring agencies, the UN's Global Compact, the Global Reporting Initiative, Integrated Reporting and the Sustainable Accounting Standards Board (Waddock, 2018). Simultaneously, companies have engaged substantially with CSR and, more broadly, with corporate sustainability initiatives (Waddock, 2018; Wang et al., 2016).

Academically, CSR has been defined in multiple ways and the field has seen the emergence of related, similar yet different, constructs embracing CSR thinking and often used interchangeably (Carroll & Brown, 2018; Landrum & Ohsowski, 2018), which include: corporate sustainable development (Bansal, 2005), corporate citizenship (Matten & Crane, 2005), the triple bottom line (Elkington, 1997), shared value (Porter & Kramer, 2011), corporate sustainability (Sharma & Henriques, 2005), business ethics, conscious capitalism (Strong, 2009) and stakeholder's management (Freeman, 1984).

Yet CSR research has privileged a macro and organisational perspective over a micro perspective, despite the fact that it is individual actors who take decisions, even though CSR initiatives are carried at the organisational level (Aguinis & Glavas, 2012). Managers' moral responsibility towards society, which has been discussed in the ethics literature but considerably less in management literature, needs more attention (Bansal & Song, 2017).

It was Howard Bowen's 1953 landmark book "*Social Responsibilities of the Businessman*" that brought the notion of *corporate social responsibility* into the public domain, and was influential in initiating the academic debate on the social responsibility of businesses (Linnenluecke & Griffiths, 2013). Bowen (1953) conceptualised corporate responsibility as:

obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values to our society (...). As servants of society, they must

not disregard socially accepted values or place their own values above those of society. (p. 6)

Bowen's argument for the role of business in society was opposed by the Nobel Prize winning economist Milton Friedman, who, in his 1962 book "*Capitalism and Freedom*", argued:

there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. (p. 133)

The ensuing debate on the responsibility towards shareholders, stakeholders and the wider community has characterised the discipline in the last decades, establishing a proper field of investigation, which has contributed to define and clarify some actions and rules that firms should abide by.

However, we think that a proper philosophical reflection on the concept of responsibility is still missing. In this contribution, we aim to develop some theoretical reflections on how the discourse should be framed. We will start our investigation from those philosophers who have assigned a central stage in ethics to the concept of responsibility. Thus, we will present, first, the Weberian reflection on the ethics of responsibility and its contraposition to the ethics of conviction, and, subsequently, we will reflect on Jonas's and Apel's ethics of responsibility. We do not aim to provide an exhaustive analysis of all the philosophical implications that can be drawn from those proposals, but only to point at the main aspects and what is still missing, according to us, in the debate. This will be instrumental to our proposal to ground the notion of responsibility on a transcendental dialogical ground.

## The Ethical Reflection on the Concept of Responsibility: The Ethics of Conviction and the Ethics of Responsibility

Max Weber has famously distinguished between two strands of ethical approaches: the *ethics of conviction*<sup>1</sup> and the *ethics of responsibility*.<sup>2</sup> He focused his attention on this distinction, in two classical loci: *The profession and vocation of Politics* (1919), and *The Meaning of “Ethical Neutrality”* in “Sociology and Economics” (1907). His aim was to show how the continuous and progressive rationalisation of human life, which was a defining feature of the modern age, and the degree of autonomy acquired by each discipline, were leading to a loss in the notion of value and duty.

In his view,

there is a profound opposition between acting by the maxim of the ethic of conviction (putting it in religious terms: ‘The Christian does what is right and places the outcome in God’s hands’), and acting by the maxim of the ethic of responsibility, which means that one must answer for the (foreseeable) *consequences* of one’s actions. (Weber, 2010, pp. 359–360)

Weber was aware that the contraposition between these two ethical attitudes was sterile and had to be overcome. However, it is precisely the concept of responsibility that is lost in his reflection, by reducing it to the instrumental rationality. In his perspective, indeed, the two ethical attitudes (or virtues, as Kim [2017] suggests) are integrated and overcome in a comprehensive ethical vision, which shows the limit of each of them. He aims at overcoming them in an encompassing moral vision, which goes beyond the strictures of utilitarianism and the rationalisation of ethics.

In fact, in the same work, he then states:

---

<sup>1</sup> The original German “Gesinnungsethik” is sometimes translated as “ethics of principles”.

<sup>2</sup> The original German term is “Verantwortungsethik”.

On the other hand it is immensely moving when a mature person (whether old or young) who feels with his whole soul the responsibility he bears for the real consequences of his actions, and who acts on the basis of an ethics of responsibility, says at some point, ‘Here I stand, I can do no other.’ That is something genuinely human and profoundly moving. For it must be *possible* for *each* of us to find ourselves in such a situation at some point if we are not inwardly dead. In this respect, *the ethics of conviction and the ethics of responsibility are not absolute opposites* [italics added]. They are complementary to one another, and only in combination do they produce the true human being who is *capable* of having a ‘vocation for politics’. (Weber, 2010, pp. 367–368)

This integration is the fundamental ethical task that Weber assigns to himself in order to halt the moral disorder of our epoch. Since the project envisaged by Weber is very ambitious, we intend to assess the strength of the proposed integration.

As synthesised by Kim (2017), according to the ethics of responsibility, an action is evaluated only as a cause of an effect, i.e., to the extent that it can establish a causal relationship with the empirical world, instead, according to the ethics of conviction a free agent should be able to direct himself, with full autonomy, not only towards the means but also towards the ends. This means that the ethics of responsibility is judged against its ability to foresee the consequences and impact of an action. Thus, though rescuing the concept of responsibility from the neglect in which it had fallen in the formalistic Kantian ethics (see Kant, 2014), this recovery runs the risk of relegating the concept to its purely calculative and utilitarian dimension. On the other hand, the ethics of conviction recognises that the kind of rationality—which is at work when choosing the most apt or efficient means to an end—differs from the kind of rationality that justifies the choice of an end. This difference is not a matter of degree but between two essentially different types of rationality.

Indeed, the rationality at work with regard to the end is no longer a calculative or instrumental one, which for *given* ends has to assess the appropriate means, as it is the case in the standard definition of economics, later crystallised by Robbins (1984 [1932]). It is, instead, the choice of one’s own direction in life with no ground on instrumental rationality to justify it. As a consequence, “a free agent has to create a



purpose *ex nihilo*" (Kim, 2017), and this choice will act as polar star in one's own life. Confronted with a plurality of values—often conflicting values—"the soul—as in Plato—chooses his fate" (Weber, 1949, p. 18).

When treating the ethics of conviction, Weber falls prey to an equivocation which tends to identify two forms of rationality, which are to be carefully distinguished: the *instrumental* and the *theoretical* rationality. Instrumental rationality aims at achieving the maximum utility with the most efficient use of means, but—and this is its limit—without being able to determine whether that which *seems* useful and beneficial is *truly* useful and beneficial. When instrumental reason is not enlightened by the theoretical reason, and tries to replace the latter, it can only envisage short-sighted objectives. Only apparently the instrumental reason aims at achieving an end, but in reality, it cannot be forward-thinking, because it has pretended to do without (i.e., "epochize", according to the Husserlian terminology) the theme of truth and the theoretical reason which is concerned with this theme.

From the above description, it is clear that the two ethical stances seem to be irreconcilable; in that the ethics of responsibility is consequentialist in essence, grounded on a rational consideration of means, while the ethics of conviction is deontological and is grounded on ought-to-be. Weber himself acknowledged that there was an "abysmal contrast" between the two, but he claimed that the perspectives should be brought together and overcome in a more encompassing ethical stance.

However, while the need for reconciliation is recognised by Weber, he thought that only a strong moral character could produce such reconciliation. This could be a politician with a sense of mission or vocation (Beruf), who, with pure force of will, would combine both a strong conviction for some "chosen" ideals, and a wise calculation of the means more apt to achieve some given ends, under the current circumstances.

However, this distinction and attempted reconciliation, which has marked much of the subsequent discussion on the notion of responsibility during the XX century, is not resolved in Weber from a philosophical point of view, but rests, despite Weber's attempts, on a purely empirical basis, or—we could also add—on a pure act of faith, that a strong personality could emerge in the political arena. Instead, we claim that if the irreconcilable nature of the two ethics is not first clarified from

a theoretical point of view, the attempted Weberian solution remains dubious and destined to fail.

## The Ethics of Responsibility in the XX Century Reflection: Jonas and Apel

The Weberian distinction has led to a fruitful debate among philosophers across the XX century including the major philosophical figures of the past century: Sartre, Weischedel, Ricoeur, Levinas, Bonhoeffer. But the most systematic and influential analysis on the concept of responsibility is due to Hans Jonas, who titled his ground-breaking work “*The Imperative of responsibility*”.<sup>3</sup>

According to Jonas, responsibility can only be judged, assessed and justified in relation to the value that it seeks to preserve.<sup>4</sup> This means a recovery of the teleological dimension to the extent that a truly responsible behaviour is one that is directed to an end to be defended and preserved. While the Weberian ethics in his scepticism towards a rational assessment of ends was far apart from an Aristotelian teleological ethics, Jonas’s approach does not refrain from a reference to the ends that human beings should rationally agree on to preserve.

For Jonas, the supreme value is life. Human beings are not called to extend, as much as they can, their Nietzschean “will to power”, but to act in such way that life is preserved in his species and in all its forms.<sup>5</sup> Human beings must be concerned not only with the relations that bind

---

<sup>3</sup> The original German title “Das Prinzip Verantwortung” could be translated more literally as the “Principle of responsibility”, being also a dialogue with Bloch’s thesis in “The principle of hope”.

<sup>4</sup> Jonas (1984) develops his teleological approach to the concept of responsibility in Ch. 3, especially pp. 51–56.

<sup>5</sup> Life, “genuine life”, plays a central role in Jonas’s redefinition of the Kantian categorical imperative, according to his teleological framework: “An imperative responding to the new type of human action. And addressed to the new type-of agency that operates it might run thus”: “Act so that the effects of your action are compatible with the permanence of genuine human-life”; or expressed negatively: “Act so that the effects of your action are not destructive of the future possibility of such life”; or simply: “Do not compromise the conditions for an indefinite continuation of humanity on earth”; Or, again turned positive: “In your present choices, include the future wholeness of Man among the objects of your will” (p. 11).

them to one another, but also with the relationships that they can establish with the surrounding environment. Indeed, life, human life but also the life of any species, rests on the responsible behaviour of human beings. But Jonas is also aware that in the nuclear age, human freedom can pose a serious threat to life.

To overcome these risks and tackle the challenges to life, Jonas looks for an ontological ground, beyond the religious faith—which could be a source of contrast among believers and non-believers—that could provide a solid basis for an ethical theory of responsibility. In his proposal, however, the Aristotelian teleological dimension seems to be subordinated to the biological dimension which takes precedence.

Indeed, according to Jonas, the individual must first be aware that his mission or task is the responsibility towards life, then realise that his actions may be detrimental to the highest value, i.e., life, and finally become aware that the ultimate dimension is responsibility, which is to be judged in function of what we do for future generations. The ethics of responsibility, for Jonas, is thus mainly concerned with future generations and yet-to-be-born human beings.<sup>6</sup>

Karl-Otto Apel reinterpreted the Jonasian “principle of responsibility” along the lines of an anti-metaphysical *discourse ethics*. The concept of responsibility, according to Apel, should be analysed within the context of the relation between “historically given linguistic community” and an “ideal communicative community”. The latter would provide the transcendental conditions, i.e., the possibility conditions, within which the former can effectively direct itself.

The scope of a historical community consists in realising the conditions for an effective communication. Human emancipation can only occur when everybody is part of the communicative community which is prefigured by the ideal dialogical community. This scope acquires a normative dimension in his view, in contraposition to the Weberian

---

<sup>6</sup> The relevance of future generations within Jonas’s conception of responsibility emerges in particular in Ch. 2, Section IV. As he states clearly: “It is this sort of duty that is involved in a responsibility for future mankind. It charges us, in the first place, with ensuring that there be a future mankind—even if no descendants of ours are among them—and second, with a duty toward their condition, the quality of their life” (p. 40).

reduction of the ethics of responsibility to the mere calculus of the consequences of action. In this sense, the Apelian perspective combines a teleological and normative dimension, but contrary to Jonas, here, the *telos* is no longer the preservation of life, but the implementation of the ideal communicative community. Apel (1987 and 1993) maintains that a responsible human action is one that is directed to the realisation of equal rights among individuals and involves the participation of all individuals in this endeavour. Thus, he proposes an *ethics of co-responsibility* (*Mitverantwortung*), for its appeal to the shared responsibility and equal commitment by everyone.

As Apel (1993) puts it:

what I want to bring up for discussion is the urgent need for a novel concept of *responsibility*, a concept that can neither be reduced to *individual accountability*: nor allows for the individuals unburdening themselves from personal responsibility, by e.g., shifting it into institutions or social systems. (...) I would provisionally define it as that of *everybody's co-responsibility for the effects of collective actions or activities*. (p. 9)

Both Jonas and Apel have provided important insights on the notion of responsibility rescuing it from the reductionist Weberian perspective. Jonas has grounded it on a teleological vision that has life as its scope, while Apel—explicitly rejecting a metaphysical grounding—has grounded his ethics on a teleological and dialogical dimension that is grounded on the “ideal communicative community”.

However, both in the Jonas's ethics of responsibility and in Apel's discourse ethics, there is a missing *alethic* dimension, which we explore next, after having discussed whether and to what extent the ethics of responsibility and the ethics of conviction are really opposed and in which sense we think that they should be integrated. In other words, in both approaches a theoretical grounding is missing, which has to be understood as the unconditioned condition, and, for this reason, it can act as a grounding.

Both ethical approaches are missing the awareness of the necessity that the direction of the responsible action must tend towards the very

ground that legitimises (i.e., justifies) it. Only the ground can give sense and direction to the responsible action: a ground, therefore, that emerges beyond the system of all that which is grounded (i.e., determined beings) in order to effectively ground the latter. With this we mean that the ground we are referring to is not on a par with the determined being, but represents the condition of intelligibility of the latter.

It is important to clarify, with regard to the Apelian transcendental foundation of discourse ethics, that there is a crucial difference between the concept of “transcendental” that is used in his analysis and our use of the same term. While for Apel, the transcendental is interpreted as a condition of possibility for an ideal dialogical community, we use the concept of “transcendental” to indicate an intelligibility condition. For this reason, only the unconditioned condition is intelligible, because it does not depend on another condition to be intelligible. For if it depended on another condition, it would have given rise to an infinite regress, without ever reaching an authentic ground.

## **Ethics of Responsibility and Ethics of Conviction: How to Reconcile Them?**

The debate between the ethical theories and the various attempts at reconciliation or at overcoming their contraposition, which has been synthesised above, has let emerge the gains but also the limits of both ethical approaches. That which is missing in the debate is the fundamental dimension of ethics which is represented by its teleological orientation. This has been due, as we have seen, to the forgetfulness of the theoretical reason and the subsequent substitution of the end with means, thus reducing the end to a scope. The end (*telos*) is crucial, since, according to us, ethics is a vector of truth that can only be defined as a function of the end to be achieved. It is this *telos* that inspires, enlivens and orientates moral action, gives a sense, which is entirely pervaded by the end to which it is directed.

When the teleological dimension is lost, an ethical theory is severely diminished and impoverished. However, we must clarify that only the authentic end can give sense to that which is directed to truth. When

this is not the case, morality is no longer legitimated by a search for truth. In Jonas, in fact, there is certainly a teleological dimension, but, as we have seen, it was then reduced to the biological dimension, i.e., life preservation. But the search for truth cannot be deleted from ethics, nor can it be replaced by some dogmatic truths, which would contradict the very concept of truth.

In the ethics of conviction (or principles) and the ethics of responsibility that which is missing is, thus, also an adequate reflection on the concept of truth. To be clear, we are not referring here to a dogmatic conception of truth that hypostatizes one assumption or a specific end, but to the *intention of truth* that enlivens any authentic search and allows grasping the essence of responsibility or the essence of principles. Indeed, any definition, be it of responsibility or principles or conviction, is always in relation to a context and bound to it (see Stella & Ianulardo, 2018). It cannot claim to be an absolute truth (i.e., free from any relation to other), but only a relative one. This notwithstanding, absolute truth as an *ideal* that constitutes the search and guides it cannot cease to enlighten the research, otherwise the latter would turn into a dogmatic affirmation of principles.

In the ethics of responsibility, how one defines responsibility is missing, and this is so because any process starts from assumptions, but a theoretical consideration allows the limits of any definition to be grasped, i.e., its being bound to a context. On the contrary, the philosophical thought is grounded on the reflective consciousness and the intention of truth.

In this way, we are not limiting ourselves to a practical (i.e., determined) result or practical considerations, e.g., what being responsible in a specific context means, but we aim at *true* responsibility. When a researcher crystallises a specific (determined) notion of responsibility, he is no longer true to himself, to his intention, which can only be to achieve the true concept of responsibility. If so, he would cease to be a philosopher and be responsible. For he is no longer responding to his own intention.

In this process, a researcher is only assuming without submitting to scrutiny or criticism a particular definition. He is proceeding uncritically,

without retroceding problematically on the assumption the investigation is starting from.

On the contrary, it is precisely on the *intention* of truth, which expresses the transcendental value of consciousness, that the ethics of conviction and the ethics of responsibility cease to be opposed and are included in the unity of the act of their tending, both, towards truth. The former, in the sense of understanding that conviction must be “true” conviction; the latter, in the sense of being “true” responsibility.

The ideal value of truth coincides with the impossibility of reducing it to a given, a determination, since the truth is the unconditioned condition and, for this reason, it is grounding. If it were conditioned, it would be conditioned by other from it—that is, from that which is false. For this reason, truth, i.e., the ground, cannot be bound to that which it grounds, for otherwise it would be conditioned. Truth conditions unilaterally that which depends from it and it emerges beyond any determination (given, data, facts) because it grasps the limit of intelligibility of the latter. Due to its capacity to transcend any limit, by revealing it, the truth coincides with the transcendental consciousness, which overcomes the empirical consciousness itself in its limit, being bound to the empirical universe.

## The Missing Alethic Dimension in the Ethics of Responsibility: The Transcendental Thought

By assuming some specific notions of responsibility or principles, these ethical approaches assume that ethics does not need a theoretical foundation. Indeed, what is missing in both is the *alethic* dimension, that is, their legitimation in terms of truth.

This is so because principles are presupposed but not legitimated as assumptions (i.e., they are just assumed, not legitimated). The fact that life is a precondition for there being responsible human beings—as in Jonas’s ethics of responsibility—is not yet a justification or legitimation of the truth of the notion of responsibility whose aim should be

life preservation. On the other hand, the fact that the discourse and communication (or language for that matter) are a precondition (i.e., transcendental) for rational discourse in a historically given linguistic community, is not yet a legitimation of them.

We share the criticism directed against dogmatic theoretical thinking, which has hypostatised truth, and transformed it into a set of definite statements, forgetting that truth can never be determined, for only truth can determine itself (indeed, for any determination of truth, one could always ask whether it is a “true” determination). However, we maintain that *truth as an ideal* cannot be taken out of the search, because there is no search without the truth of that which is searched for: if one is not searching for the truth of that which is investigated, one is not searching at all.

Thus, ethics needs to be grounded on an *intention of truth*, i.e., on a theoretical intention. But this implies that ethics be grounded on a reflective and critical thought that is the only one capable of grasping the limits of premises and assumptions, for only this reflective thought is enlightened by the awareness that assumptions—precisely because they are assumed, not legitimated<sup>7</sup>—are never authentic truths.

This point is crucial: when we speak of *intention of truth*, we are referring to truth not as a *regulative ideal*, which dictates the process of investigation towards a revealed or assumed truth, but as a *constitutive ideal*, that is immanent to the search, that orientates and evokes it, and that cannot be removed without removing the search itself.

That which is missing in the ethics of responsibility and in the ethics of conviction is a reflection, on the *truth* of responsibility and on the *truth* of conviction, i.e., a critical and self-critical attitude.

This means that nobody can claim to be truly responsible, but at most one can claim to have the intention of being responsible. Intention is that which grounds responsibility, but at the same time an intention is truly responsible when is entirely devoted to the search for truth.

To determine what responsibility is, one cannot do without reflective and critical thought, i.e., the subject’s consciousness. The latter, indeed, is

---

<sup>7</sup> It is worth pointing out that any investigation, be it in ethics or in sciences, must inevitably start from assumptions, they are the starting point of any research. However, this does not imply that they are legitimated, i.e., that they are undeniable or incontrovertible.



not only knowing, but also a self-awareness of knowing and knowing that which is to know. This means that only by virtue of consciousness it is possible to know that which responsibility is, and also to know what the most responsible behaviour with regard to certain values and principles (or ends and scopes) is, in the multiple occasions in which the subject enters into a relationship with the others and with the world.

We aim to show how a transcendental conception, centred around the grounding value of consciousness, can grasp the limits of the subject but also of that which surrounds him. Grasping the limits and limit-ness of consciousness is the result of an *act of consciousness* that allows defining the relationship that exists between *identity* and *difference*. With the term “difference”, we are not only referring to the “other” identity, the “other subject”, the other with respect to the subject, but also the world or environment, considered in its natural dimension, and thus as ecosystem.

## The Act of Consciousness and the Transcendental Foundation

The reflective property of thought is its capability to recognise itself in the various configurations in which it relates to the world and constructs the objects of thought, i.e., its capability of turning back into itself. The thought can objectivise the world by grasping its limit, precisely because it can objectivise itself, by grasping first of all its own limits, and by doing so transcending itself and the various forms in which it objectivises itself. This is, according to us, the theoretical sense of the Socratic “*knowing of not knowing*”.

The characteristic of thought is that it can recognise its thoughts (*noemata*) because it can recognise itself as thinking (*noesis*) and it is by virtue of this reflective function that the thought can recognise itself in the objects of thought. This is a peculiar feature of thought: indeed, thought is not immediately identical with itself, but its identity is mediated through the difference (i.e., the object of thought), which is accepted by thought as an essential moment for its constitution. Thanks

to this reflective property, thought appears not as a static unity, but as a dynamic and active unity.

The contents of the act of thought are other from it, but they are also essential to give thought a determined configuration. This means that *difference* is essential to the constitution of thought. It is thus essential to correctly understand the *act of consciousness*, because on one hand it seems to be a consequence of the process of differentiation, i.e., its relationship to the difference, on the other hand instead, it seems to be a precondition for it.

Thought requires language and discourse to be expressed in a determined way, but on the other hand, the act of thought, i.e., the transcendental self-awareness, to borrow a Hegelian and Husserlian terminology (see Husserl, 1970), is not a consequence of the process of differentiation but the unconditioned condition that grounds it. This act of thought (or act of consciousness) expresses the property of thought of being self-conscious, its self-awareness. Without this self-consciousness, nothing can be present to the thought since it could not recognise it as its own thought.

We are thus distinguishing a formal aspect, which takes place when consciousness expresses itself through discourse, language and dialogue, from a transcendental dimension, the act of thought, which overcomes its formal expression, since it represents its condition. The act of thought is the act by which consciousness grasps the limit of a determined being, and in so doing, it transcends it. In this sense, it is unconditioned, because it does not require the determined being, but grasps the limit of the latter, and more precisely, it represents the act by which the determined thought transcends itself.

When we say that the determined being transcends itself, all that we mean is that the determined being recognises that it requires that which is other from it (i.e., the difference) and thus it is tied to it (i.e., it is conditioned, determined by something else). On the other hand, the act of consciousness, in its transcendental sense, grasps the limit of the finite being and its relative existence.

It is worth stressing that the act of consciousness can grasp the finite being in its limitedness only by virtue of the light of the infinite, which

stands as the end (*telos*) that guides it. The act of consciousness coincides with the *intention of being one with the infinite* and expresses the *tension of the finite consciousness towards the infinite*, the unconditioned condition, and for this reason it emerges beyond the empirical consciousness. This act grasps the limits also of the empirical consciousness, by grasping the ties that bind it to its determined contents. In other words, we can say that the act of consciousness represents the accomplishments of consciousness by realising its authentic essence, i.e., its transcendental value.

The act of thought that emerges beyond the objectivised forms of thought and allows to grasp their limit, as determined forms, is what we call the *act of consciousness*. This act not only grasps the relativity of the various forms, and in doing so, it transcends them, but this transcendence beyond itself characterises it as reflective thought. Moreover, since it is reflective it is also critical, i.e., it does not take the assumptions as unquestioned. And because it is critical of its assumed forms, it can also be qualified as self-critical.

Now, it is precisely on the reflective and critical thought that the dialogue is based. The reflective and critical thought that characterises the act of consciousness allows the subject to start questioning the initial assumptions and the presuppositions that characterise any procedure. Since reflective thought leads the subject to questioning his own assumptions, he applies his own critique to his way of proceeding and starts recognising its own limits and becomes open to the other's opinion.

The translation at the formal and operative level of the act of consciousness is represented by the dialogue, which constitutes the most important tool for human beings to give substance to the authentic search. Indeed, through the dialogue, the subjective truth, the opinion, i.e., the subjective certainty, is confronted with the subjective opinion of the other, in search for that objective truth, which represents the aim of search.

## The Dialogical Dimension of Responsibility

The transcendental grounding, thus far described, which occurs at the level of the transcendental consciousness, is then translated at the empirical level in the dialogue of the empirical consciousness with itself. Indeed, as we have seen, since the act of consciousness consists in grasping the limit of any determination, it can also grasp its own limit, as empirical consciousness.

The dialogue, from a phenomenological point of view, represents the condition to realise a personal identity, which is open to the difference, represented by the other human being (*horizontal dimension*), because it predisposes the subject to be open to the unique and universal truth which he intends to achieve (*vertical dimension*). This search for truth that transcends the empirical subjective point of view opens the subject to the *vertical dimension* of existence. However, from a transcendental point of view, it is by virtue of the truth, which represents the common ground of any searcher, that one can be open to another and translate this common ground in a common project. It is this vertical dimension towards the objective truth that can ground a *horizontal dimension*, which is open to the other individuals, but also to the surrounding world. This can only be grasped if the *phenomenological* level of consciousness is not confused with the *transcendental* level, which grounds the former. Indeed, consciousness must not be limited to its phenomenological dimension, and in this article, we defend its transcendental dimension, that is, its capacity to reflect on itself, i.e., to objectivise itself, making itself the object of its self-reflection. Indeed, we spoke of *self-consciousness*. Only as *transcendental* consciousness, consciousness not only grasps and acknowledges the forms (i.e., objects, data) as its contents, but it also grasps the limits of those forms and contents, and in so doing, it grasps its own limits, as empirical consciousness, to the extent that it is in relation to those forms and contents.

By grasping its own limitedness, the subject—the empirical subject—is aware of its relationship to itself, the others and the social and physical world. The starting point of an authentic dialogue is the Socratic “*knowing of not knowing*”, because only when a dialogue is enlivened by the intention to attain wisdom, without pretending to possess it already,

the participant in it is open to the different opinions coming from others. This openness allows the participants to be aware of the limits of their opinions and this awareness is the Socratic wisdom.

This also allows broadening one's own horizon, going beyond the immediate certainty, projecting one towards the truth that cannot be determined, but must be considered as the unconditioned condition by virtue of which search can only be authentic.

Dialogue is essential, not only at the theoretical level, in that it allows grasping the limitedness of our viewpoints, but also in light of our living together. Sharing a common intention of truth is the condition for an authentic shared life. At the empirical level, the dialogue allows grasping the different points of view, which is at the same time a recognition of truth. Not in the sense that any opinion is equally true, which would be a contradictory statement, but in the sense that each is equally in need for ground, each is equally conditioned, i.e., determined, and thus not the truth, which is the condition and end of search. It is, thus, only in the unity of the dialogical search that openness to the difference and convergence to truth can be grounded. This intentional dimension of the dialogue will constitute the common ground among different subjective viewpoints.

Indeed, engaging in an authentic dialogue reveals the intention of truth, which allows any participant to grasp the partiality of any opinion and tend towards the *unity* that emerges beyond the differences. The unity being not a superior or better truth, but the *intention of truth* itself. This is a warning against any reductionism that pretends either to crystallise one's viewpoint as the final truth or to reduce truth to a point of view.

It is worth pointing out that in order to have an authentic dialogue, it is not enough to have two subjects who are communicating among themselves, as in the Apelian discourse ethics. If anyone is closed in his own monologue, in his own convictions—as in the ethics of conviction—a true dialogue cannot arise. In fact, we would experience a *polemical dynamics* (indeed, the Greek word “polemos” means war), in which a

“will to power” will pretend that a viewpoint would tend to overcome the other’s viewpoint.<sup>8</sup>

This polemical dynamics, which characterises the false dialogue, is also present when one participant is only interested in providing supporting arguments to his own thesis, without accepting the partiality of his own viewpoint. It is neither the arguments that are provided, nor the politeness according to which they are presented, that characterises an authentic dialogue, but the abandonment of each pretence of possessing the truth. This is a truly responsible dialogue.

A truly responsible dialogue, this is the point that we want to make, is one in which the participants are not aiming at having their thesis accepted, be it through violence or arguments, but one in which they are all aiming to achieve the truth around the theme they are investigating, without trying to let their prejudices prevail upon others.

Thus, we come back to our initial point: an authentic dialogue can only arise starting from reflective thought, which makes us aware that truth is undeniable, but cannot be determined. Even the person who denies or ignores the absolute value of truth, must admit it implicitly when he enters a dialogue and accepts to radically question his own certainties.

If responsibility means *to respond in truth* to the question that comes from another, then no authentic responsible behaviour can take place outside the dialogue that a subject establishes with another subject and the lifeworld, be it social or natural. But then a responsible behaviour also implies that we draw the consequences of this authentic dialogue, by grasping the limits of our viewpoints and how our identity, as empirical subjects, is shaped by our relationship to the difference, the other subjects, the lifeworld, the ecosystem.

---

<sup>8</sup> See García-Marzá (2012) and González (2002), for a different pragmatic transcendental approach to business ethics which is instead based on the Habermasian and Apelian discourse ethics.

## Redefining Our Responsibility Towards the Social and Natural Environment

As we have seen in the previous sections, in a transcendental perspective, the proper act of consciousness consists in grasping the limit, as awareness of one's own limitedness, which defines the relationship between identity and difference, the latter indicating not only the other subject, but also the lifeworld (interpreted as ecosystem). Moreover, we have seen that a true responsible action can only occur when we engage in an authentic dialogue which starts by questioning our own assumptions aiming at achieving a truth as the end (*telos*) of our search.

We can now focus on the relationship that we establish with the difference, the others and the lifeworld, which defines our responsibility, as we have conceptualised it, in this transcendental dialogical approach.

Responsibility can be conceptualised according to a *horizontal dimension* as a relation that presupposes a subject, an action and the consequences of the action, which are then ascribed to the subject who is considered as accountable for the action. But there is also a *transcendental dialogical approach* that allows us to conceptualise responsibility according to a *vertical dimension* as a relation between an end (*telos*) that evokes the subject's search and the latter's response to the calling of the end. As we have seen, these two dimensions are not separated nor are they overlapped. The horizontal dimension is the inevitable translation on the pragmatic or formal side of the transcendental dimension, which questions the subject in its search for meaning.

Without subjectivity, whose fundamental traits are represented by freedom and intentionality, there is no responsibility and the quest for an authentic meaning of that which the concept of responsibility implies loses any philosophical interest. In which sense, indeed one can speak of responsibility if we are not referring to a subject who is really free to direct itself towards the aims and scopes that it has chosen? But once subjectivity has been grounded transcendently, it is possible to reflect on the object of the subject's response: towards whom or what is the subject responsible?

In this sense, we think that Levinas's perspective provides some interesting insights. In some works, as *Totality and Infinity* (1961) and *God,*

*Death and Time* (1993), he has reflected in depth on the concept and significance of responsibility and has grounded it on the subject's response to the "other". In his conception, the subject is essentially in relation to the other both as the absolute, who in his religious perspective is God, and the neighbour, the other human being. This relation to the other is constitutive in his perspective, because it allows the constitution of the subject's own identity. Even though not explicitly discussed in Levinas, one can integrate this relation to the other with Jonas's reference to future generations and how these also contribute to the identity of subject.

In this perspective, the identity of the individual is interwoven with that of the other in a constitutive relational dynamics. In this sense, precisely because the other is essential to the constitution of the self, the individual is *responsible*, in that he has *to respond* to the calling of the other. Thus, responsibility is viewed in an ethical relational way. This calling (or "charge") opens the room for the exercise of the individual's freedom. According to Levinas, the subject is not only *responsible towards the other*, but also *responsible for the other*. This commitment to the other would lead the subject to renounce to its totalitarian temptation consisting in absolutising itself.

In our transcendental perspective, while we agree on the subject's responsibility towards the other in its double dimension, we have also clarified that they belong to two different plans, a *vertical* and a *horizontal* one. The vertical, or transcendental, plan is the condition of intelligibility of the horizontal, or formal, plan in which our concrete praxis (i.e., our actions, our specific thoughts, our dialogue with others, etc.) inevitably expresses itself. Self-awareness (i.e., the awareness of one's own limits), which is the transcendental plan, is the condition that allows the self to see itself as necessarily tied to the other.

In our perspective, the human being is truly responsible to the others to the extent that he is fully committed to respond to the act of consciousness that leads him to recognise and thus overcome his own limits. The theoretical reason can grasp the limit of any determination



including its own limit, by virtue of the light of truth, which is revealed in the transcendental consciousness.<sup>9</sup>

Thanks to the opinion of the other, the dialogue allows acknowledging the limit of one's own opinion. For this reason, entering a dialogue, in an authentic way, as we have seen above, is a truly responsible action: one is putting oneself out there, one is taking the risk of being proved wrong, but one is also achieving the most intelligent result, consisting in grasping one's own limits and enlarging one's horizon.

Thus, the first act of responsibility consists in putting oneself out there and acknowledging one's own limits but, as a consequence of this responsible dialogue which is established with the other participants, the entire community of participants takes on itself the responsibility of tending towards the truth. This search for truth is an *ethical responsibility*, involving all participants, that is *grounded on a theoretical necessity*. Indeed, as we have shown above, there is no search outside the search for truth.

The dialogue with the other is not only the dialogue with the other consciousness, who shares with us the search for truth and contributes to enlarging our horizon, but it also includes the "other" as the ecosystem, whose reasons must be understood in its own right. By "dialogue" with the other as "ecosystem", we mean acknowledging its role and function in relation to this authentic search for truth. The ecosystem is indeed, as the word indicates, the "house", or the habitat system, within which our dialogue takes place. A dialogue which occurs also with future generations, as Jonas has pointed out,<sup>10</sup> and is truly responsible to the extent that it takes into account the questions that ideally come from them. Dialoguing with future generations means that current generations take into account their needs and imagine their questions, hoping that they

---

<sup>9</sup> As Hegel puts it in a famous passage in the *Phenomenology of Spirit*: "But consciousness is for itself its own *concept*, thereby immediately the advance beyond what is limited and, since what is thus limited belongs to it, beyond itself; together with the singular the beyond is also posited for consciousness, even if only *alongside* the limited, as in spatial intuition. Thus, consciousness suffers this violence at its own hands: it spoils its own limited satisfaction" (Hegel, 2018 [1807], 38).

<sup>10</sup> Jonas (1984) analyses the duty of current generations towards future generations in Chapter 2, section IV. This duty is interpreted by Jonas as the responsibility to the "*idea of Man*" (p. 43), as an ontological imperative.

will do the same with regard to their previous generations. Projecting oneself towards the future means overcoming a closed and static identity, which is limited to the present. Dialoguing with them, indeed, allows us to no longer limit our perspective to the *hic et nunc* of our experience, but overcoming our spatiotemporal limits, thus enlarging our horizon by *responding* to the calling from truth.<sup>11</sup>

## The Circular Economy: Towards a Renewed Conception of Responsibility?

The revaluation of the *other* as ecosystem, within the *transcendental dialogical* approach that we have defended, must undergo a deep process of rethinking the role of natural resources. Resources must no longer be understood as the ego's means to realisation but as part of an ongoing dialogue through which the subject can better understand himself and can enter a mutually beneficial relationship with the current and future generations. This requires rethinking the concept of waste, and in so doing of resources, not just reusing or recovering it, but rethinking its nature and role, as the circular economy (CE hereafter) is starting to do. How has the CE come into being and what do CE thinking and principles look like?

In a seminal article published in the *Academy of Management Review*, Gladwin et al. (1995) made a poignant statement: “quite simply, how many organizations could exist in the absence of oxygen production, fresh water supply, or fertile soil?” (p. 875). Since their early argument, much has been written on the topic of corporate social responsibility and companies have continued to invest in measures to improve the ecological sustainability of their operations (Ergene et al., 2020). Yet,

---

<sup>11</sup> Developing the dialogical dimension of responsibility, as we have done in the previous sections, with regard to future generations is a task we aim to pursue in another contribution. The themes of intergenerational justice involve many interesting and challenging philosophical issues, from the (non-)identity to the existence problem. Meyer (2020) provides an updated account on the current debate. However, we wanted to point out that by rooting the notion of responsibility in its dialogical transcendental ground, current generations can establish a dialogue with future generations since the alethic dimension that constitutes the authentic search involves all generations.

ecosystems degradation is still among societal grand challenges and it is jeopardising the capability of our current, linear operating production and consumption systems to continue generating prosperity in the years to come. More than 20 years after, Gladwin et al.'s (1995) reflection sounds as a very alarming wake-up call urging to reconsider the foundations of business relationship with nature.

It is within this milieu that the CE has caught the imagination of business leaders, policy makers and scholars alike. The CE is a vast and complex movement that involves many different dimensions and can be investigated from different perspectives. In this context, we will only analyse it in relation to the dialogue that it has established with the ecosystem, and within the society, with its multiple stakeholders. We will thus assess the CE in view of the transcendental dialogical approach to responsibility that we have developed by focusing on two aspects that have characterised the CE: its reconceptualisation of the concept of waste and resources and the notion of stewardship towards the ecosystem.

In one of its most popular but also earliest conceptualisations, the CE is defined as

an industrial system that is restorative or regenerative by intention and design [that] replaces the end-of life concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impairs reuse and aims for the elimination of waste through the superior design of materials, products, systems, and within this, business models. (EMF & McKinsey, 2012, p. 7)

For its emphasis on a more efficient use of natural resources and a renewed conceptualisation of waste, it is not surprising to see that even the first encyclical in the history of the catholic church concerning the natural environment, *Laudato Si'*, commends the CE as one way of “counteracting the throwaway culture which affects the entire planet” (Pope Francis, 2015, p. 18). Interestingly, for our dialogical approach, the Pope in his encyclical letter, recalls Saint Francis lesson inviting us “to see nature as a magnificent book in which God *speaks to us* and grants us a glimpse of his infinite beauty and goodness” (Pope Francis, 2015, p. 11,

*italics added*). The Pope's appeal requires the collaboration of all individual to protect our common home, as he puts it: "I urgently appeal, then, for *a new dialogue* about how we are shaping the future of our planet. We need *a conversation which includes everyone*, since the environmental challenge we are undergoing, and its human roots, concern and affect us all" (Pope Francis, 2015, p. 12, *italics added*).

The CE aims at recoupling economy with ecology and promises to deliver multiple forms of value yet decoupled from the consumption of finite natural resources (EMF et al., 2015). These are reflected in the CE core principles: (a) preserve and enhance natural capital, meaning that renewable energy and materials should be used whenever possible and biological materials returned to nature at the disposal stage to build natural capital; (b) optimise resource yields, meaning that resources productivity should be maximised by designing products for longevity, recycling and reusing in industrial and biological cycles of production and consumption and (c) foster system effectiveness, meaning that all sources of negative environmental externalities, not just in the form of end-of-life waste, should be designed out completely (EMF et al., 2015).

While it is undeniable that the economic benefits of the CE, epitomised as the "circular advantage" (Lacy & Rutqvist, 2015), have triggered a "eureka moment" in the business community concerning the logic of value creation and capture, the merits of CE thinking expand beyond the purely economic sphere. Barad (2003) has argued: "Language matters. Discourse matters. Culture matters. But there is an important sense in which the only thing that does not seem to matter anymore is matter" (p. 801). As a society, both at the individual and organisational levels, we have come to ignore physical materiality, which is troublesome since as humans and organisations are alike, we are contingent upon natural resources that are grounded in the physical world (Bansal & Knox-Hayes, 2013). For too long, we have unnoticed the destructive impact of waste upon the natural environment resulting in the contamination of fresh water, soil and generation of greenhouse gases contributing to climate change. A shocking 2016's study warned that there may be more plastic than fish in the ocean by 2050 (WEF et al., 2016). By contrast, the

CE, by placing economy in a closer relationship with ecology, i.e., reintegrating economy within ecology, offers us an opportunity to reconnect with the ecosystem in a mutually beneficial way.

In the *Ethics of Waste*, Hawkins (2005) asks: “could the recognition of waste as ‘things’ change our relations with it?” (p. 73). Here we argue that the CE is actively shaping our recognition and conceptualisation of waste, forging a new behaviour of attentiveness towards the resources we use and, by consequence, changing our relationship with it at two fundamental levels.

Firstly, from the perspective of everyday disposal practices, by emphasising the importance of reclaiming the by-products of our production and consumption systems, it portrays the act of disposal not as the last mile in our relationship with material things but rather as the beginning of a process wherein death and life are inextricably intertwined, exactly as it is in nature:

in examining the biosphere, what becomes immediately obvious is that there is no linear value chain extracting resources and spewing out wastes. Instead there is a value cycle. Within nature’s value cycle, a select number of raw materials are constantly reused—and never lose value. They are literally reincarnated cyclically into new beings. (Unruh, 2010, p. 7)

Waste is no longer something undesirable to see, to dispose of or to forget about but rather waste equals food: today’s waste is tomorrow’s resources. Disposal becomes the integral part of a creation process and calls upon a person’s *responsibility* to act in his/her own interest (preserving resources for future prosperity) and that of the natural environment (avoiding further pressure on finite natural resources and damage to ecosystems). In a CE, each individual is a producer and a consumer at the same time, i.e., a *prosumer*, since in the act of *responsibly* engaging with waste, he/she becomes co-creator of new material artefacts that come to life as a result of reused, recycled resources.

This “enlightened” responsibility involves not only the individual confronted with his own materials end-of-life practices but, as an important prerequisite, the production process itself and the wider context

within which the production-consumption process takes place. Products can be correctly disposed and resources recovered for further cycles of production and consumption only if they are designed considering the end-of-life stage and appropriate infrastructure are in place to enable reverse logistics, sorting and processing without compromising materials' quality and purity (EMF & McKinsey, 2012). The concept of responsibility becomes all encompassing, cutting across the different categories of socio-economic and political actors.

As a result, we concur with Lehtokunnas et al. (2020), who highlight that CE-related policies and practices generate new "moral categories" and so we believe that the CE promotes a new ethics of waste. As put by Hawkins (2005), the practice of recycling is a good example of multiple economies (monetary, personal and moral) at play and of the complex relations between them: "recycling makes profits and new forms of subjectivity" (p. 95). That is, recycling implies, first and foremost, a significant change in the way in which people relate to their rubbish. Hawkins also opines that:

there are many different ways in which the ethos of disposability, distance, and denial can be challenged, but (...) for a less destructive ethics of waste to emerge, awareness of the arts of transience is crucial (p. 134). [...] The ordinary sublime of transience is what worms show us (...). They give us a powerful example of how quotidian and inevitable change is. And in this very ordinariness we can see how loss and change can be experienced without denial or disgust or despair, and without recourse to grand moral rhetoric. We can see how waste can contribute to renewal, how it can be generative. (p. 128)

We agree with Hawkins (2005) who argues that the CE, by evoking the image of an economy that is restorative and regenerative and embracing the art of transience, insofar as resource reuse and recovery are encouraged, contributes to change our waste micro practices and thereby promoting a less destructive ethics of waste.

Secondly, at a deeper, moral level, our relationship with waste is no longer one of the many configurations of the humanity versus nature dichotomy, whereby producing and consuming are the humans' job, while metabolising, absorbing their by-products are the nature's job. A

shift in the person's imaginary of his/her relationship with waste and the natural environment is implied: humans, society and organisation are all part of a larger system upon which they can no longer impinge without duty of care.

The transition towards the CE does not entail hard transformations only, i.e., technological ones, but also soft transformations and, within these, of subjectivity, awareness and redistribution of social responsibility (van den Hoogen, 2019). The CE is a “complex whole of processes arising from subjectivity” (p. 182), “a matter of ‘willingness’ and ‘sympathy’” (p. 183) and “about the actors in the thermodynamic system developing an awareness of their place within the system” (p. 184).

While the renewed relation that the CE model has established with natural resources can be viewed in line with the dialogue with the other that characterises a truly responsible behaviour, the ethical dimension of the CE goes beyond its reconceptualisation of the concept of waste. Indeed, as highlighted by van den Hoogen (2019), “with the concept ‘circular economy’ much more is meant than combating waste and the consumerism at its root. It is about producing another ‘narrative’, another ‘story’ of what this world is, and who we as actors are within it” (p. 182). Particularly, in line with De Angelis and Ianulardo (2020), we underline that

the merits of the CE model are best understood if they are seen as part of an ongoing societal *conversation (rhetoric)* where actors and all involved stakeholders engage in a *continuous* and *authentic dialogue* at a multifaceted (social, institutional, political, cultural, academic, educational, etc.) level that envisages the achievement of an integral human betterment. (p. 147, *italics added*)

In this perspective, the CE is seen as a cognitive framework instrumental to the emergence of a future imaginary “of more environmentally, economically and socially sustainable production and consumption systems” (p. 147).

Thus, the teleological nature is inherent to the CE vision and is developed through an all-encompassing dialogue with societal stakeholders

and institutions. We claim that it is precisely at this level that the ethical dimension of the CE shows itself, by engaging *responsibly* with the current challenges in an ongoing conversation.

If the CE approach is viewed as a moral vision that enhances human betterment by emphasising that natural resources are limited, it can lead to an enhanced view of human flourishing, including not only good social relationships, but also the ecological relationship between persons and nature (Ianulardo & De Angelis, 2019).

In conclusion, we think that any discussion on corporate responsibility must start from a theoretical understanding of the concept of responsibility and we have proposed to ground it on a transcendental approach that sees in the *dialogue*—philosophically understood—its operational level. In this perspective, we have proposed to see the CE model as representing a recent attempt to move towards this direction, by articulating a complex societal dialogue involving many stakeholders and a renewed vision of our relationship with the natural environment, in particular through a reconceptualisation of the notion of waste. We are aware that this is a recent movement, which can be investigated from multiple perspectives and the research on it is still in its infancy. As with all proposals, many questions are still open, but we believe that when it is seen within this theoretical framework, the CE model shows its *ethical* nature—which, according to us, has been incorrectly questioned by others—thanks to its dialogical dimension and its responsibility towards the ecosystem.

## References

- Aguinis, H., & Glavas, A. (2012). What we know and don't know about corporate social responsibility: A review and research agenda. *Journal of Management*, 38, 932–968.
- Apel, K-O. (1987). The problem of a macroethic of responsibility to the future in the crisis of technological civilization: An attempt to come to terms with Hans Jonas's "principle of responsibility". *Man and World*, 20, 3–40.
- Apel, K-O. (1993). How to ground a universalistic ethics of co-responsibility for the effects of collective actions and activities? *Philosophica*, 52, 1–29.



- Bansal, P. (2005). Evolving sustainably: A longitudinal study of corporate sustainable development. *Strategic Management Journal*, 26, 197–218.
- Bansal, P., & Knox-Hayes, J. (2013). The time and space of materiality in organizations and the natural environment *Organization & Environment*, 26, 61–82.
- Bansal, P., & Song, H-C. (2017). Similar but not the same: Differentiating corporate sustainability from corporate responsibility. *Academy of Management Annals*, 11, 105–149.
- Barad, K. (2003). Post-humanist performativity: Toward an understanding of how matter comes to matter. *Signs*, 28, 801–831.
- Bowen, H. R. (1953). *Social responsibility of the businessman*. New York, NY: Harper.
- Carroll, A. (2008). A history of corporate social responsibility: Concepts and practices. In A. Crane, D. Matten, A. McWilliams, J. Moon, & D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility* (pp. 20–46). Oxford: Oxford University Press.
- Carroll, A., & Brown, J. (2018). Corporate social responsibility: A review of current concepts, research, and issues. In J. Weber, & D. Wasieleski (Eds.), *Corporate social responsibility* (pp. 39–69). Bingley (UK): Emerald Publishing Limited.
- De Angelis, R., & Ianulardo, G. (2020). Circular economy as fictional expectation to overcome societal addictions. Where do we stand? *Philosophy of Management*, 19, 133–153.
- Elkington, J. (1997). *Cannibals with forks: The triple bottom line of 21st century business*. Vancouver, Canada: New Society Publishers.
- EMF, & McKinsey. (2012). *Towards the circular economy: Economic and business rationale for an accelerated transition*. Retrieved May 2013 from <http://www.ellenmacarthurfoundation.org/business/reports>.
- EMF, McKinsey, & SUN. (2015). *Growth within: A circular economy vision for a competitive Europe*. Retrieved September 2017 from <http://www.ellenmacarthurfoundation.org/business/reports>.
- Ergene, S., Banerjee, S., & Hoffman, A. (2020). (Un)Sustainability and organization studies: Towards a radical engagement. *Organization Studies*. <https://doi.org/10.1177/0170840620937892>.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
- Friedman, M. (1962). *Capitalism and freedom*. Chicago, IL: Chicago University Press.

- García-Marzá, D. (2012). Business ethics as applied ethics a discourse ethics approach. *Raimon Lull Journal of Applied Ethics*, 3, 99–114.
- Gladwin, T., Kennelly, J., & Krause, S. (1995). Shifting paradigms for sustainable development: Implication for management theory and research. *Academy of Management Review*, 20, 874–907.
- González, E. (2002). Defining a post-conventional corporate moral responsibility. *Journal of Business Ethics*, 39, 101–108.
- Hawkins, G. (2005). *The ethics of waste: How we relate to rubbish*. Rowman & Littlefield Publishers, Inc.
- Hegel, G. W. F. (2018 [1807]). *The phenomenology of spirit*. Translated with introduction and commentary by M. Inwood. Oxford: Oxford University Press.
- Husserl, E. (1970 [1954]). *The crisis of European sciences and transcendental phenomenology: An introduction to phenomenological philosophy*. Evanston, IL (US): Northwestern University Press.
- Ianulardo, G., & De Angelis, R. (2019, 26–28 June). *The contribution of circular economy to human betterment: Moral imagination and teleological ethics* [Paper presentation]. European Academy of Management Conference, Lisbon, Portugal.
- Jonas, H. (1984 [1979]). *The imperative of responsibility. In search of an ethics for the technological age*. Chicago: Chicago University Press.
- Kant, I. (2014 [1785]). *Groundwork of the metaphysics of morals*. Edited and translated by M. Gregor, J. Timmermann. Cambridge: Cambridge University Press.
- Kim, S. H. (2017). Max Weber, in *The Stanford Encyclopedia of Philosophy*. <https://plato.stanford.edu/entries/weber/#EthConRes>.
- Lacy, P., & Rutqvist, J. (2015). *Waste to wealth: The circular economy advantage*. New York, NY: Palgrave Macmillan.
- Landrum, N., & Ohsowski, B. (2018). Identifying worldviews on corporate sustainability: A content analysis of corporate sustainability reports. *Business Strategy and the Environment*, 27, 128–151.
- Lehtokunnas, T., Mattila, M., Närvänen, E., & Mesiranta, N. (2020). Towards a circular economy in food consumption: Food waste reduction practices as ethical work. *Journal of Consumer Culture*. <https://doi.org/10.1177%2F1469540520926252>.
- Levinas, E. (1991 [1961]). *Totality and infinity. An essay on exteriority*. Translated by A. Lingis. Dordrecht, Boston, London: Kluwer Academic Publishers.

- Levinas, E. (2000 [1993]). *God, death and time*. Translated by B. Bergo. Stanford: Stanford University Press.
- Linnenluecke, M. K., & Griffiths, A. (2013). Firms and sustainability: Mapping the intellectual origins and structure of the corporate sustainability field. *Global Environmental Change*, 23, 382–391.
- Matten, D., & Crane, A. (2005). Corporate citizenship: Toward an extended theoretical conceptualization. *Academy of Management Review*, 30, 166–179.
- Meyer, L. (2020). Intergenerational Justice. In E. N. Zalta (Ed.), *The Stanford encyclopedia of philosophy* (Summer 2020 ed.). <https://plato.stanford.edu/archives/sum2020/entries/justice-intergenerational>.
- Pope Francis. (2015). *Laudato Si', On care for our common home*. [http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco\\_20150524\\_encyclica-laudato-si.html](http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_encyclica-laudato-si.html). Accessed October 2018.
- Porter, M., & Kramer, M. (2011). Creating shared value: How to reinvent capitalism and unleash a way of innovation and growth. *Harvard Business Review*, January-February, 62–77.
- Robbins, L. (1984 [1932]). *An essay on the nature and significance of economic science*. Forward by William Baumol. New York; New York University Press.
- Sharma, S., & Henriques, I. (2005). Stakeholder influences on sustainability practices in the Canadian forest products industry. *Strategic Management Journal*, 26, 159–180.
- Stella, A., & Ianulardo, G. (2018). Metaphysical realism and objectivity: Some critical reflections. *Philosophia*, 46, 1001–1021.
- Strong, M. (2009). *Be the solutions: How entrepreneurs, conscious capitalists can solve all the world's problems*. Wiley.
- Unruh, G. (2010). *Earth, Inc. Using nature's rules to build sustainable profits*. Harvard Business Press.
- Van den Hoogen, T. (2019). *Public theology and institutional economics: All is economy*. Cambridge Scholars Publishing.
- Waddock, S. (2018). Beyond CSR to system change: Creating a new socio-economic narrative. In J. Weber, & D. Wasieleski (Eds.), *Corporate social responsibility* (pp. 377–401). Bingley (UK): Emerald Publishing Limited.
- Wang, H., Tong, L., Takeuchi, R., & George, G. (2016). Corporate social responsibility: An overview and new research directions. *Academy of Management Journal*, 59, 534–544.
- Weber, M. (1949 [1907]). The meaning of 'ethical neutrality' in sociology and economics. In E. Shils, & H. Finch (Eds.), *Max Weber on the methodology of the social sciences* (pp. 1–46). Glencoe, IL: Free Press.

- Weber, M. (2010 [1919]). The profession and vocation of politics [orig. *Politik als Beruf*]. In P. Lassman, & R. Speirs (Eds. and trans.), *Max Weber: Political writing* (pp. 309–369). Cambridge: Cambridge University Press.
- WEF, EMF, & McKinsey. (2016). *The new plastics economy—Rethinking the future of plastics*. Retrieved March 2016 from <http://www.ellenmacarthurfoundation.org/publications>.



# 22

## Power, Authority, and Leadership: A Proposal for Organizational Theory in the Post-Bureaucratic Era

Lucía Ciardi and Germán Scalzo 

### Introduction

The study of organizations is essential for understanding today's society because they are the dominant social form by which work, play, politics, and reform are organized (Scott 2005, p. 441). Indeed, since the Industrial Revolution, they have become the foremost mechanism by which the modern individual achieves goals and manages nearly every sphere of her existence.

This chapter studies the organization as a sociological and specifically political phenomenon. By doing so, it intends to contribute to a

---

L. Ciardi (✉)

Universidad Nacional de Rosario, Rosario, Argentina

e-mail: [luciaciardi@gmail.com](mailto:luciaciardi@gmail.com)

G. Scalzo

Universidad Panamericana, Mexico City, Mexico

e-mail: [gscalzo@up.edu.mx](mailto:gscalzo@up.edu.mx)

better understanding of the governance of organizations in terms of their social, historical, and philosophical-political foundations, particularly the dynamics between power and authority therein, and how organizational theory should approach this dynamic in the twenty-first century.

In this sense, this chapter is guided by the interpretative-hermeneutic tradition, approaching organizational theory in light of three systemic paradigms through historical development. It considers that the present context informs how human organizations can face the challenges of the Post-bureaucratic Era. A systemic approach enriches the different paradigms by adding “new dimensions of reality” in an effort to overcome the anthropological reductionisms that are present in models that do not start from the human way of being, i.e., human nature. That is why the anthropological model is supported by the humanistic-personalist, human-centered tradition (Lepeley et al. 2016; Melé 2009; Pirson 2017, 2019).

The main idea herein is that the study of organizations—open systems that are closely related to the environment in which they are inserted—cannot be separated from the concepts of power, authority, and domination. Following Zaleznick (1970), “Whatever else organizations may be... they are political structures. This means that organizations operate by distributing authority and setting the stage for the exercise of power.” However, it is common to find scholars and executives who ignore the importance of the political factor in organizations, and words like *power* and *politics* find themselves increasingly banished from the organizational world.

Organizations’ political dimension mainly stems from the fact that a select group of people has influence over another group’s behavior. Organizational theories and management models are mostly differentiated according to how they view this influence; in other words, the most important thing is not the amount of power one has, but rather how one uses it (Pérez López 1990, p. 3). The question of how people influence others according to the various management models is crucial because it is impossible to separate organizations from human nature and forget that people, who are in turn influenced by all kinds of motivations, actually work in them.

Likewise, the human dimension of organizations cannot be explained in absence of the distinction between authority and power, without which it is impossible to describe a person's influence over others' behavior (Pérez López 1990, p. 3). Although common language, and political philosophy itself, sometimes uses these terms as synonyms, they are actually different in their origin, and their meaning mainly diverges in the sphere of government. These concepts come from the Latin words *Auctoritas* and *Potestas*; although authority and power are the most common translations for these terms, they do not preserve the significance that their use in Latin confers.

Pérez López (1990) presents this distinction as a dual principle that explains a person's influence over others' behavior; accordingly, reducing that influence to the application of a unique reality, and calling the *how* of this influence mere power is contradictory and fails to fully explain such a complex phenomenon.

Álvaro d'Ors (1979) took up these originally Roman concepts and, with them, offered a proposal regarding the best conditions for political government. This scholar's explanation of the relationship between these two concepts is worth quoting in full: "The social recognition of power, which converts it into *Potestas*, depends on the conviction expressed in socially recognized knowledge, i.e., authority" (D'Ors 1979, p. 112, *own translation*). But if for d'Ors, authority must be independent of power within the institutional framework of a political body so that good government is possible (Herrero 2015, p. 62), this chapter presents a framework that suggests that the healthy governance of organizations, unlike political government, requires *another* power-authority dynamic.

To govern, in the sense that these terms imply, relates to decisions that are, over time, the stuff of power. In this process, these decisions acquire a managerial nature (Herrero 2015). Although the governance of organizations certainly involves an exercise of power, it does not equate to practicing politics. Indeed, Politics' ultimate end is man himself because it points to the common good, which includes every partial and instrumental end (Martínez-Echevarría 2011, p. 86). These two areas are mainly, but not entirely, differentiated according to their ends, which translates into different ways of governing them. Thus, for the purposes

of this chapter, the concept of organization excludes any entity that is part of a state structure and governed by political power.

To achieve the objective herein laid out, we will examine the dynamics that power and authority acquire in the three different organizational models that, according to Pérez López, succeeded one another over time, making this perspective, in addition, historical. Each of these models—engineering, psycho-sociological and anthropological—is represented by scholars whose theories and analysis regarding organizational realities continue to influence the management of organizations to this day. Each model further locates power relations and authority figures in different places according to the social, political, and economic contexts that marked the emergence or decline of each paradigm.

In this sense, we will argue that, for the healthy governance of organizations, d’Ors’ proposal of separating power and authority in political government should be inverted, aiming to promote the exercise of both power and authority in organizations. Yet, contemporary reality is generally quite the opposite—while instances of authority and power in political government are not at all independent (and, indeed, power partially or entirely dominates), in the government of organizations, these spheres are usually differentiated and independent. The influence of mechanistic or engineering models still largely persists when it comes to the management of organizations, where authority lies in unquestionable faith in science and technology. In order to face twenty-first-century organizational realities and challenges, organizational theory must rethink and reconsider the relationship between power and authority that mechanistic models devised, taking into account that between them there is no place for opposition. The more authority (*auctoritas*) leaders have, the less coercive power (*potestas*) is needed for managing organizations (Gallo 2016). Therein lies the importance of acquiring and maintaining *auctoritas* united with *potestas*—it is the only way out of organization models that place coercive and manipulative power at the center of prescribed managing styles, and it is also the best option for justifying power in the context of healthy organizational governance focused on human development. This chapter is guided by the conviction that organizational theory needs a change of perspective in order to understand organizations as capable of better government. In what follows, we



discuss how we think organizations can actually have an impact in this regard.

## Background: Bureaucracy and Post-Bureaucracy

Modern organizational theory is primarily based on Max Weber's bureaucratic theory, which he developed in *Economy and Society* (Gil Villegas 2014, p. 90). His assessment, however, highlights the risks of bureaucratic instrumental rationality, thus laying the foundations for a critical theory of society that denounces the dangers of dehumanization to which it can lead (Gil Villegas 2014). The rationality that Weber describes houses the modern paradox—the iron cage generates a process of rationalization and domination that itself brings freedom into question (Boladeras & Campillo 2014, p. 141). This domination–freedom relationship emerges and the world's disenchantment is expressed in a process of increasing instrumental and technical reason that generates a progressive loss of meaning. The legitimacy of the established, traditional order enters into crisis, giving rise to the need for a new legitimizing order.

In the organizational field, this process was consolidated between 1880 and 1920, “the golden age of capitalism,” in which the factory system was established, capital was centralized, production was standardized, organizations were bureaucratized and work was integrated in large companies (Shenhav 1998 in Illouz, 2010, p. 89), inevitably leading to the bureaucratization process. The bureaucratic model is a typical form and ideal type<sup>1</sup> of rational-legal domination, legitimacy of which stems from a belief in rules and standards. In this way, orders and commands are given in the name of impersonal standards enacted or interpreted, rather than in the name of a personal authority. Therefore, the standard and not the person is obeyed, as authority derives from the position (Gil Villegas

---

<sup>1</sup> An ideal type is a methodological construction. It is an analytical tool that Weber, inspired by Kant, uses, and it does not correspond to historical reality, but is a means for understanding it. The ideal refers to its pure logical meaning, not to what would be considered a desirable situation.

2014, p. 90). The bureaucratic model's impersonal nature is characteristic of it—without hatred and without passion, therefore, without “love” and without “enthusiasm,” subject only to the pressure of the strict idea of “duty;” formally the same for all (...) (Weber 1922/2014, p. 268). The same belief in the rational-scientific sphere is found in organizational, engineering-style models, for example, Taylorism. Thus, according to Weber, without a transcendent sense of authority other than the mere impersonality of rules, capitalism's progress is accompanied by the transformation of power “into an increasingly perfect and effective technique to control, rationalize and impose the values that are considered most effective in the continued advance of the majority's well-being, and the increasing power of an ever smaller group” (Martínez-Echevarría & Scalzo 2017).

However, motivated by a series of factors that are contextual and intrinsic to the organization, today, questioning the model has given way to the effective decline of large business bureaucracies and the progressive replacement of bureaucratic guidelines with new organizational outlines, although they are often incipient and incomplete (Longo 1999, p. 212). The proposal herein, which focuses on organizational theory in the post-bureaucratic era, specifies the importance of studying the spheres of power and authority in organizational administration and their relationship; that is, how managers should possess both power and authority and the way in which this new approach can improve and influence organizational government.

In short, the bureaucratic model is incapable of responding to the challenges that today's society faces, making it necessary to think about new paradigms. Although the need for a new model is clear, remnants of the bureaucratic model abound in organizations and still influence the way in which power and authority are connected. These difficult-to-eliminate remnants of the bureaucratic model are still an obstacle to real change and the establishment of a new worldview that is more humane and appropriate for twenty-first-century realities and demands.

## Power and Authority in Organizations

After recounting the most important organizational theories, Pérez López (2002) proposes three conceptual paradigms that are based on the idea of the human person. Kuhn's paradigm is understood as any cluster of beliefs, values, techniques, and so on, that members of a given community share (Kuhn 1962/2011, p. 269). It is a simplified reality since the real complexity of human organizations does not fit into the models under study, which only work from the perspective of a conceptual and historical model, emphasizing the predominant ideologies, actors, and conflicts central to creating the structures with which we are familiar today. The main source for this task corresponds to Bendix's *Work and Authority in Industry: Ideologies of Management in the Course of Industrialization* (1956/1966), which provides an in-depth historical account centered on power and authority.

### The Mechanistic Model: Coercive Power in Mechanistic, Closed Systems

A mechanistic paradigm guided by engineering principles predominated in the first organizational theories, in line with rising industrial capitalism and an environment at the time, which hoped for the *human machine* to be controlled by the established rules that govern machine operation (The Review, 1910, p. 35 in Bendix 1956/1966, p. 283, *italics added for emphasis*). In effect, the engineering model's most distinct feature is its consideration that workers are cogs in a machine, which leads to a mechanistic, closed system. It is reflected in Frederick Taylor's work and the scientific management movement that originated in the United States in light of the absolute authority that factory owners possessed at the beginning of the twentieth century. Carlos Llano describes the typical businessperson during that era as a tough individual with willpower and rough around the edges... He knew not what heart-felt means (Llano 2010, p. 44).

It derives from the Spencerian belief that employers are the winners in the survival of the fittest based on their superior capability, which justified their wealth and called the losers of that fight, namely employees, to unquestioningly submit to their authority. However, this same struggle for survival later emerged in a rising labor and union movement.<sup>2</sup> Faced with growing union strength, employers in the United States responded collectively with campaigns and strikes at the workshops in the hopes of reaffirming their authority, which only revealed that it was no longer as absolute as they had believed. Thus, they began to address workplace issues that were previously resolved by firing those who did not accept the conditions set out. For the first time, employers drafted policies, established regulations, and realized the need for more thorough methods to address workplace issues. Of note, this important milestone coincides with the birth of scientific management.

In this context, Taylor set out to develop a theory to find the best, scientifically backed, way to get workers to perform assigned tasks with the “lowest use of energy.” He presented his initial ideas in 1895 at a conference of the American Society of Mechanical Engineers and ultimately published them in 1911 with his famous book *The Principles of Scientific Management*. Based on the premise that workers’ submission is more valuable than their independence and initiative (Bendix 1956/1966, p. 286), Taylorism intended to eliminate conflict in organizations that originates from tension between capital and work expressed in the union movement. Science was able to suppress the exercise of personal authority and authoritarian methods, so that power and arbitrary order cease and any subject becomes the object of scientific investigation (Taylor 1947, p. 211 in Bendix 1956/1966, p. 290). In a way, scientific management’s proposal addresses the authority that the employer once solely possessed and that was undermined by the labor movement and organizations’ increasing complexity. There was great hope in this new scientific movement because it promised “material

---

<sup>2</sup> To account for their rapid development in the late nineteenth and early twentieth centuries, Bendix states that American union membership rose from 447,000 in 1897 to 2,072,700 just seven years later. This process was not without violence since a world based on the struggle for survival logically propels each group to establish itself using all available means without considering the social or human costs (Bendix 1966, p. 277).

wealth and social harmony” (Bendix 1956/1966, p. 287) in an extremely difficult context. In this way, Taylor believed he would be able to eliminate the need for personal authority because workers and managers would follow rules imposed by science with the aid of an engineering framework. In this way, both power and authority were moved to the realm of depersonalized abstraction.

Perfect production locks workers into a productive niche, while conflict, problems linked to power, control, and legitimacy become superfluous. Yet, workers’ dignity is degraded in that this system fails to recognize their ability to improve and rather exploits them in the pursuit of external goals: “the closest thing to managing cockatoos is Taylorism” (Polo & Llano 1997, p. 116, *own translation*) since their behavior can be controlled with material incentives until they do whatever is asked of them. However, without the incentive of food, a cockatoo cannot be controlled. The anthropological view of models related to Taylorism is negative and stems from the idea of work as punishment, human beings’ “innate laziness,” and the search for comfort in avoidance of work. Even managers must submit to science’s judgment, since, according to this negative anthropological view, it is better for authority to lie in scientific principles. Thus, Taylorism takes legitimacy from factory owners and shifts it to science imposed with a technocratic ideology (all while denying its role as an ideology). Herein, organizational politics and governance are said to disappear.

This is where bureaucracies acquire legitimacy, distinguishing some qualities and skills from others, and placing the exercise of authority in delegation, developing regulations, and specialization. In this sense, the process of bureaucratization transformed the traditional justification of authority and is evidence of the impersonal nature that is now sought in modern business. It should be noted that Taylor’s attempt at a mechanistic approach, a true pioneer in production process planning, planted a seed that determines organizational thought, both for and against it, to this day. As Littler mentions, this theory contains a paradox: On the one hand, it is a failed ideology, and, on the other, it contains the basic principles for structuring work to this day (1978, p. 186 in Llaguno-Sañudo 2015, p. 274).

The importance of work shifts toward planning efficiency, a move that hides within it a transition of authority, which the qualified workforce or master artisans once held, toward engineers or administrators. Now, it seems possible to control everything through science, giving rise to a new type of worker that is distinguished from laborers, namely *managers* whose role in industrial factories should consist of planning how production will be organized and achieving its disciplined execution (Bendix 1956/1966, p. 296). Managers, whom MacIntyre (2001) sees as typical characters of modern society, confuse truth with efficiency, while spontaneous or informal becomes an organizational obstacle (Martínez-Echevarría 2001).

In effect, the first authors and practitioners who analyzed companies and organizations considered workforce motivation to be insignificant and so did not consider it at the time (Pérez López 2002, p. 39). The engineering model, as a mechanistic, closed system, considers coordinated human organization's sole objective as producing or distributing goods and/or services. Thus, it resembles a machine because its operating system is already stipulated and regulated. There is no place for anything outside established processes, or for motivation or creativity. These models—which see physics as an ideal science, and therefore, focus on engineering and production processes—aim to achieve maximum production with minimum effort, while reducing workforce motivation to incentive systems, that is, to satisfying extrinsic and primarily material motives alone.

Mechanistic, closed systems only recognize coercive power. From this perspective, power justifies the fight to possess it (it is objectified) because “it can achieve everything” (without taking into account what that everything entails) (Pérez López 2002, p. 89). Governing it ends up becoming a kind of quantitative question of how much power to possess and how to increase that power to garner obedience.

In 1975, Foucault (1975/2002) wrote *Discipline and Punish*, where he analyzes power in production using mechanistic logic, which he refers to as disciplinary power. This power allows for the discipline of groups in line with the ends of productive institutions, exemplified in factories. Discipline is a mechanism that uses oversight, watchful techniques that incite the effects of power, creating mechanisms defined by

multiple and intersecting surveillance. Bentham's Panopticon is a mechanism that allows for this type of control in traditional institutions, such as schools, prisons, and hospitals. In workshops and factories, a new type of surveillance emerges. Inspectors who enforce regulations are no longer sufficient and control becomes a constant for each process and worker as relates to their performance within the establishment. The greater the number of workers, the more complex the control mechanism must become. For that reason, organizations began to require personnel specialized in monitoring and apart from laborers. Monitoring becomes an economic operator and managerial actions become the key mechanism of disciplinary power (Foucault 1975/2002, p. 180).

The organization seen as a machine, where each piece has its place and role and the power of discipline and science order those pieces, was bound to be questioned and eventually incited organizational theorists to start talking about motivation for optimal design. In other words, production could not be reduced to a pure mechanical and formalized language, but rather referred to the true fullness of human life (Martínez-Echevarría 2001, p. 51). It was impossible to continue concealing the human dimension in organizations and to solely manage them based on efficiency within the framework of scientific management. The true fullness of human life involves novelty; it involves going beyond standardized processes, which destroy human potential. Arendt (1958/2009) argues that new elements always occur in opposition to the overwhelming inequalities of statistical laws and their probability, that is, to certainties. Therefore, new elements always appear in the form of a miracle (Arendt 1958/2009, p. 202). Human potential and its ability to constantly innovate refute scientific probabilities and proven certainties.

In light of this, forms of community and social frameworks behind organizations have gradually begun to gain importance. It is no longer possible to think of them as closed systems, and that which escapes design and control is becoming more important. Elton Mayo's experiment at Hawthorne at the beginning of the twentieth century is a milestone in this sense because it highlights the importance of the human and non-rational facets of organizations. From there, it is clear that, in

accordance with Jeffrey Alexander, “because both action and its environments are indelibly interpenetrated by the nonrational, a pure technically rational world cannot exist” (Alexander 1998, p. 29).

## **The Psycho-Sociological Model: Persuasive or Manipulative Power in Organic, Open Systems**

In light of the Stock Market Crash of 1929, reality in business became more complex and Taylorism’s simplified view was no longer able to respond to emerging conflicts. This resulted in the development of research that, while it conserved a scientific approach, introduced changes in the work environment that were meant to modify workers’ attitudes; researchers then studied their reactions in an effort to determine what best improves productivity (Dávila 2001, p. 171).

Likewise, management tasks became an object of analysis and study and after praising the qualities ideally suited to the competitive struggle, we went on to praise the qualities ideally suited for managing workers and advancing their own careers in a bureaucratic environment (Bendix 1956/1966, p. 322). Carlos Llano noticed a change that occurred in managers and described it thusly, “It was not about being non-authoritarian, but about not appearing to be authoritarian. In this way, the need for fair treatment emerged in view of the organization’s effectiveness” (2010, p. 44, *own translation*). This effectiveness based on fair treatment seemed to promise returns for the company greater than any other managerial improvement plan could provide, and it encouraged workers to move away from the need for unions and the solace they once provided (Bendix, 1956/1966). Even if only a discursive shift, many began to question the basis for authority, which could no longer be derived from a fight for survival. Managers now had to possess (or learn) a whole series of ideal qualities and, in this context, a discussion on leadership gradually emerged.

Together with other researchers, Elton Mayo, an Australian psychologist from Harvard University, conducted an experiment whose influence on organizational theory has been far reaching. Conducted at Western



Electric in Hawthorne, Chicago between 1924 and 1932, the experiment's main objective, which it shared with most experiments in the emerging field of industrial psychology, was to improve worker performance. However, the Hawthorne effect was surprising; one group of workers in the study did not decrease productivity as expected despite introducing changes in the workplace that should have worsened their performance. In fact, none of the researchers' assumptions seemed to be proven right. When asked about their status within the organization (for the first time), these workers replied that they felt important, that their opinion was taken into account, and that management considered their well-being. Essentially, the study showed that workers want to feel that they were doing something meaningful, and worthy of others' respect. In a way, they wanted to leave anonymity aside and instead feel that their efforts were taken into consideration. As Mayo's research concluded:

What actually happened is that six people formed a team and that the team voluntarily and spontaneously cooperated. They all felt that they were participating in something freely and without ulterior motives, and were happy knowing that they could work without being coerced from above or limited from below. (Mayo 1945, pp. 72–73 in Bendix, 1956/1966, p. 323, *own translation*)

Social relationships then formed in organizations, including networks of friends, subsections within groups, and training natural leaders began to gain importance. These leaders, as many studies later showed, do not coincide with those imposed by the administration, but within the group they are much more influential than regular authority (Brown 1963, p. 96 in Dávila, 2001, p. 189). Cooperative activity among workers is also a necessary part of this formula, demonstrated in groups' informal control over task completion, which they can boycott if managers do not recognize their interests and effectively reduce productivity. In this way, organizational change should come from within, and subordinates should give tacit consent to the order they receive before they are implemented in practice (Bendix 1956/1966). Authority thus takes on a new meaning because its exercise becomes impossible without subordinates'

consent, although its effective exercise falls within the purview of new hypotheses that originate in psychology as a science.

Hawthorne also laid out the new skills that ideal managers should have, including an adept handling of human relations, understanding human behavior, interpersonal skills that allow one to psychologically guide people, motivation, and leadership (Wren 1979, p. 313 in Illouz 2010, p. 94). Thus, mere technical skills are not enough, just as success in business does not automatically guarantee authority. As a result, a new social category emerged that was, until then, non-existent as such, that is, “human relations” emerged as a problem to be addressed from the point of view of the emotions (Illouz 2010, p. 95).

Success was no longer a reflection of winning the fight for survival, but rather of having a suitable personality for the management of emotions. Psychologists were not only able to make new connections between the language of the psyche and that of economic efficiency but also establish and legitimize their authority in business and society in general (Illouz, 2010, p. 100). Power passed from engineers to psychologists, but everything continued to be based on the authority of the scientific method, yet “scientifically” studying the emotions leads, in the extreme, to concealing the simple pursuit of efficiency within a weak and incomplete handling of the human dimension in organizations.

Apart from this discovery, organizations began to be considered organic, open systems based on the fact that humans are social beings, an idea that was not previously perceived in this manner. This view ultimately seeks to improve worker performance, for which it still resembles Taylorism, but the *how* of worker performance did indeed undergo a radical transformation. To improve performance, fundamental importance was assigned to organizations’ social contexts, workers’ attitudes, and the type of supervision to which they were subjected.

However, the self-control that psychologists promulgated was far from the strict boss archetype instantiated in early industrialization, who Carlos Llano (2010) characterized as having no understanding of what “heart-felt” means. As Illouz (2010) notes, in its therapeutic view, self-control manifests itself in an optimistic, smiling, and pleasant attitude, and the most important thing becomes always staying positive.

This instrumental action entails establishing bonds of trust with subordinates through quasi-artificial personalities. Psychologists thus began to construct a managerial identity by connecting professional competence and certain emotions, eventually establishing a new archetypal management style that now legitimizes authority. A leader's moral aptitude turned into emotional competence. Armed with these hypotheses, psychologists have assumed nearly irrefutable power in organizations, as Illouz points out, because it is based on trust and cooperation. Accordingly, not reacting, through the employment of emotional control, is power (Illouz 2010, p. 113).

Within this model, maintaining disciplinary society's institutions loses its urgency as a new system of domination arises with technology's abilities to continuously monitor employees. Byung-Chul Han (2005/2016), a South Korean author, analyzes these contemporary issues and his concepts illuminate the gears of power in this phase of organizational development. According to Han's analysis, excessive positivity and the lack of restrictions on employee monitoring have given rise to the fact that individuals themselves set and enforce their own performance standards without the need of a panopticon. The aptitude that is today most prized refers to taking the initiative and advocating for one's own promotion, rather than simply being able to obey. The disciplinary society and disciplinary power no longer operate in this new phase of capitalism (neoliberalism). Following Han, we are now part of a *performance society* where power no longer disciplines the body, but rather aims at the *psyche*, which is today's productive force (Han 2014). In this way, authority and power are once again redefined as psychological entities, which supposedly allows for the harmony characteristic of psycho-sociological models between the individual and the organization (Illouz 2010).

The psycho-sociological model sees organizations as social groups; they are individuals in a society who unite to fulfill certain motives, which include economic elements and beyond. Understanding organizations from the organic or psycho-sociological model involves understanding humans as open systems and explaining the coordination of their actions in relation to their current motivations. The body houses the technical system, but goes beyond and transcends it, according to Pérez López (2002). Unlike the engineering model, this one explicitly

considers informal organizations, and their role is not predetermined, thus it also considers the possibility of conserving current motivations. The engineering and organic models radically differ given the fact that the latter also considers the objective and subjective aspects of human actions and incorporates the true structure of organizations in its analysis, that is, the specific personal characteristics of those who work and have influence there, despite the lack of a formal organization chart.

This means that the goals that this type of organization pursues not only aim toward external achievement, but also toward the acceptance of the people who work to achieve those objectives. In this sense, in this type of organization, defining objectives is usually done through a participatory and negotiating process. Moreover, the complexity of defining objectives, communication, and motivation processes as part of the management process is much greater than what technical models would have us believe.

Scientific studies began to highlight the limitations of merely extrinsic motivation by demonstrating that other types of motivation come into play in organizations. Attention thus turned toward the psychological and sociological dimensions, that is, toward people's inner selves and their relationality. In this context, Hawthorne demonstrated that productivity, satisfaction, and motivation are closely linked and that workers even have motivations that go beyond the company, such as the relationships they maintain with one another, or, put another way, stimuli derived from social standing (Pérez López 2002). Yet, this new understanding also retained certain mechanistic remnants in that it must manipulate workers to achieve higher levels of productivity. That is, related authors continued to believe that productivity is the ultimate objective, and that an absolute and optimum level of production is achievable. In this sense, a (new) set of clearly therapeutic theories developed and continued to see organization and management as instruments of manipulation (Martínez-Echevarría 2001, p. 53).

The psycho-sociological model is limited in that inductive methodology is insufficient for understanding human phenomena, especially when it lacks an anthropological foundation (Pérez López 2002, p. 51). This shortcoming hinders employees' capacity to internalize organizations' objectives since the motives that it allows for are *transcendent*

*motives*, that is, the results that an action ends in do not correspond to the person performing the action; for example, a service provided to a client or helping a co-worker. In this sense, the psycho-sociological model only considers *extrinsic motivation*, which refers to performance incentives for persons who did not perform the action (e.g., salaries), and *intrinsic motivation*, which results from completing an action for the person who performs it for the sole reason of having done it (e.g., a learning opportunity).

Ignoring *transcendent motives*, an integral part of organizational theory in Pérez López's view, implicitly leads to a potentially harmful pseudo-humanism since its view of humans and society can lead to psychological manipulation, which is even worse than the search for mere efficiency that characterizes engineering models. To introduce transcendent motives, the anthropological model offers an ideal foundation, allowing for the exploration of how organizational theory can approach organizations as institutions, as seen in the following pages.

## **The Anthropological Model: Authority and Leadership in Human-Centered Institutions**

Given the discoveries that emerged from the Hawthorne experiments, organizational theory shifted toward dealing with apparent realities, but due to Taylorism's strong influence over production that prioritizes scientific design, it continued to ignore organizations' informal and spontaneous aspects.

Yet, new problems and questions have spurred many to return to dimensions that modern thought left out in its conviction that everything should be governed by rationality, such as morality, politics, authority, and power. However, "morality and politics arise when solutions to social problems are not unique or predetermined" (Martínez-Echevarría 2001, p. 76, *own translation*). Thinking of organizations as institutions allows us to overcome the previous models' limitations by recovering other dimensions that are part of the fullness of human life and that are necessary for understanding the depth of organizational reality, among which affection, authority, love, and values stand out.

The present context also reveals new problems, such as excessively dynamic and complex environments, the need for ascending and descending information in real time, which is impossible with long chains of formal command, rapid changes in markets and technological development, which are difficult to reconcile with coordination systems based on process standardization, access to the central operations of highly qualified and specialized personnel in technologically complex fields, which calls impersonal leadership into question based on pure hierarchical responsibility, and a significant increase in the strategic value of human capital whose commitment and motivation requires innovative management guidelines, among others (Longo 1999, pp. 212–213).

In his book, *Fundamentos de la Dirección de Empresas* (2002) [The Basics for Managing Companies], Spanish author Juan Antonio Pérez López develops an anthropological model for managing and understanding organizations. This work's importance lies in its ability to connect instances of power and authority in organizations, supporting the hypothesis herein developed. It ultimately allows for a deeper understanding of organizations as institutions and as human communities.

Pérez López defines human organizations as “a group of people whose efforts and actions are coordinated to achieve a certain result or objective that interests all of them, although their interests may have very different bases” (Pérez López 2002, p. 14, *own translation*). He confirms that human organizations are an anthropological reality, that is, a group of people united in an effort to do something together and that ultimately makes up an institution. Organizations as institutions analyze how to be coordinate actions to meet the needs of all those affiliated with the organization. As it relates to the other models mentioned herein, the anthropological model includes both the technical system and organism, indicating that its interaction is systemic and not a rupture. The difference is found in the levels of motivation it fulfills. While the motivations that the organic model fulfills are immediate, institutions go further by considering potential motivations. For the anthropological model, knowledge of *why* a certain action is undertaken is important, that is, the meaning behind actions becomes central, which obliges managers to make explicit the organization's values that people therein identify with, thus perfecting and guiding the motives for their actions.

Although the anthropological model does not have the same breadth of academic literature as its predecessors given that it is a contemporary model, Belgian author Frederic Laloux offers twelve contemporary experiences related to organizational practice in his book *Reinventing Organizations* (2017). In his research, he examines the evolution of organizational paradigms as stages of human consciousness that involve a certain view of the world. He provides an overview of previous paradigms until arriving at the final one, namely the Teal Organizational paradigm.<sup>3</sup> The revolutionary advances that organizations who fit into this paradigm have enacted include: self-management, which involves relationships between peers without the need for hierarchy based on trust (but retains the need for leadership); allowing professionals to express themselves in a way that includes their whole identity and integrity (with their rational and emotional components); and instilling an evolutionary purpose that highlights the importance of the organization's meaning.

Laloux argues that leaders' world views place an organization in a certain paradigm since an organization cannot evolve beyond its leadership (Laloux 2017). However, leaders can ensure that organizational members adopt behaviors and values from more complex paradigms that they would not have incorporated on their own account. Although people cannot be forced to act based on directed motives, it is possible to help others improve the quality of their motivations and the best, if not the only, way of achieving this collaboration is with exemplary leadership. "Serving as a good example is a necessary condition for having authority and this is a leader's strength" (Pérez López 2002, p. 139, *own translation*). The ability to promote an organization's human development can make its members go further than they would have managed to do alone, and this focus on human development is what organizations need in this century.

For an institution to achieve its objective, it must learn to meet the true needs of its members as human beings, who, in addition to physical (engineering model focus) and cognitive (psycho-sociological

---

<sup>3</sup> Frederic Laloux popularized the *Teal Organizational* model, which is a development stage that occurs chronologically after infrared-reactive, magenta-magical, red-impulsive, amber-conformist, orange-achievement, and green-pluralist. It is comparable to Maslow's "self-realization" level. (Laloux, 2017, p. 90).

model focus) needs, have affective needs, which involve having adequate relationships with other people. Humane treatment is found in an organizational environment that foment authentic relationships. For the engineering model, this feature is accidental or anecdotal, but, for the anthropological paradigm, it is fundamental and reflects the degree to which the company's stakeholders identify with it. Pérez López calls it *unity*. Understanding the concepts of effectiveness, attractiveness, and unity as parameters that represent an organization's strength means measuring effectiveness in terms of its economic facet (wealth creation), attractiveness in terms of its psychological and sociological facet (its ability to operate), and unity in terms of its moral aspect (its ability to join operations with human needs). No company can do without at least a minimum of attractiveness and effectiveness, but for an organization that takes the anthropological model seriously, its moral reality and unity are central (Pérez López 2002).

From this perspective, ideal managerial skills take on new nuance that stresses the quality of leadership. Pérez López forcefully argues that leaders are not born leaders (Pérez López, 2002, p. 134), and that they instead become them through their actions when they learn to act based on transcendent motives. They are then called to inspire all members of the organization to act based on transcendent motives, and promote, in turn, human development. This relates to power in that good leaders manage to use their coercive and manipulative power for everyone's benefit rather than for selfish purposes. Coinciding with Laloux (2017), organizations that operate from more advanced paradigms are distinguished by their leaders' abandonment of ego-driven fear, ambition, and desires. In this process, desire for fulfillment begins to unite previously separated elements, including the rational from the spiritual and emotional, the professional from the personal, the organization from its ecosystem, and power from authority. The term "work-life balance" also loses importance as people begin to explore their calling in organizations, making the organization's motives, values, and meaning relevant for human development.

As mentioned, mechanistic, closed systems only recognize coercive power, but when a leader holds sway over members' motives, a different type of power emerges, which includes manipulative power that has the



ability to stimulate others' behaviors based on intrinsic motives, and affective power that has the ability to do so for transcendental reasons (Pérez López, 2002). The latter refers to authority. Rosanas (2001) notes that both Juan Antonio Pérez López and Leonardo Polo compared manipulative power to how people treat animals. Influencing others' actions through manipulation does not at all mean treating them badly, in fact, just the opposite. However, influence that relies on the stimulation of subordinates' interests can only give results in the short term and only as long as the associated external benefits remain in place. The same can be said in the case of manipulative and coercive power.

To better understand authority, we must differentiate it from power. While power means being able to influence others' decisions based on the potential benefits they can bring, authority flourishes because one person *trusts another person's decisions*, beyond the benefits that might be attained from them. Authority is conferred with public recognition that another person is better able to decide on a matter because of her recognized knowledge, even if some information remains unknown.

In this way, the "quantitative power" view falls away in favor of a view that takes into account the subjects involved and their motivations. It is no longer a question of *how much*, but of *how* and fundamentally *why*. In this model, coercive power foments learning that leads to its own obsolescence and the primacy of authority, which makes coercive power unnecessary. This is the only way to understand an organization of free beings who are treated like humans rather than animals or machines. It is also in this context that previous models' control mechanisms, in terms of disciplinary and manipulative power, become superfluous, making way for freedom and trust.

The only way to generate sustainable organizations that no longer require the coercive power typical of mechanistic organizations is the unifying force of authority, which incorporates notions that have no place in mechanistic logic, including love and understanding of others as conditions for applying power. Rosanas (2001), along with Pérez López himself, clarifies that Pérez López did not create the concept he was most known for, *transcendent motivation*, nor did he discover its importance. Instead, he provided a coherent analytical outline for studying issues that, until then and in most cases, were outside of organizational theory. He

also clearly explained the ethical component as a fundamental dimension in decision-making—for him, it is impossible to be a good leader without incorporating ethics into one's leadership practice (Rosanas 2001).

The previous section clarifies the changes that modernity enacted in relation to the separation of spheres, especially science, morality, and emotions. Starting with this separation, organizational action became largely understood in terms of the bureaucratic model's rationality and the elimination of all normative and ethical features to prevent their interference in the purpose at hand. Pérez López's theoretical proposal reunites spheres that have long been split, first in theory, as well as in practice, influencing organizations to this day. Because it is impossible to escape human nature's vast and varied aspects, organizational approaches cannot be condensed into such mechanistic and closed models. The anthropological model's "method," instead, favors an informal structure, interactions between people, and considers employees free agents with the ability to learn, which allows for an analysis and steering of organizations that contains a more meaningful and realistic understanding of human beings because it starts from the person.

Again, managers gain authority by serving as a good example, which only happens if team members trust managers' driving motives. Indeed, trust is integral in gaining authority because it presupposes managers' commitment to the good of others; because of this, it is very difficult to gain, and very easy to lose. To the extent that they use their power correctly, managers gain authority. However, they can also lose power if it is misused, making its proper use very important. Pérez López notes that power is used improperly in the following cases—unjust use, not using it when necessary, and using it needlessly. When a manager errs in this way, his or her authority is on the line.

Personal trust refers to the certainty that the other is influenced by transcendent motives rather than by selfish ones during decision-making processes. Feelings of trust cannot be bought or forced, but rather develop through personal "tests" in which the moral dimension of the relationship is at stake.

Authority's limits must also be considered and, in effect, those limits are found where subordinates' freedom begins. Indeed, no one can completely dictate another person's behavior because motivation is

**Table 22.1** A summary of power and authority within the three paradigms

	Disciplinary society	Performance society	Post-bureaucratic society
Power	Disciplinary Power (Coercive)	Persuasive Power (Manipulative)	Authority (Affective)
Organizational Model (and its representation)	Engineering Model (a Machine)	Psycho-Sociological Model (an Organism)	Anthropological Model (an Institution)
Main Character Motivation	Manager Extrinsic	Therapist Extrinsic and intrinsic	Leader Extrinsic, Intrinsic, and Transcendental
Politics	Biopolitics	Psychopolitics	Humanism

Source Authors' elaboration

always self-motivation and it is impossible to force someone to act based on imposed motives; human beings' actions are always unpredictable. Pérez López's greatest contribution is found in reintroducing ethics and personal authority in organizational theory.

It is time for organizations to be influenced by this paradigm, as they were before by engineering and psycho-sociological paradigms. Indeed, considering how the aforementioned organizational theories and frameworks (starting from Spencer, then Taylor and Mayo, among others) have deeply influenced and continue to influence organizations on the theoretical level, as well as in practical ways, when it comes to the relationship between power and authority, it follows that a new overarching paradigm could potentially influence the future of organizations and the human beings within them, making, one would hope, a positive impact (Table 22.1).

## Conclusion

This chapter aimed to understand the social, historical, and philosophical-political foundations of power-authority relationship dynamics throughout the history of how organizational theory understood and influenced that relationship within organizations. To achieve

this objective, we introduced the idea that, for organizational theory, spheres of power and authority should relate to one another in a specific way if organizational management is to be healthy. In the end, we hold that both must rest with leaders.

In the face of the bureaucratic model's imminent (while slow) decline, as Max Weber originally elucidated, a yet-to-be-defined and post-bureaucratic era is upon us. This decline runs in parallel and can be seen as both a cause and consequence of the crisis of modernity, of Enlightenment thought and its ideological bases that have prevailed in the formation of Western society as we know it today. We are living through a moment of transition and the future of organizations is at stake.

This proposal systemically articulates dimensions from previous models with a humanistic proposal that serves as a paradigm and new way of thinking for organizational theory as it tries to resolve two central problems that organizations face in contemporary society: uncertainty and motivation. Organizational environments are becoming increasingly complex and require the management of uncertainty; indeed, those who truly have power in this context are those who best learn to manage uncertainty. The anthropological model makes this possible given its reliance on a key element in every human relationship, namely trust. Trust is built by serving as a good example and, legitimated by moral values, it is the main building block in a leader's authority, eventually making coercive power unnecessary.

Pérez López spoke of morality and politics, as well as of power and authority, questioning the ideas that removed organizational theory from these areas and made them excessively reliant on objectivity and rationality. Under this premise, he offered a systematized outline for an organizational theory that constitutes a well-rounded theory of managerial action, assumes human reality, and like all reflective theory, develops a model that could influence organizations in the post-bureaucratic era. This theory offers a complete paradigm shift in the same sense that Kuhn (1962/2011) gave to the term, i.e., values, techniques, and beliefs favored in the bureaucratic era and in engineering models have begun to change. This change is not revolutionary because Pérez López's method

does not break with previous paradigms, but rather systematically integrates and complements them to better understand the importance of the relationship between power and authority in organizational theory.

This chapter presented an outline of how theoretical ideas on organizations influenced them in different historical contexts, configuring many practical implications. Although this chapter presents a theoretical perspective—leaving the study of empirical implications open to future research—it demonstrated, based on historic evidence (following a hermeneutic, epistemological approach), how different theoretical assumptions have impacted organizations' realities and practical aspects throughout history, giving rise to different paradigms. In practical terms, all of these paradigms involve human beings, thus making it impossible to eliminate the elements that differentiate us from mere machines, even though “in theory” they were supposed to disappear.

Some of these theories ignored human nature—and so, were reductive—and, yet, in a variety of historical contexts they were understood as valid. Through them, we see that theory precedes practical implications in organizational development, making it possible for the ideas contained in the anthropological model to eventually be implemented and to guide organizational reality when the historical context allows for it. We suggest that the post-bureaucratic era seems to be a suitable context for these ideas to become realities.

If “characters” correspond to the social roles that provide a culture with moral definition (MacIntyre 2001, p. 49), and if *managers* embody the engineering model, like *therapists and psychologists* embody the psycho-sociological model, *leaders* embody and characterize the anthropological model in the post-bureaucratic era. Characters are relevant members of a community and provide a moral, as well as a cultural, ideal, and they legitimate certain ways of being in society. If leaders, with the qualities ascribed to them herein, i.e., based on possessing power, and principally authority, position themselves as important characters in contemporary society and avoid the moral neutrality their predecessors emanated, a viable path for the anthropological model will open up and the morality of the ends leaders pursue will be prioritized. While engineering and psycho-sociological models lay claim to authority by appealing to their effectiveness through a manipulative style that fits human beings into

obedient behavioral patterns (MacIntyre, 2001, p. 105), leaders claim authority by setting a good example, a strategy that is a far cry from the theater of moral illusions to which, as MacIntyre warns, the bureaucratic model has subjected us.

## References

- Alexander, J. (1998). The computer as sacred and profane. In P. Smith (Author), *The new American cultural sociology* (Cambridge Cultural Social Studies, pp. 29–46). Cambridge: Cambridge University Press.
- Arendt, H. (2009). *La Condición Humana* [The human condition] (R. Gil Novales, Trans.). Buenos Aires: Paidós (Original work published 1958)
- Bendix, R. (1966). *Trabajo y autoridad en la industria: las ideologías de la dirección en el curso de la industrialización* [Work and authority in industry: Ideologies of management in the course of industrialization] (I. Manzi & R. Malfé, Trans.). Buenos Aires: Eudeba (Original work published 1956)
- Boladeras, M., & Campillo, N. (2014). *Filosofía Social* [Social philosophy]. Madrid: Síntesis.
- D’Ors, A. (1979). *Ensayos de Teoría Política* [Essays of political theory]. Pamplona: Ediciones Universidad de Navarra.
- Dávila, C. (2001). *Teorías Organizacionales y Administración Enfoque Crítico* [Organizational theories and administration. Critical approach]. Bogotá: Mac-Graw Hill.
- Foucault, M. (2002). *Vigilar y castigar: nacimiento de la prisión* [Discipline and punish: The birth of the prison] (A. Garzón del Camino, Trans.). Buenos Aires: Siglo XXI Editores Argentina (Original work published 1975).
- Gallo, M.A. (2016). *El poder en la empresa* [The power in the company]. Barcelona: Libros de Cabecera.
- Gil Villegas, F. (2014). Introducción. In *Economía y Sociedad* [Economy and society]. México: Fondo de cultura económica.
- Han, B.-C. (2014). *Psicopolítica: neoliberalismo y nuevas técnicas de poder* [Psychopolitics. Neoliberalism and new technologies of power] (A. Bergés, Trans.). Barcelona: Herder Editorial.
- Han, B.-C. (2016). *Sobre el poder*. [What is power?] (A. Ciria, Trans.). Barcelona: Herder Editorial (Original work published 2005).

- Herrero, M. (2015). *Poder, gobierno, autoridad: la condición saludable de la vida política* [Power, government, authority: the healthy condition of political life]. Madrid: Centro de Estudios Políticos y Constitucionales.
- Illouz, E. (2010). *La salvación del alma moderna. Terapia, emociones y la cultura de la autoayuda* [Saving the modern soul: Therapy, emotions, and the culture of self-help] (S. Llach, trans.). Buenos Aires-Madrid: Katz.
- Kuhn, T. (2011). *La estructura de las Revoluciones Científicas* [The structures of scientific revolutions] (C. Solís Santos, Trans.). México: Fondo de Cultura Económica (Original work published 1962)
- Laloux, F. (2017). *Reinventar las organizaciones (5ª ed.)* [Reinventing organizations] (A. Maturana, Trans.). Barcelona: Arpa y Alfil Editores.
- Lepeley, M. T., Von Kimakowitz, E., & Bardy, R. (2016). *Human centered management in executive education*. London: Palgrave Macmillan.
- Llaguno-Sañudo, J. A. (2015). *El papel del error en la evolución de la organización productiva moderna* [The role of mistake in modern productive organization evolution] (Tesis Doctoral) Universidad de Navarra, Pamplona.
- Llano, C. (2010). *Ser del hombre y hacer de la organización* [The being of human and the doing of organization]. México: Ruz.
- Longo, F. (1999). Burocracia y postburocracia en el diseño organizativo. [Bureaucracy and Post-bureaucracy in organizational design] In C. Losada (Ed.), *¿De burócratas a gerentes?: las ciencias de la gestión aplicadas a la administración del Estado* (pp. 212–244). Washington, DC: Banco Interamericano de Desarrollo.
- MacIntyre, A. (2001). *Tras la virtud* (1ª Ed.) [After Virtue]. Barcelona: Crítica.
- Martínez-Echevarría, M. A. (2001). *Teorías de la empresa y crisis de la modernidad* [Business Theories and Modernity Crisis]. (No. 83). *Cuadernos Empresa y Humanismo*. Pamplona.
- Martínez-Echevarría, M. A. (2011). Técnica y crematística en Aristóteles [Technic and Chrematistics in Aristotle]. *Revista Empresa Y Humanismo*, VOL XIV, 69–88.
- Martínez-Echevarría, M. A., & Scalzo, G. (2017). El sentido del trabajo en Max Weber [The meaning of work in Max Weber]. *Unpublished*.
- Melé, D. (2009). Integrating personalism into virtue-based business ethics: The personalist and the common good principles. *Journal of Business Ethics*, 88(1), 227–244.
- Pérez López, J. A. (1990). *El Poder... ¿Para qué?* [Power?... What for?] (No. 29). *Cuadernos Empresa y Humanismo*. Pamplona.
- Pérez López, J. A. (2002). *Fundamentos de la Dirección de Empresas* [The Basics for Managing Companies]. Madrid: RIALP.

- Pirson, M. (2017). *Humanistic management: Protecting dignity and promoting well-being*. Cambridge University Press.
- Pirson, M. (2019). A humanistic perspective for management theory: Protecting dignity and promoting well-being. *Journal of Business Ethics*, 159(1), 39–57.
- Polo, L., & Llano, C. (1997). *Antropología de la acción directiva* [Anthropology of management action]. Madrid: Unión Editorial.
- Rosanas, J. M. (2001). Herbert Simon (1916/2001) y Juan Antonio Pérez López (1934/1996), In Memoriam. *Revista Empresa Y Humanismo*, (IV), 317–331.
- Scott, W. R. (2005). Organizaciones: características duraderas y cambiantes [Organizations: Enduring and changing features]. *Gestión Y Política Pública*, XIV(3), 439–463.
- Weber, M. (2014). *Economía y sociedad* [Economy and society] (J. Medina Echavarría et al, Trans.). México: Fondo de cultura económica (Original work published 1922).
- Zaleznick, A. (1970). Power and politics in organizational life. *Harvard Business Review*, Mayo-junio.