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Moral Memory: Why and How Moral Companies Manage Tradition

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ABSTRACT. Recent research on the role of ethics in the organizational culture literature found practically the whole literature reduced to a debate between ethical rationalism and ethical relativism. The role of the past in the form of tradition to maintain and improve moral reflection is completely missing. To address this gap in the literature on the level of practice, the concepts of moral memory and moral tradition are applied to data on 22 companies that have long-standing moral practices. In this way, the practice of moral traditions can be explored with recent conceptual advances and a list of best practices delineated. Moral memory is the recollection of and attachment to the succession of past events and experiences that maintains moral tradition. Moral tradition is the continuing transmission and reception of related moral themes through multiple generations of employees. It is found that companies that maintain moral traditions tend to develop ''family'' cultures with considerable compassion for workers as persons who have non-economic needs and rights. These companies also temper the role of leadership, insisting that leaders are responsible for and are evaluated by the company's moral traditions. Finally, moral traditions are essential mechanisms through which companies paradoxically both stimulate and limit competitive behavior.

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''With a name like Smucker, it has to be good'' is one of the longest-running slogans in the advertising industry (Pledger, 1998). Running since 1962, its longevity, self-deprecating humor, and the moral symbolism of goodness and small-town values are also indicative of the role of moral traditions at Smucker. Established in the 19th century, the Smucker family has run the company since its inception, developing a distinctive culture of fairness, respect, and opportunity which generation after generation of employees has made their own. In this article, this unusual path to business practice – i.e., building a business around moral values that are cultivated and maintained over decades – will be examined to understand its business logic and moral import.

The idea of moral tradition is closely related to two other ideas, moral memory and moral culture (Feldman, 2002). Moral culture is the shared system of moral demands that make employees, customers, competitors, and all other stakeholders intelligible and trustworthy to each other, thus making business relationships and activities intelligible and trustworthy. Without some level of moral culture, business would be impossible. Moral memory is the process of recollecting the moral past. To be maintained, a moral tradition – i.e., the chain of moral transmissions and receptions – must be remembered. It does not have to be remembered by all who enact it; the chain of transmissions and receptions can carry it forward; but to become a tradition and remain a tradition, it must be remembered (Shils, 1981).

At Patagonia, for example, Yvon Chouinard, the company founder, keeps alive the environmental tradition of protecting natural habitats that has defined the company since 1972. Chouinard not only continually expands his environmental efforts, but also continually tells the story (and rationale) of the company's history of environmental activities and involvements (Chouinard, 2005). Chouinard's memory of the company's environmental history keeps the company's moral traditions alive in the face of continuous financial pressures to forget them. Memory is the internal spine of tradition; tradition is the internal spine of culture.

Tradition is a chain of memory; the mechanism of social and cultural reproduction that enables organizations to endure by maintaining the same identity over time. This is especially important for moral commitments because moral commitments that change often are shallow and unreliable. Businesses that want to improve their ethical behavior need to think in terms of memory and tradition. Far too often businesses attempt to improve their moral behavior by merely defining moral values, writing out a code of conduct, and providing employee orientation meetings. They expect these efforts to create a moral culture as if by magic wand. But moral culture takes time; it is a hard won effort that slowly becomes ingrained and requires continuous restatements, reassertions, and reenactments; it can easily be damaged or lost.

In this paper, I analyze 22 companies. I asked 15 professors of business ethics and 15 executives to name companies they believed maintained moral practices over long periods of time (at least 10 years). After receiving their recommendations, I reviewed written materials on each company to see if there was evidence of a clearly established moral identity, the moral identity could be seen enacted in practice, and the moral identity and practices could be seen over a period of at least 10 years. The companies are: Ben & Jerry's, Cummins Engine, DEC, Eli Lilly, Hershey, Hewlett Packard, Johnson & Johnson, Levi Strauss, Malden Mills, Marriot, Medtronic, Merck, Newman's Own, Patagonia, SAS Institute, S.C. Johnson, Sealed Air, Shorebank, Smucker, Sunrise Medical, Tom's of Maine, and Yakima.

In the three sections that follow, I will analyze these companies in terms of *what* are the moral traditions they developed, *why* these moral traditions are important to business, and *how* the moral traditions were developed. One intriguing pattern that will emerge is that companies that develop and maintain moral traditions tend to develop a "family atmosphere." Some companies, like Smucker, have been run by the same family throughout their history, but other companies with moral traditions, like Sealed Air, are not dominated by a family but developed a family atmosphere that emphasizes, for example, respect and compassion toward the individual. Another pattern that will emerge in the study of companies with moral traditions is the paradox of both cultivating and limiting competitive behavior. All these companies compete and almost all compete successfully, yet closely monitor and regulate the range of competitive behavior they allow.

What are moral business traditions?

Family atmosphere

To the extent company leaders are committed to conducting business ethically, they will unavoidably create moral traditions. There is no other way to ensure ethical behavior over the long-term. Surprisingly, diverse businesses in different industries tend to develop moral business traditions that have some similar characteristics. Often one finds moral traditions bound up with the value of family. For example, Sealed Air explicitly stresses the importance of employee family life as part of its own corporate value system (Paine and Wruck, 1998) and Tom's of Maine makes it clear the company's top priority is the employee's family (Martin, 1993). Indeed, at some companies a family atmosphere is pursued by literally hiring multiple people from the same family. At Smucker it is a tradition for employees to put in up to three and four decades on the line working alongside parents, husbands, and wives (Goforth, 2000). Software maker SAS also does not shy away from hiring relatives of employees (Pfeffer, 1998).

But the hiring of relatives is not the primary sense in which moral companies create a family atmosphere at work. In family owned businesses family sentiments are created by treating employees to some extent as part of the owner's family. Sam Johnson, CEO of S.C. Johnson (1966–2001), the 119-year-old industrial and consumer products company with 16,000 employees, made a "soul-bearing movie" for employees titled, "Caruba: A Son's Memoir" (Tannenbaum, 2001). In the movie, Sam talked about his family, career, and problems with depression and alcoholism. This highly personal movie shows the openness in which Sam treated the boundary between family and business. His moral intention in making the movie was to help employees confront their own personal problems.

Other companies try to create a family atmosphere in other ways. Patagonia, for example, has an on-site childcare center. "The presence of children in the yard, or having lunch with their parents in the cafeteria help keep the company atmosphere more familial than corporate" (Chouinard, 2005, p. 6). Patagonia further supports the family atmosphere with flexible working hours and job sharing. This way parents and others can more easily integrate work and personal life.

Some companies have attempted to integrate a family culture into a systematic human resources strategy. Eli Lilly, winner of the 1996 "Parents at Work" award and the 1998 "family champion of the year" award (Welch, 1998), developed a "work-life strategy" for the 12,000 employees at its Indianapolis headquarters (Toby, 1997). Lilly sought to provide a broad-based support net at work for employees' non-work lives that employees might not have at home. Within company buildings, employees have easy access to a large daycare center, dry cleaning services and shoe repair, a credit union with most of the services of a traditional bank, a convenience store, a coffee bar, an after-hours cafeteria with hot meals to go, and vending machines stocked with movie tickets and passes to sporting events (Toby, 1997). An on-site fitness center provides mammograms and free sports physicals for children. Lilly combines this support net with an expanded version of its traditional flextime policies that includes term-time working, reduced hours, and career breaks. These efforts not only reduce stress and boost work morale, Lilly hopes to raise productivity and cut absenteeism.

Another company attempting to build a family atmosphere by developing supporting services is SAS. SAS provides on-site Montessori day care, a private junior and senior high school on the grounds of the company headquarters, an exercise facility free to families, a company cafeteria with excellent food at subsidized prices which families are encouraged to use, financial assistance for adoptions, on-site elder care counseling and referral, and undergraduate scholarships awarded annually to children of employees (Pfeffer, 1998). These services and opportunities are combined with a large on-site medical facility that family members can use staffed by five nurse practitioners, two doctors, a physical therapist, a massage therapist, and a mental health nurse. The plan covers the first dollar for many things. SAS was one of the early companies to provide medical insurance to domestic partners.

Many of SAS educational services not only benefit the children of employees, but the company benefits too in that the schools provide a laboratory for testing SAS educational software products. But one can see a cultural environment at SAS that strongly supports employee family life thus integrating employee family life into work life to an unusual degree.

Trust, respect, and equality

The integration between work and family allows these companies to tap some of the moral resources inherent in families for workplace culture. Two of the central family sentiments companies utilize are trust and respect. Jim Goodnight, CEO of SAS, says, "if you take care of your people, they will take care of the company" (Pfeffer, 1998, p. 5). He does this by emphasizing intrinsic motivation and trusting people to do a good job. Barret Joyner, a SAS vice-president, explains,

> the emphasis is on coaching and mentoring rather than monitoring and controlling. Trust and respect – it's amazing how far you can go with that (Pfeffer, 1998, p. 5).

SAS offers trust and respect to compensate for low financial incentives, which are the norm in the software industry. This trade-off between money and morality can also be seen at Smucker. Smucker does not offer stock options or expensive perks, but morale is very high and employee interviews repeatedly state the company belief system based on the "commitment to each other" is a central reason employees consider Smucker a great place to work (Goforth, 2000, p. 1). Other than Smucker, few companies equal Sealed Air's commitment to trust and respect. "In a meeting," says Bob Pesci, division president, "if someone attacks a person rather than an issue, six or seven of us will jump in" (Paine and Wruck, 1998, p. 9). At Smucker and Sealed Air, there is a prohibition against the open expression of power and anger. This supports their insistence that all employees should be treated with respect.

Closely related to the values of trust and respect in these cultures, is the value of equality. Sealed Air uses an open door policy where "anyone can talk to anyone" (Paine and Wruck, 1998, p. 5). The open door policy is the "basic precept" in the company code of conduct, which is seen as "non-negotiable, inviolate principles" (Paine and Wruck, 1998, p. 5). This also contributes to the family atmosphere: Organizational politics is kept to a minimum by having an omnipresent CEO who treats all employees equally and all employees have equal access to the CEO. Likewise at SAS, Jim Goodnight has 27 direct reports and still leads, as do many top managers, product development teams.

The value of equality is essential to generate the benefits from the family atmosphere characteristic of moral business cultures, because without it the strong emotional attachments possible in families can easily turn into grievances of injustice and favoritism. Thus, moral companies build equality into their practices and policies. At HP, during downturns all employees were asked to take Friday off and reduce pay by 10%, thus sharing the burden equally (Collins and Porras, 2002). At Sunrise Medical, all employees are referred to as associates, all participate in profit sharing and stock options, and there are no executive perks (Scott and Rothman, 1994).

The conformity/self-interest dilemma

An important result of enforcing equal treatment of all employees is a collective or homogenous spirit. At Cummins Engine, "the nail that sticks up gets hammered down" (Cruikshank and Sicilia, 1997, p. 9).

> "If somebody is outside our value system", explains Tim Solso – named the company's seventh president in 1994 – "the culture sheds that person immediately." Self-promotion and egotism aren't well tolerated at Cummins, and people who can't break these habits generally move on (Cruikshank and Sicilia, 1997, p. 9).

At Sealed Air, a "one company" motto is communicated continuously (Paine and Wruck, 1998). Employees must fit in. But, as a sales manager, explained,

> The problem people are those that are egotistical or political. Talking down to employees, being disrespectful to people who work here, putting form over function, or posturing without knowing the story – that's what could end the relationship (Paine and Wruck, 1998, p. 12).

Hence, equality and the collectivist culture that follows from it pressure against the expression of self-promotion, self-interest, and even self-centeredness.

Moral companies with family atmospheres walk a fine line between the positive bonds a family atmosphere can create and pressures for conformity that can undermine motivation. The dilemma can be seen at SAS.

> John Boling, Director of the Education Technologies Division, [said], "A bad employee would be someone not willing to help others – colleagues and customers – and someone who needed a lot of direction." The culture is one of cooperation, teamwork, and mutual respect, and people are expected to fit into that (Pfeffer, 1998, p. 6).

But when a job applicant expressed a strong emphasis on personal performance and personal rewards, he was not hired. He met the criteria for self-direction, but failed to fit the teamwork organization and family culture mandates.

The dilemma can also be seen at Sealed Air. Paradoxically, they look for competitive people willing to take "a little risk" (p. 9), yet people who are respectful and compassionate towards others and willing to "repress their own ego" (p. 12) (Paine and Wruck, 1998). Sealed Air walks this tightrope by seeking competitive people who are team oriented (volleyball is the sport played at company social events). A common strategy at Sealed Air for tackling a problem is to set up teams and have the teams compete to see which one can solve the problem first. Hence, Sealed Air creates a team-sports atmosphere to stimulate competition and team identification while simultaneously maintaining a broader culture that requires competitiveness to never over-step respect and compassion toward individuals.

Another way moral companies with family cultures manage the conformity/self-interest dilemma is through opportunity. SAS uses an explicit strategy of making interesting projects available inside the company. For example, they develop all products internally instead of making acquisitions. Hence, as long as employees accept the overall SAS culture they can find considerable freedom in developing new technologies with new teams. The strategy is further supported by easy access to training so movement between different parts of the company will be successful. In this way, SAS provides opportunities and freedom to individuals while simultaneously strengthening their corporate culture by retaining established employees. Indeed, low turnover rates are a characteristic of companies with moral cultures: Smucker 5% (Goforth, 2000); Ben and Jerry's 8% (Scott and Rothman, 1996); Sealed Air's turnover in sales is 1% compared with 40% in the industry (Paine and Wruck, 1998); SAS 3% compared to a much higher norm for the software industry (Bisoux, 2004).

Moral companies also use job security to address the problem of motivation in strong cultures. Malden Mills, for example, stresses job security and a general paternalism resulting in great loyalty and productivity from the workforce (Watson and Werhane, 1997). Indeed, Malden's image is so positive among workers that normally difficult sacrifices asked of unions are accepted relatively easily. At Sealed Air it is virtually impossible to be fired for poor performance. Every effort is made to treat employees as family members by finding a match between employee capacity and job requirement. The result is a highly efficient and entrepreneurial workforce.

In summary, companies that maintain moral traditions tend to develop a ''family atmosphere'' based on the moral values of respect, trust, equality, and compassion. The family atmosphere creates strong or homogenous cultures. Within these cultures, moral traditions function to stimulate individual initiative and innovation. The moral traditions are thus complex, taking on paradoxical forms such as controlled competition, limited freedom, and motivated security. The paradoxical nature of moral traditions demonstrates how morality simultaneously stimulates and controls.

Why are moral traditions important to business?

We have already seen how companies that maintain moral traditions produce motivated and productive employees. In this section, I will take a closer look at the business implications of maintaining moral traditions.

Tradition, identity, and memory

Moral traditions can have deep emotional affects on employees because moral traditions speak to basic human needs, such as the need to know the difference between right and wrong, the sense of duty, and the need to help others (Rachels, 2003). This leads individuals who are sensitive to moral issues to seek out employment in companies with moral traditions. Franklin A. Thomas, board member and former head of the Ford Foundation, comments on the effect of Irwin Miller's (board chair and majority owner) moral leadership at Cummins Engine,

> The thing I always admired about Irwin... was his wonderful combination of a tough, competitive business drive with a complete understanding of the context within which business should operate. ''And, Thomas emphasizes, Miller's uncompromising stance in the realm of ethics has provided the company with an unusual competitive edge'' He has been an incredible magnet for talented people who are generally interested in improving human welfare. This is true at all levels of the company....You had the sense that when you gave your time to this company, you gave it to more than just a narrowly defined business enterprise, but also to a philosophy of business that you could feel proud of (Cruikshank and Sicilia, 1997, p. 515).

Moral companies attract moral individuals which further strengthens sensitivity to moral issues. It is a circle of virtue. It is also the best way to minimize costly ethical and legal crises (Paine, 2003). In addition, by attracting employees more sensitive to moral issues and drawing out deeper commitments from them, companies with moral traditions ensure greater continuity of organizational identity over time. When crises do happen, stable organizational identity "helps the organization cohere and keep its signals straight" (Cruikshank and Sicilia, 1997, p. 516). In times of globalization, social and political change, rapid technological change, and intensifying competition, stability inside the company is more crucial than ever.

On the other hand, a stable identity can create resistance to organizational change. Cummins suffered inflexibility in its manufacturing operations that cost it dearly in responding to competitive and technological changes in the marketplace. But these traditions were manufacturing traditions, not moral ones. In the moral area, Cummins refused to do business in South Africa unless it could run its operations there the same way it ran them everywhere else, without regard to racial prejudice. When the South African government would not agree Cummins pulled out. The board discussion where this decision was made took only a few minutes. This is a key reason why moral traditions are important to business: their historical continuity and rationale provide orientation and justification for making painful economic decisions.

Like all companies and individuals, however, Cummins is not perfect and at times failed to meet its own standards. In the 1970s, during "profound financial difficulties," Cummins exploited both its suppliers and unions (Cruikshank and Sicilia, 1997, p. 512). Despite being "inclined by [five decades of] tradition to invest in its local community, promote an integrated work force, and take seriously the needs of its workers, customers, and suppliers" (Cruikshank and Sicilia, 1997, p. 514–515), Cummins forgot its own traditions. Ultimately Cummins "relearned" its traditions and reestablished better relations with both its unions and suppliers based on honesty, careful listening, and mutual interests. The important point is, however, moral traditions are fragile institutions that never dictate actions. They surround the field where deliberate action takes place, defining ends, standards, and even means. But even with Cummins impressive history of moral leadership, they "forgot" or perhaps more precisely ignored their own moral traditions. Moral traditions require continuous re-communication and reenactment to be effective.

Tradition and control

Moral traditions contribute to business success in other ways than by maintaining a stakeholder model of business relationships. They also function as a control mechanism. Paine (personal communication) refers to them as the "most fundamental tool of internal governance." Indeed, at Hershey Foods, ethical character is seen as the basis for legal compliance (Lehr, 1996). Moral traditions function as tools of internal governance by cultivating moral awareness and by encouraging individual and group self-regulation.

A moral issue arises, however, in the use of moral traditions as control mechanisms. The following anonymous interview with Sam Johnson, then chairman and great-grandson of the founder of S. C. Johnson, describes,

> "Our company's social involvement grew out of this early sense of local community involvement. My great-grandfather had a sense that there had to be a fair way to do things", [said Sam Johnson]. The company provides profit-sharing, child care, and other benefits because, says the chairman, they create "a family atmosphere within the company. We all sit on the same side of the table, so to speak, so we don't have a confrontational environment between the various groups of people who work here. As a result, we have very low employee turnover and no unions", just as in the 1920s (Anonymous, 1998, p. 1).

Hence, on one hand, the creation of moral traditions was motivated by the wish to find "a fair way to do things;" but, on the other hand, moral traditions create a "family atmosphere" that reduces the creation of other power centers outside of management such as unions. These consequences for the distribution of power need to be part of the ethical evaluation of moral business traditions. As we saw in the Cummins case, companies with a long history of maintaining moral traditions can act unethically.

Control is a fundamental element of organization. An organization without mechanisms of control is inconceivable. So the issue before us is the morality of moral traditions as control mechanisms, specifically the family atmosphere aspect. The distinctive feature of the family atmosphere is the strong or homogeneous culture it creates resulting in a concentration of power. Two relevant questions for a moral evaluation is does the family atmosphere lead to an abuse of power and does it undermine individual autonomy (Hartman, 1996). If a family atmosphere routinely leads to either result it would be unethical. The 22 companies analyzed in this paper suggest that a family atmosphere does not routinely result in the abuse of power and the loss of individual autonomy. The low turnover rates and generous employee support systems show that a family atmosphere is not necessarily unethical. The concentration of power can undoubtedly lead to an abuse of power. But it is exactly the point about the companies studied in this paper that they built their cultures around moral values. The key issue is not the family atmosphere but the moral center. The moral center attempts to cultivate the moral aspects of the family atmosphere as it does all other institutions it utilizes. This can be seen most profoundly in its competitive behavior.

Tradition and competition

Moral traditions enhance competitive effectiveness in several different ways. As we saw, leadership at Sealed Air created a moral culture built around the values of trust, respect, recognition, and compassion. Dermot Dunphy, Sealed Air's CEO, believes these "non-quantifiable attitudes and habits" are not only "valuable in and of themselves," but contribute to "a sense of ownership, entrepreneurship, and accountability among the employees" (Paine and Wruck, 1998, p. 4). Sealed Air's moral culture underpins their central business strategy of "consultative selling" (Paine and Wruck, 1998). The basic idea is that the culture of trust, cooperation, and mutual respect inside the company will carry over to relationships outside the company, most importantly to customers.

Consultative selling means that sales people will not simply try to sell products, but will work with customers to learn about their business, identify problems, and show them how Sealed Air's products can solve their problems. It is a "win-win philosophy" (Paine and Wruck, 1998, p. 6), solving the customer's problems will lead to profit for Sealed Air. The selling strategy is also put in writing in the company's code of conduct. In fact, the selling strategy and the code of conduct are completely integrated. Employees are told to do everything possible to identify and satisfy customer needs within the guidance provided by the moral values and rules defined in the code of conduct. For Sealed Air, "virtue was a competitive advantage" (Paine and Wruck, 1998, p. 4).

A second way companies use moral traditions to enhance competitive advantage is through commitment to product quality. Patagonia built its culture around the value of environmental protection (Chouinard, 2005). Despite being in the highly competitive sports apparel industry, Patagonia switched to organic cotton because of the high level of ground and water pollution caused by traditional cotton-growing methods. Even though the switch was ethically motivated, the result was unusually comfortable and long-lasting clothing that was successful in the marketplace. A similar strategy can be seen in their fleece garments where, to cut down waste in the production process, Patagonia started using recycled plastic bottles to produce the fleece fabric. These highly innovative production processes that resulted in innovative products were ethically motivated. Patagonia's almost continuous sales growth resulted from both superior products and customers who valued their environmental protection practices.

A third way companies use moral traditions for competitive advantage is through building trust in brand identity. The brand itself is a tradition of sorts, a structure of meaning that is maintained through time. In the Johnson & Johnson Tylenol case, Tylenol was part of a larger brand identity associated with Johnson & Johnson and its vast array of products. Hence, in managing its brands Johnson & Johnson is managing a tradition, a moral tradition because these are medical products that rely on a tradition of trust and responsibility. To successfully manage the brands requires maintaining the moral traditions that support them.

The tradition of trust and responsibility, over one hundred years old, was also a major factor in how the company resolved the Tylenol crisis (Smith and Tedlow, 1989). Since the company had spent decades building a moral tradition to encourage trustworthy behavior by employees and the belief in trustworthiness by the public, they had a great deal to lose both internally and externally by not acting to protect the safety of consumers. Hence, moral tradition not only contributed to the success of the company's brands, it also encouraged a moral response to the crisis through both moral habit and the cost of neglecting it.

A fourth way moral traditions contribute to competitive effectiveness is through idealism. Merck spent decades instilling a culture dedicated to reducing human sickness and suffering (which appears to have weakened in recent years) through the development of medicine (Bollier et al., 1991). This culture is also a business strategy in that Merck is attempting to use idealism to stimulate innovation to increase revenues. Merck's idealistic mission works because it motivates their scientific researchers. Moral ideals are effective motivators because most if not all human beings are responsive to moral ideals because their early socialization and later education instilled these ideals in them.

In summary, moral traditions are important to business because they integrate business into society through the sharing of similar moral ends and because they attract morally sensitive individuals to business. They also cultivate the moral depth of character to help companies stay the moral course in the face of costly decisions. Finally, moral traditions contribute to competitive success by tapping into moral resources in the individual and in society which are the basis of trust and responsibility and a good part of motivation.

How are moral business traditions developed?

Tradition and the board of directors

It is not common in American business for the board of directors to maintain and follow moral traditions as part of their governance responsibilities (Monks and Minow, 2004). This is unfortunate because it would enhance the business ethics of American business by providing moral guidelines for management (and a board over-sight process to back them up). Medtronic Inc., however, does maintain moral traditions on the board level. They define their primary responsibilities as making sure the company is true to its mission and values and long-term shareholder wealth (George, 2003).

There are several ways Medtronic developed its board culture. At the center of the board management process are outside directors. Outside directors always constitute at least a majority of board members and there can be no more than three inside directors at any time (Pick and Lorsch, 1999). The CEO position is kept separate from the position of board chairperson to ensure the board has control over its own agenda and is in an independent position to evaluate the CEO (Spaulding and Lorsch, 1994). Further, an outside director chairs each board committee. The goal is to create a board with an independent spirit.

A key mechanism to accomplish the independence of the board is the corporate governance committee. The corporate governance committee consists only of outside directors. This committee is charged with the selection of new board members, the evaluation of each board member, the evaluation of the board as a whole, and the evaluation of the CEO. Since the committee is all outside directors its meetings allow the outside directors to develop their own élan. Also, since the outside directors were brought in by other outside directors they are not beholden to management.

The basic idea is that by creating an independent group of outside directors a ''healthy tension'' is created with management (George, 2003). This increases the chance that the right questions get asked, the right reviews get carried out, relevant information is surfaced, and the review of the CEO is based in reality, not fantasy. At Medtronic, these policies and processes have created traditions of independence and moral leadership and the traditions have led to continuous reflection on the policies and processes. Again we find a circle of virtue.

Tradition and management practice

Leaving the board level for the management level, we find moral traditions permeate everything moral companies do. At Sealed Air, the moral tradition of respect for the individual can be seen throughout management practice. They emphasize consensus decision-making that gives each individual the opportunity to be heard, thus increasing the quality of decisions and their implementation (Paine and Wruck, 1998). In tension with consensus decision-making is another Sealed Air tradition, ''Do MORE with LESS!'' (Paine and Wruck, 1998). This means that individuals should take the initiative and engage in entrepreneurial activities. Sealed Air manages the entrepreneurial activities with tight financial controls. Hence, within the limits of consensus decision-making and tight financial controls individuals are given freedom to innovate. Moral tradition makes this complex cultural situation possible because it simultaneously motivates and controls the individual: respect for the individual encourages autonomy and limits hierarchy, yet it also supports consensus decision-making that restrains individual autonomy.

Levi Strauss uses the ''Principles Reasoning Approach'' (PRA) to infuse its moral traditions into managerial decision-making throughout the company (Paine and Margolis, 1995). The PRA posits six principles: honesty, promise-keeping, fairness, respect for others, compassion, and integrity. These principles can be seen not only influencing Levi Strauss' decision-making, but are also used to evaluate supplier behavior. Indeed, Levi Strauss pulled out of Burma and China because business partners did not share their values. Levi Strauss trains its managers that the PRA should be used as the ''ground rule''; that is, ethical values should take precedence over non-ethical values even in the face of personal, professional, and economic risks (Paine and Margolis, 1995). This philosophy is integrated with the communication, evaluation, and reward systems, thus ensuring moral traditions are a central part of management practice.

The question of *how* ethics is incorporated into business practice is crucial because profit-seeking is central to business and can easily ignore or minimize ethical concerns. We saw above how Cummins had broken promises to its unions during periods of financial distress. Partly out of genuine moral concern and partly out of its own self-interests, Cummins remedied these moral failures. The process in which this happened is instructive. A board member describes,

> ...with Irwin [whose family owned a majority of the company's stock] as its conscience, the company has agonized over each of those steps [the ''steps'' refer to cutting employment in half and cutting salaries of new employees]. It has listened to feedback from employees, and has made a real attempt to be fair, within the limits of fiscal prudence and fiduciary responsibility (Cruikshank and Sicilia, 1997, p. 510).

From this quote from a prominent board member, Harold Brown, former Secretary of Defense, it appears that at Cummins, the moral traditions have been split off and deposited with one man, Irwin Miller, who is the board chair and majority owner, but not part of management. This is different than the Levi Strauss culture where an attempt is made to make ethics the ''ground rule.'' At Cummins, it appears that ''fiscal prudence and fiduciary responsibility'' is the ground rule (tradition) and Irwin Miller maintains the moral memory of fairness as a constraint on ''fiduciary responsibility,'' a legal terminology.

Moral traditions do not naturally instill themselves in management practice. Profit-seeking and the social structure of law can suppress or replace moral sensitivity and moral memory. The Cummins case is instructive because the affects of moral traditions can be seen in company decision-making, but the moral traditions themselves seem to be maintained by the founding family more than the management system as a whole. The situation is different than Malden Mills, for example, where economic circumstances forced job cuts, but the job cuts were carried out with compassion and honesty. There were no charges of broken promises and manipulation. At Malden Mills the family patriarch was not only the majority owner and board chair, but also the CEO. Indeed, when Aaron Fuerstein recently lost control of the company and creditors (led by GE Capital) took over, century-old moral traditions lost influence immediately (Washbourne, 2005). The important point is that Cummins and Malden Mills show how dependent moral traditions are on powerful individuals and how vulnerable traditions are when these people leave or become isolated. Politics and morality are inseparable.

A counter-example to the isolation of moral traditions is Shorebank. Shorebank was created with the idea that a bank could play a dynamic role in reestablishing market forces and job creation in destitute neighborhoods (Grzywinski, 1991). Over several decades, the original vision developed into a moral tradition as the bank through trial and error pioneered many new approaches and practices to reverse urban decay. In 1998, Shorebank decided to add an environmental ethic to its original vision of restoration, conservation, and adaptive re-use of the built environment. The way they went about this shows the development of moral traditions in the core decision-making process.

Similar to Patagonia and S.C. Johnson, Shorebank executives looked closely at their own processes to cut out waste and environmentally harmful practices. Also like Patagonia and S.C. Johnson, they tried to influence others outside their own organization. Similar to the way they had restored apartment buildings by making loans to residents, they began offering loans "to those promoting energy conservation as well as those expanding businesses involved in 'green' markets" (Rothman and Scott, 2003, p. 94). Also similar to their creation of "Development Deposits" (interest-bearing savings accounts whose funds were guaranteed to be used for urban renewal), they developed "Eco Deposits" whose funds were guaranteed to be used to make loans to local businesses for the sole purpose of helping them adopt sustainable practices (Rothman and Scott, 2003). Hence, Shorebank's moral traditions were a significant influence not only on their strategy, business practice, and external relationships but can also be seen evolving and adapting to new goals, changing conditions, and new product development challenges.

Tradition and organization structure

Another way moral traditions influence business practice is through organization structure. In addition to the centrality of trust and equality and their tendency to flatten organizational structure mentioned above, moral companies tend to use hybrid organization structures, including some mixture of nonprofit and for-profit structures, to pursue moral goals. Perhaps the most instructive case is Shorebank. The problems Shorebank was facing in rebuilding dilapidated and decaying neighborhoods were so severe and deep-seated that a straightforward loan and rebuild approach did not work, but neither did government and nonprofit approaches. Shorebank realized they needed various components of all three at various times.

By law banks can only respond to the specific requests of customers, but Shorebank was facing a demoralized population where theft and drugs were common. Also by law banks could not make high risk small business loans in some situations. Shorebank's response was to create a system of related organizations that could tackle problems it could not, but do so in an integrated way that supported its own efforts as well as the efforts of each organization and related government agencies. Shorebank created a wholly owned residential and commercial real estate development subsidiary, a nonprofit organization to restore buildings for cooperative ownership, manage incubators, train and place applicants in property-management firms, banks, theaters, manufacturing firms, etc., a small business investment company, and a consulting firm to assist a variety of businesses to deal with banking, economic development, and affordable housing issues (Rothman and Scott, 2003). Shorebank's efforts show writ large how morally driven businesses can over flow the boundaries of for-profit organization structure in their pursuit of moral goals and profits.

Tradition and organization change

Turning to the relation between moral tradition and organization change, an interesting dilemma poses itself. On one hand, moral traditions can be sought by people fearful of change, while on the other hand, a complete willingness to change everything is a sign of moral emptiness. The issue then is one of balance: commitment to basic moral beliefs that change slowly over time while simultaneously adapting rapidly to changes in the environment as they affect one's goals. The Medtronic board culture seems to have developed an effective balance. Their basic philosophy of governance has changed little in decades but they continue to dissect their policies and procedures, make changes as required by changing conditions, and regulate their level of active management of the company in relation to the degree new top management is familiar with company traditions (Pick and Lorsch, 1999). This latter point ironically shows change being used to guarantee the transmission of tradition.

Cummins, on the other hand, seems to fear its past. Irwin Miller states,

> If you don't look out, you become an old business. You get to thinking, "We're seventy-five years old!" But it's very important that Cummins starts over every year. You learn the lessons of the past, but you don't fall in love with the past.
>
> We don't really know what the twenty-first century is going to be like, except that its going to be very different from the past. The experience that we have is experience of a world that has disappeared. It's gone. It's not coming back. And that means we have to look forward (Cruikshank and Sicilia, 1997, p. 489).

Miller's comments are not accurate in a couple of ways. First, as been said, he is the "conscience of the company." So he is underestimating the stability of his own moral traditions and the important role they play in the company's behavior. Second, he exaggerates the irrelevance of the past. No social reality is primarily new; there is always a great deal of the past in the present. Even great organizational changes – e.g., technological revolutions or mergers and acquisitions – are still dependent on the past in many ways and carry on much of what came before them (this is why "mergers" and "acquisitions" often do not work so well).

It seems to me Medtronic's concern about the loss of collective memory from the retirement of nine long-time directors in a 7-year period is more realistic than Miller's statement that the past has disappeared, "It's gone." Though Cummins did have problems in its manufacturing operations due to inflexible traditions, the problem is not that its traditions are irrelevant, but that they are being misused. All traditions represent a potential range of responses to any situation and all organizational change is dependent upon traditions from which to unfold. When traditions become blindly repetitive, it is not the traditions but the social psychological and political context in which the traditions are being applied that is the problem.

A case in point for how traditions can be misused is DEC. At DEC, the values of Ken Olsen, the company founder, were "written down, articulated throughout DEC's history, used explicitly in company documents of all sorts, and adhered to with a passion right up to the end" (Schein, 2003, p. 7). This was unfortunate because Olsen's blind spots became the organization's blind spots with bankruptcy the result. This happened because the traditions became ends in themselves, no longer adapting to changes in the external environment. Not tradition but an over identification with the charismatic Olsen and the development of an internally focused (defensive) culture created this situation. This outcome was not inevitable. At Hershey, for example, strong identification with the founder led to the maintenance of a stable moral vision for over a hundred years, while the company remained an adaptive and profitable organization (Lehr, 1996).

The transmission of tradition

This brings us to perhaps the most important issue in the development of moral traditions, the mechanism of transmission. For a moral tradition to survive it must be remembered; effort must be exerted to pass it on to the next generation. James Burke's experience with the problem of transmission, as president of Johnson & Johnson, is instructive.

> In 1975, Burke caused a stir when he decided to "challenge" the Credo [the company statement of moral principles]. Burke had worked closely with the General [the company founder] over the years and had inherited his strong belief in the Credo. But the document was now over 30-years-old and Burke wondered if it was still a meaningful statement of responsibility. It bothered Burke to think that the document might lose visibility and significance. If the Credo was no longer meaningful, Burke felt it would be better to "tear it off the walls" than to have it stand for nothing. So Burke decided to have Credo Challenge meetings, to discuss the usefulness of the Credo. When CEO Sellars heard about the meetings....he "went bananas." Lost his temper. "You're not about to challenge the Credo as long as I'm here." But what came out of the meetings was rewording and reaffirmation. Burke and Sellars then made a tape for all employees (Smith and Tedlow, 1989, p. 12).

Burke is very passionate about the Credo tradition. He remembers the history of the tradition, is personally attached to the individuals who created and promulgated the tradition, and passionately wants to see the tradition continued. The Credo is so important to Burke because it is part of his moral identity; moral identity is the end product or result of moral memory. Importantly, Burke's memory of the Credo tradition does not need to be shared by all Johnson & Johnson employees for successful transmission of the tradition. The employees need only to accept a current restatement of the tradition to keep the tradition alive. However, someone in a leadership position (in this case Burke) must remember the tradition so that the thematic content is carried forward in the continuously changing reformulations and restatements.

Tradition and management systems

Finally, management systems such as selection, training, promotion, and compensation are used to protect, develop, and transmit moral traditions. Sealed Air, for example, puts job applicants through seven or eight interviews with up to 17 people (Paine and Wruck, 1998). A hire can only be made if a consensus is reached by all 17 interviewers. Sealed Air looks closely at attitudes and background. They want new hires to be consistent with their culture upon arrival. Hiring is so centrally integrated into Sealed Air culture, there is no human resources or personnel department; hiring is carried out fully in the divisions.

Other companies focus primarily on intensive indoctrination programs. SAS provides an orientation program for new employees given by company executives covering the company's history and vision (Pfeffer, 1998). SAS makes a point of using extremely little outside training (despite having an intensive training program) even for education and development to keep strict control over the affect it has on employee fit with the corporate culture.

A related strategy used by Sealed Air, HP, Yakima, SAS, and Smucker to retain employees while simultaneously strengthening their cultures is the promote-from-within strategy. Promote-from-within practices discourage turnover and reward employees for supporting the corporate culture. As employees who work well within the culture are promoted into positions of authority, the structure of power becomes a mechanism for cultural stability and the transmission of company traditions.

Turning to compensation systems, we see their use in developing moral traditions. As we saw, there is a tendency among companies with strong moral traditions to deemphasize steep incentive practices or to use them in a way that emphasizes collective rather than individual goals. SAS, for example, does not pay sales commissions and does not post comparative sales data in an effort to encourage a focus on collective goals and long-term business goals, especially long-term customer relationships (Pfeffer, 1998). SAS has a 98% customer renewal of software licensing.

The SAS compensation system supports their family culture rather than personal wealth. At SAS, all employees receive a 35-h work week, a heavily discounted country club membership, and, as was mentioned, free and extensive health care, day care, and fitness center (Bisoux, 2004). The company also contributes the maximum permitted by the IRS, 15%, to employee profit-sharing retirement plans (no employee contribution required) (Pfeffer, 1998). Each employee receives a merit increase in addition to a yearly bonus of between 5% and 8%, based on the company's profit performance and an individual evaluation. The company also provides land at a steep discount for building a home.

To keep a strong individualism from arising in these cultures, the compensation system is used to keep interpersonal competition in check. Ben & Jerry's has a policy that the highest paid employee cannot make more than seven times the lowest full-time employee (Scott and Rothman, 1996). This compensation policy is an expression of their "linked prosperity" moral tradition, which posits a strong equality of results (Scott and Rothman, 1996). The policy has turned away several high-level job candidates, but attracted others interested in a socially conscious business philosophy. Newman's Own attracted its new CEO with a similar combination of below market compensation and a philosophy of donating all profits to charity (Gertner, 2003).

Sealed Air too does not offer steep individual incentives (Paine and Wruck, 1998). They do offer a profit-sharing plan, which could amount to as much as 10% of annual compensation. The profit-sharing plan supports the ''one-company philosophy'' (Paine and Wruck, 1998). Indeed, consistent with this, Dunphy, the CEO, pressures employees not to sell more than 30% of the stock they receive in the profit-sharing plan in order to maintain the economic incentive that supports the ''one company'' (family) ethic.

In summary, companies use everything from board behavior to decision-making style to business strategy to organizational structure to organizational change to management practice to management systems such as selection, training, promotion and compensation to create, maintain, and transmit moral traditions. And, in turn, moral traditions shape these processes and practices. But, above all, moral traditions are maintained and transmitted through memory, commitment, and leadership.

Conclusion

One of the most interesting patterns discovered in this analysis of moral traditions in 22 companies is their ''family atmosphere.'' By ''family atmosphere'' I mean strong commitments to the well-being of the individual and the integrity of the moral culture partially independent of their economic benefits. This is in contrast to the economic model of decision-making based solely on profit and loss criteria. The question arises: is there a necessary connection between moral traditions and family atmosphere? The companies studied in this paper answer in the affirmative.

For human beings there is a primary relationship between morality and family life. Families are the first institution of moral indoctrination and education. Their influence is so fundamental that businesses that are deeply committed to moral values tend to take on some characteristics of families, namely compassion, support, discipline, and a more holistic view of employees and business' role in society. The important lesson for managers is that building a moral culture for the long-term, which will require developing, maintaining, and transmitting moral traditions, will involve an emotional ambience with some similarities to that of a healthy family. The virtues of compassion and support will need to be at the center of the culture.

A related point is that emphasis on financial incentives and profit maximization must be constrained by or balanced against moral commitments. A robust moral organization cannot be developed if economic goals are unchallenged at the center of organizational identity and practice. Economic forces are a fundamental part of reality and profit maximization is the purpose of business. But to develop a moral culture, moral commitments and passions about moral commitments must be a continuing part of consciousness; memory of moral commitments must be continually recalled, reaffirmed, and reapplied. Without a commitment to the chain of moral memory, moral culture will be weak and easily ignored under the pressures and excitements of daily opportunities and threats, rewards and losses.

This puts morally minded managers in the grip of managing dilemmas. As was shown, most clearly with Sealed Air, competition was cultivated in employees, but it was cultivated in some ways and not others, cultivated to a certain degree, not more. Competition is the central cultural force in business and for good reason as it is the primary driver of productivity and innovation, but when it expands to a total commitment, ethics are brushed aside as an irrelevant nuisance and even the law is pressed for weak points and ambiguities to be exploited. At Sealed Air, moral traditions codified in the code of ethics and institutionalized in business practices, such as consultative selling, are the context in which competition and initiative are encouraged, but strictly regulated.

The Sealed Air and Medtronic cases are exemplary models that point out a major weakness in the American business system: the misunderstanding of leadership. While leadership is undoubtedly important, it must be cultivated and evaluated in a context of moral traditions. Too often new CEOs come into a company and treat it as a tabula rasa because its whole culture is seen as a failure due to poor financial results. Medtronic has a history of impressive CEO leadership, but this leadership is cultivated by the board. CEOs are given authority but not a tabula rasa to create everything anew. They are expected to follow moral traditions long maintained by the board and, as was shown, the board structure is designed to ensure CEO performance is independently evaluated. In this way, the board makes an important contribution to maintaining moral traditions in the organization as a whole.

The Cummins case, on the other hand, demonstrates the pressures even inside companies with moral traditions. The company's ''moral conscience'' was split off and isolated in the board chair. Daily pressures to act to secure opportunities and avoid threats naturally do not easily lead to the enactment of moral ideals. But without moral traditions, executive leadership and particularly leadership succession becomes a high-risk venture. Poor successors can destroy moral cultures in a matter of months that the previous CEO took a decade to develop. Moral traditions should be understood as a vital part of organizational life and as superior to the prerogatives of the CEO, otherwise organizational morality is left up to a single individual, not much of a failsafe system. The board of directors must take responsibility for maintaining and transmitting moral traditions on the board level and evaluating the CEOs performance in implementing these traditions in the rest of the company. In this way, as in the Medtronic case, the CEO either follows company moral traditions or must answer to the board of directors.

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