Business ethics: the state of the art
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The purpose of this paper is to give an account of some of the current areas of scholarship in business ethics and to suggest how these areas may be relevant for scholars working in other business disciplines. We endeavor to paint a picture of a healthy discipline full of controversy, rich intellectual discussions, and the beginnings of several research traditions. To begin, we examine how it is common practice to think of 'business' and 'ethics' as separate entities, and suggest how such a 'separation thesis' can be used to diagnose problems in a host of business disciplines. We next examine the literature on corporate agency and responsibility that questions whether or not a corporation can be said to be normally accountable, in the same way that individual moral agents can be held accountable, and we look at an emerging research tradition of 'stakeholder theory' that cuts across the disciplines of business. We then explore two contemporary issues in business ethics: (1) International Business Ethics; and, (2) Environmental Ethics and Business, and we conclude with suggestions for some additional research questions.

1 Introduction

Everyone shares the joke about ‘business ethics’. ‘It must be an oxymoron’, or ‘it must be a short course’, or ‘I didn’t know business had any ethics’, or some such witty remark. Despite this popular misconception, ‘business ethics’ is a robust academic discipline that has yielded much fertile territory in recent years.

The purpose of this paper is to give an account of some of the current areas of scholarship in business ethics and to suggest how these areas may be relevant for scholars working in other business disciplines. Our account, will of necessity, be somewhat stylized, given the breadth of the discipline, as well as the idiosyncrasies of the authors. Nonetheless we endeavor to paint a picture of a healthy discipline full of controversy, rich intellectual discussions, and the beginnings of several research traditions.

In section 2 of this paper we will examine how it is common practice to think of ‘business’ and ‘ethics’ as separate entities, and suggest how such a ‘separation thesis’ can be used to diagnose problems in a host of business disciplines. In section 3 we examine the literature on
corporate agency and responsibility which
questions whether or not a corporation can
be said to be morally accountable in the
same way that individual moral agents can
be held accountable. In section 4 we look
at an emerging research tradition of
'stakeholder theory' that cuts across the
disciplines of business. In section 5 we
examine two contemporary issues: (1)
International Business Ethics; and, (2)
Environmental Ethics and Business. In
section 6 we suggest some additional
research questions.

2 The Separation Thesis

The joke about 'business ethics' being an
oxymoron actually masks an important
theoretical point. For the most part,
management theory and our ordinary view
about business have evolved along the
lines of what might be called 'the
separation thesis'. More formally, Freeman
(1994) claims that the separation thesis is
the following idea:

The Separation Thesis (ST): The discourse
of business and the discourse of ethics can
be separated so that sentences like, 'x is a
business decision' have no moral content,
and 'x is a moral decision' have no business
content.

At the level of popular culture,
capitalism and business are often identified
with a 'no holds barred' or 'anything goes'
kind of action, so that the idea of ethics is
anathema, hence the joke about business
ethics. At the level of more rigorous and
systematic thinking, ethics is often shunted
to one side under the guise of the
'empirical-normative' or 'descriptive-
prescriptive' distinction. The results are the
same: a view of business as 'amoral', and
thus the need for a separate discourse of
'ethics' in which to hold business morally
accountable. It is worth pointing out that
moral theory has not had a very robust idea
about business. Just as the discourse of
business has developed in isolation (for the
most part) from ethics, so has the discourse
of ethics emerged in isolation from the
very practical, human institutions that
create value. Overcoming the separation
thesis, or developing a discourse that mixes
up business concepts and ethical concepts
in large part describes a number of
research efforts in business ethics.

Indeed, the process of integrating and
applying ethical standards to management
practices appears to be difficult, because
economic goals and exigencies often seem
to override other considerations. But this is
a misperception. Ethical issues are as
much an integral part of economics and
commerce as accounting, finance,
marketing, and management. This is
because business decisions are choices in
which the decision makers could have
done otherwise. Every such decision or
action affects people or relationships
between people such that an alternative
action or inaction would affect them
differently; and every economic decision
or set of decisions is embedded in a belief
system that presupposes some basic values
or their abrogation. So the separation
thesis marks out a bankrupt discourse,
because it forces false dilemmas on
business practices – mental models that
create the illusion that a business can
either be morally good or profitable, or
that doing good (however one interprets
the term 'good') and doing well, e.g.,
providing a large return for shareholders,
are often incompatible (Freeman, 1994).
That this is a bankrupt discourse is evidenced in a recent study by Collins and Porras (1994). The authors cite a number of companies that have survived despite changes in management, new product development, and various business cycles. Those that have flourished over the long run, the authors argue, are companies that have a stable core mission and vision that is the basis for all corporate activities and drive decision-making through various dramatic business changes. What we learn studying business organizations is that the best organizations integrate other missions with the aim of profitability, and according to Collins and Porras, the best (longest surviving and most profitable) business organizations are those that do not focus on profitability as their primary mission.

Once we are aware of the separation thesis we can formulate a number of research projects to mitigate its effects in the disciplines of business. For instance, a simple identification of the ethical issues involved in marketing frameworks, such as the ‘4 P’s’ of price, place, promotion, and product, would allow us to routinely combine ethical and business analyses. Similarly, adding a concern with all parties affected by the achievement of an organization’s purpose might broaden the scope of finance to include corporate stakeholders and the financial/economic effects on them. Finance could apply its formal instrumental reasoning approach to other stakeholders. Organization studies which has addressed ethical issues more than other disciplines, via the work by scholars in the Tavistock tradition and others, would look at key ideas such as ‘motivation’ and ‘leadership’ and ask how framing those issues in non-moral terms has led to certain consequences. Whether or not ‘leadership’ and ‘motivation’ are in the end very useful will depend in part on whether we can frame the issues in a way that at once deals with business and ethical concerns.

3 Corporate Agency and Responsibility

Some of the early work, by philosophers, in business ethics concerned the question of who is a moral agent in business. Can the corporation be held accountable in the same way that individuals can be held accountable for the effects of their action? Do managers have obligations vis-à-vis their roles as managers, and do these role obligations override common ordinary moral rules?

Role Morality

Role morality describes and evaluates the extent to which one succeeds in meeting the demands and obligations of one’s role. Role morality in organizations describes and evaluates accountability relationships between an organization and its constituents, and judges whether or not an individual placeholder has fulfilled her obligations as defined by her roles. In organizations that function as bureaucracies, and elsewhere, one is expected to ‘do one’s role duties’ as defined by the organization, and ordinarily those who do not are fired or punished. As Andre (1991) has carefully argued, the existence of roles and role obligations permit a predictability of human behavior and a stability in social relationships. Ordinarily there are good moral reasons for acting according to role demands and ideals and if people did not do so social relationships and organizational
achievements would be chaotic. A mother who ignores her children or a manager that does not take seriously his fiduciary responsibilities to his company, under most circumstances are judged to be immoral both by the standards of role morality and by judgment of any common sense perspective. The well-being of any organization depends on the fulfillment of role obligations by its constituents. Is role morality sufficient to evaluate constituent behavior? Werhane (1985, 1997) has argued that because an organization could mandate questionable activities as might be possible in military organizations, for example, one needs to be able to evaluate roles, role obligations, and role acts not merely in terms of the organizational mission but also in more general terms of common sense morality. Indeed, we often judge someone negatively because of the role obligations they performed. Those in Nazi Germany and more recently Hutus in Rwanda who obeyed orders and performed their assigned roles well are criticized precisely because they exemplified perfect role morality. Thus, Werhane, concludes, role morality is a limited contribution in business ethics. (See also, Luben, 1988, Chapters 6 and 7.)

Corporate Agency and Responsibility

A corporation is neither an individual nor a total social system. It is comprised of individuals in various roles and authorized by the larger society to function for specific, often narrowly defined, purposes. Organizations, like individuals, set goals. Corporations ‘act’, although the actions of an organization are often the result of collective, not individual decision-making. Corporations, as well as individuals, are normatively evaluated. Just as individuals are expected to meet their responsibilities and are blamed if they fail to do so, corporations and other organizations have responsibilities and are expected to meet them.

Because of normative dimensions of corporations, it has been argued by French (1979) and others that corporations are analogous to moral persons. Corporations are treated as legal persons under the law, so it is not outrageous to think of them as moral persons as well. The difficulty with this conclusion, as May, Werhane, and others have argued, is that it equates organizations with individuals. While it is true that corporations act as moral agents in ways described above, they do not literally act; rather people act on behalf of the organization, and indeed, people create the organization in the first place (Werhane, 1985; May, 1987; M. Phillips, 1992). Because corporations do not literally act, Keeley and Velasquez have argued that allegedly corporate ethical issues can be reduced to aggregating ethical issues faced by the individuals who severally constitute those organizations. Given that perspective, one then simply tries to reduce all organizational motives, processes, behavior, and outcomes to individual motives, actions, and consequences, evaluating each from a moral point of view (Keeley, 1988; Velasquez, 1983). This position, as May and Werhane argue at length, simply belies the fact of collective organizational action that occurs within almost every medium-sized and large corporation. It is true that the purposes, mission, and goals of any organization are created by groups of individuals; nevertheless, these phenomena function as guides for individual and group
organizational behavior, as if the organization was an individual directing the activities of its constituents.

While this debate is of theoretical interest to academicians, a number of thinkers have argued that what is important, in business ethics, is to get at the nature of corporate responsibility, whatever its origins or structure (Goodpaster, 1982, 1984; Donaldson, 1980). Some time ago, the Nobel prize economist, Milton Friedman, declared:

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 (Friedman, 1970, p. 126).

This often misquoted statement does not advocate that ‘anything goes’ in commerce. Law and common morality should guide our action in the marketplace just as they guide our actions elsewhere. Nevertheless, given that qualification, which is an important one, Friedman, or at least a number of his interpreters, have argued that profit maximization is the main responsibility of business. Thus managers’ first duties and fiduciary duties are to owners or shareholders. Ordinarily these duties are to maximize return on investment.

Friedman’s conclusion is based on a model of rational choice grounded in the assumption that human beings act primarily from interests of the self, that is, in their own self-interests, broadly conceived. According to most proponents of this view, it is rational to maximize your interests, or at least irrational to harm yourself or otherwise lessen your opportunities or devalue your own interests, all things considered (Gauthier, 1986). When one acts rationally one aims to maximize one’s interests, or long-term interests, all things considered. What is valued by each rational maximizer are his or her preferences or considered preferences, and positive outcomes including positive economic outcomes can be achieved by satisfying the most considered preferences, all things considered (Hausman and McPherson, 1996; Sen, 1987).

Rational choice theory has often been misinterpreted as ethical egoism, the view that one ought, all things considered, always act to promote one’s own long-term self-interests. While this interpretation conceives rational choice theory too narrowly, it has led to the conclusion that companies ought, always, to act in their self-interests where those self-interests are often equated with profit maximization. The ‘control’ on excesses of such actions, according to some proponents, is free market competition (see Maitland, 1994; Hessen, 1979). The weaknesses of these conclusions were succinctly argued by Adam Smith in The Wealth of Nations some two centuries ago (see Werhane, 1991), and there are a number of developments in business ethics that serve as an antidote to this stereotypical view.

In a recent book, Organizational Ethics and the Good Life, Hartman (1996) has proposed that we think of the corporation as a commons, a complex form of community with shared contracts, agreement, and culture. Like a commons, a good corporate culture should serve and develop the interests of its ‘inhabitants’ or...
members. Moreover, what these interests are, how they should be served, and on what moral ground they should be evaluated, should be a matter of consensus agreed upon by members of the ‘commons’ or organization in question. While Hartman’s thesis is certainly controversial, it presents a new model of organizations and organizational life that will help to redefine much of the thinking around corporate morality.

Early work by Donaldson on the nature of corporate responsibility (Donaldson, 1980) and more recent work by Donaldson and Dunfee propose what they call Integrated Social Contracts Theory (ISCT). In brief, Donaldson and Dunfee argue that one can approach ethical issues in business from the perspective of social contract theory. First proposed by Thomas Hobbes, the idea is that, in theory at least, human beings tacitly consent to join together in societies and at least tacitly agree to laws and regulations on their behavior so that they can live in harmony and achieve their own ends in relation to others. In contemporary parlance:

All rational humans aware of the bounded nature of their own rationality would consent to a hypothetical social contract, encompassing a ‘macrosocial contract’, that would preserve for individual economic communities significant moral free space in which to generate their own norms of economic conduct, through actual ‘microsocial contracts’ (Donaldson and Dunfee, 1995, p. 89).

Donaldson’s and Dunfee’s contribution to social contract theory is to argue that there are basic moral minimums or hypernorms that govern all social relationships on the macro level. What those are is subject to debate, but moral minimums such as not causing gratuitous harm, honoring contracts, respecting or at least not denigrating basic rights, treating people and organizations fairly are candidates for hypernorms (Donaldson and Dunfee, 1995, pp. 95–96). On a micro level within particular societies, and by analogy, within particular organizations, there is moral free space dictated by the community in question. Although subject to compatibility with moral minimums or hypernorms, communities and organizations can spell out specific norms, acceptable customs, and agreements among themselves. Again, on the micro level these are tacit agreements since one seldom sits down, in a community, to spell out or vote on these arrangements.

While the notion of a hypernorm is confusing, following Walzer (1994) and others, the idea of a moral minimum is an appealing one. Moral minimums are invaluable as justifications for making and evaluating moral judgments that cross organizational, cultural, or ethnic boundaries, and they make possible organizational and role evaluation. What is less helpful is ISCT’s idea of a moral free space on the micro level, a space that may allow the production of untoward actions by less than perfect organizations. Moral free space explicates and allows for role morality in the organizational and cultural domains, but the connection between role morality and more general moral evaluations of those domains remains indeterminate, and ISCT does not thoroughly work out that link. In the analysis of corporate responsibility we often need to be much more explicit than ISCT about what is acceptable on the micro level in the allegedly moral free
space within a company. Indeed, Stakeholder Theory tries to bridge those gaps by eliminating the micro/macro distinction altogether.

4 Stakeholder Theory

What many business theorists often neglect to consider in their description of fiduciary responsibility to shareholders, is an organization’s obligations to other stakeholders, in particular, to employees, suppliers, customers, communities, as well as shareholders. One could not run a business without employees and could not stay in business very long without customers, nor exist at all unless the community accepted commercial activity. Moreover these stakeholders, and there are others, are important not merely because one could not exist or achieve profits without them, but also because they are individuals – human beings with rights and interests.

Once the Separation Thesis is abandoned, it becomes crucial to see the actors in business as part of common morality. Ordinarily, morality requires that agents take responsibility for the effects of their actions on others. The stakeholder idea captures this basic idea of responsibility and applies it to business. For a brief history of the stakeholder concept see Freeman (1984).

Stakeholder theory is a promising framework for business ethics because it acknowledges a plurality of values and moral agency on different levels. The complexity of an organization and its moral responsibilities can be better understood on the basis of this theory than from rational choice theory or from ISCT. By calling attention to the variety of roles that can be occupied by individuals, all of whom have a moral stake in the organization, it can provide a framework for understanding and explicating the possibility of conflicts of value, of loyalty, of commitment, and of interests.

Widely defined, a stakeholder is ‘any individual or group who benefits from or is harmed by, or whose rights are affected (e.g., violated, restricted or ignored) by an organization’s actions,’ (Freeman, 1997). Focusing more narrowly, a stakeholder is ‘any individual or group whose role-relations with an organization:

(a) helps to define the organization, its mission, purpose, or its goals, and/or
(b) is vital to the development, functioning, survival, and success or wellbeing of the organization and its activities’ (Freeman, 1997), or
(c) is most affected by the organization and its activities.

In a modern business corporation, ‘stakeholders’, narrowly defined, yields at least employees, shareholders, customers, suppliers, and communities. There is some controversy about the definition and scope of various proposed definitions (Freeman, 1994; Mitchell et al., 1997).

At first glance stakeholder theory appears to be primarily descriptive; stakeholder relationships outline organizational role relationships within and outside the firm. However, the very use of the term ‘stakeholder’ as a substitute for ‘stockholder’ connotes that the separation thesis is being questioned. In fact the very idea of ‘stakeholders’ as applied in business theory can be used to undercut the ‘normative–descriptive’ distinction.
Under the narrowly defined version, stakeholders appear to be those who are instrumental, one way or another, to the firm and its well-being (Donaldson and Preston, 1995). Prioritizing stakeholders helps to sort out and clarify organizational priorities so that not every person, group, or other organization affecting or affected by the organization in question is equally important as a stakeholder. To prioritize stakeholder claims one examines an organization’s purpose and mission, ranking stakeholders in terms of who has legitimate or appropriate claims, and who is essential to that mission and to the survival and flourishing of the organization (Mitchell et al., 1997).

The instrumentality of the prioritization, however, deals only with part of what is important in stakeholder relationships. It does not take away from the intrinsic value of each stakeholder’s interests, according to proponents of stakeholder theory, and, in fact, the intent of stakeholder theory is to combine normative claims about stakeholders with instrumental and descriptive claims about the best way to manage a corporation.

The descriptive accuracy of the theory presumes the truth of the core normative conception, insofar as it presumes that managers and others act (or should act) as if a stakeholder’s interest has intrinsic value. In turn, recognition of these ultimate moral values and obligations gives stakeholder management its fundamental normative base (Donaldson and Preston, 1995, p. 74).

Challenging the position that a manager’s primary responsibility is to maximize profits or that the primary purpose of a firm is to maximize the welfare of its stockholders, stakeholder theory argues that the goal of any firm and its management, is or should be the flourishing of the firm and all its primary stakeholders.

The very purpose of a firm (and thus its managers) is to serve as a vehicle for coordinating stakeholder interests. It is through the firm [and its managers] that each stakeholder group makes itself better off through voluntary exchange. The corporation serves at the pleasure of its stakeholders, and none may be used as a means to the ends of another without full rights of participation of that decision…(Evan and Freeman, 1988)

Obligations to stakeholders and the resulting accountability is derived not merely on the fact that stakeholder relationships are relationships between persons or groups of persons. In addition to the ordinary moral obligations to treat individuals with respect, play fairly, and avoid gratuitous harm stakeholder relationships entail additional obligations because of the unique and specific organizationally defined relationships between the firm and its stakeholders. Organizations have obligations to their employees because they are human beings and because they are employees of the organization (Phillips, 1999). Conversely, employees have role obligations to the organization that employs them and its other stakeholders as well as ordinary moral obligations to that organization and its other stakeholders. ‘Each can affect the other in terms of harms and benefits as well as rights and duties’ (Freeman, 1997).

In evaluating stakeholder claims Evan and Freeman argued that Kant’s formulation of the principle of never
treated others as ‘mere means’ could be useful. Freeman (1994) develops the idea of ‘normative cores’ which suggests that there can be several other foundations for deriving stakeholder obligations. The key idea is to see the narrative or ‘story’ or ‘framework’ in which these obligations come to light. Subsequently new work in stakeholder theory has appealed to other perspectives (e.g., Freeman, 1994, 1997; Phillips, 1999).

Norman Bowie, in a forthcoming book, *Kantian Capitalism* (1999) has continued the development of a Kantian approach to stakeholder theory. This wide ranging work analyzes many of the most important issues in contemporary business ethics including corporate social responsibility, international issues, employment practices, and environmental ethics from a Kantian point of view, concluding that one can make a strong case for principled rule-based decision-making in commercial activities without threatening, indeed in enabling, free-enterprise, economic viability and flourishing.

Some thinkers such as Robert Phillips have developed a standard of fairness as the normative basis for stakeholder relationships. This principle, derived from Rawls’ theory of justice, argues that:

> Whenever persons or groups of persons voluntarily accept the benefits of a mutually beneficial scheme of co-operation requiring sacrifice or conurbation on the parts of the participants and there exists the possibility of free-riding, obligations of fairness are created among the participants in the co-operative scheme in proportion to the benefits accepted (Phillips, 1999, forthcoming).

By appealing to some moral minimums, these formal considerations provide various minimum guidelines or moral minimums for evaluating stakeholder decisions both within organizations as well as by appeal to something like Donaldson’s and Dunfee’s notion of hypernorms for macroeconomic judgments.

Stakeholder theory is fast becoming a rich and fertile area in business ethics in particular and management theory in general. A special issue of *The Academy of Management Journal*, scheduled to appear in 1999 will report the development of some of these ideas along more empirical lines.

5 Some Contemporary Topics

If asked to delineate the most important contemporary topics in business ethics, we would conclude that employment, international issues, leadership and values, and environmental sustainability would top the list. Earlier we discussed the question of organizational and employee rights. Here we will briefly discuss the remaining issues.

*International Business Ethics*

That issues in international business are top priorities in business ethics is obvious, given the global focus of contemporary commerce. How one shapes and deals with those issues from a moral point of view is less obvious. As Bowie, Donaldson, and De George have noted, one of the challenges to contemporary global business concerns value relativity. Since it is true ethical practices differ in different cultures, how should a multinational company act in a foreign, or host country? And if the company is a global organization without a
A number of thinkers have argued that cultural differences do not entail ethical relativism, the view that there are no general moral principles, and that moral disputes therefore cannot be resolved. The weaknesses of the latter position is analyzed at length by Freeman and Gilbert (1987). As Norman Bowie argues, cultural differences should not be equated with irresolvable moral differences. Bowie points out that what appear to be cultural differences are usually, in fact, differences in perspectives. Most people agree to a basic set of minimum moral standards including that torture and murder are wrong, one ought to respect each other, some principles of fairness are necessary for a working society, etc. Indeed, the United Nations has tried to codify universal principles in its Declaration of Human Rights. While these are not accepted or practiced universally, nevertheless they serve as an ideal for moral behavior that is becoming accepted as an ideal globally.

Working toward giving guidelines for multinationals, Donaldson proposes a set of moral minimums that both respects human rights and preserves a sense of cultural diversity. These minimums include freedom of association, speech, and movement, property rights, rights to fair trials, nondiscrimination, physical and political security, and rights to subsistence and a minimum education. Donaldson develops what he calls a two-step moral algorithm that takes into account basic rights, economic development in the host country, and host and home country norms. Whether this algorithm works in all cases is subject to debate, but Donaldson’s proposal offers concrete guidance applicable in global contexts (Donaldson, 1989).

In a more recent book, De George, like Bowie and Donaldson, finds relativism implausible. He points out, however, that there are practical difficulties in specifying particular ethical principles that apply universally. This is because background institutions such as socialism, capitalism and cultural and religious mores confound cross-cultural operations. These background institutions create different ethical points of view, and because of their endemic nature, these are difficult for a corporation to confront. Business ethics is always embedded in socioeconomic, religious and political institutions, and dealing with these background institutions can prove enormously challenging to multinational corporations (De George, 1993).

Environmental Ethics

Environmental ethics began as a critique of current societal environmental practices, but the field has grown to become an important new area of business ethics as well. There are at least four different narratives about consumption, economic development, multinational expansion of business, and their effects on the ecosystem, all of which are dealt with in the business ethics literature. The first set of narratives is one most often reiterated by scientists, ecologists, and philosophers working in the field of environmental ethics. This narrative argues that consumption and economic growth that have fueled the economies of the industrialized countries (HDCs) are
environmentally unsustainable, ecologically destructive, and unachievable in lesser developed countries (LDCs) (Myers and Simon, 1994; Rosenthal and Buchholz, 1998).

In contrast, led by the economist Julian Simon, a second set of narratives argues that despite or because of economic development, the planet earth is not in dire straits. We are not running out of natural resources in any crucial sense, improved technology creates efficient and clean processes, and biotechnology increases food production every year. Indeed, opportunities abound to provide adequate food for increasing numbers of people and economic growth in lesser developed countries, and business, in particular global corporations, have opportunities and even responsibilities to expand into developing areas of the globe (Myers and Simon, 1994).

Sagoff and others argue that whether or not we are running out of resources or destroying the planet, nature has value for its own sake as an aesthetic feature of our way of life. So wilderness areas, lakes and streams, beaches and prairies are important to preserve for their own value, and we should factor these values in to our penchant for consumerism and economic expansion (Sagoff; 1998; Westra, 1998).

A fourth set of narratives takes a different approach, one that is most pertinent to business. Failure to resolve the controversy between doomsayers and cornucopians is not a mandate to continue those arguments. Rather, those issues appear at least in part to be unresolvable, and because we do not have all the data on the future of the planet. Given the uncertainty about the future of the planet, R Edward Freeman, Jessica Pierce, and Richard Dodd argue that we should accept Pascal’s Wager. Since we do not have conclusive evidence about the future of the planet, we should not gamble our childrens’ future on the possibility that wasting natural resources, continued environmental degradation, and overconsumption will not have adverse affects on future generations or the ecosystem. If we lose the wager we will become extinct.

Accepting Pascal’s Wager does not imply, however, that we should adopt a doomsayer scenario that argues for the halting of economic development. Instead, it is argued, let us think of ways to take what appear to be two contrasting stories: that of economic growth and the other of environmental sustainability, and begin to create a new narrative, a narrative that sets out a model for sustainable economic development, and that combines the need for global economic growth with constraints of sustainability. In the marketplace we talk about exchange: economic exchanges, or trades, of some goods for others, of goods for services, of services for other services, etc. Not all market exchanges are fair exchanges, and we would consider an exchange fair if each party received what she or he thought was appropriate for what they had given, and if others would judge that exchange to be fair given that particular economic situation, other possible alternatives, and the scarcity of goods, services, or capital. According to Werhane, what would happen if, when discussing environmental issues and environmental sustainability we told a story of exchange instead of consumption? Market place exchanges are all just that – trades or exchanges. What if we rethought consumption in terms of
exchange, so that the notion of ‘using up’ was no longer a viable option. So if for example, one insists on using oil, one must exchange or replace it. But if one cannot replace it with oil (and one cannot, because one takes thousands of generations to make more oil), then one must recycle it or find another commodity – perhaps solar energy that is replaceable. A fair exchange, under this model would be a self-contained and self-generating trade in which there was no left-overs, no waste, and no external side-affects. A morally exemplary exchange would be one in which the design or production process actually improved the environment.

When one consumes, one often creates waste, the stuff that is left over or allegedly useless after consumption. But what if we told a different story about waste? William McDonough challenges us to rethink our story about environmental sustainability and waste in terms of zero emissions, zero pollution, and zero waste. His edict, ‘waste equals food’ is meant to challenge us to design industries, products, and services that are completely self-contained, reusable or recyclable, and regenerating (McDonough, 1998). Freeman et al., McDonough, and Werhane are not asking us to restrict free enterprise or trade. Rather, their arguments point to the fact that environmental sustainability is no longer some weird idea of obscure academics. Environmentally sustainable business is not only possible, but it gives companies a competitive advantage, it saves money, reduces the need for new resources, and offers companies opportunities in global markets that does not degrade or exploit LDCs.

Emerging Lines of Research

Earlier we discussed the new work of Edwin Hartman on organizational life and Norman Bowie on a Kantian approach to capitalism. Other new work is worth mentioning. Robert Solomon, a well-known philosopher in a number of fields, in his recent book, Ethics and Excellence (1992), goes back to an Aristotelian approach to business. Solomon argues that we should scrap most of ethical theory, particularly models proposed by Kant and the utilitarians, and appeal, instead to an Aristotelian notion of virtue. Contending that the development of moral character is necessary for good management, Solomon sets out a matrix for moral excellence. He positions what he calls the social self with its civic virtues of loyalty, honor and shame, against six Aristotelian components for business ethics: community, excellence, public identity, holism, nobility, and judgment. This approach asks us to rethink the nature of business as a contributor to the common good, and proposes that we reformulate our model of the manager in terms of moral virtues, moral excellence, and corporate citizenship. Unlike Hartman, Solomon focuses primarily on manager rather than on the corporation. But like Hartman and Bowie as well, he presents the reader with a fresh model for thinking about the individual and the corporation as part of, and a positive contributor to, the community.

In other new initiatives that will take business ethics in new and exciting directions contributions come from many traditions. In a work that gets its roots from traditional moral philosophy, Sandra Rosenthal and Eugene Buchholz, in their forthcoming book, Rethinking Business
Ethics: A Pragmatic Approach, propose a framework for business ethics based on the theories of American pragmatists like Mead and Dewey. Richard Nielsen in The Politics of Ethics (1996) draws on Continental philosophers such as Habermas and Gadamer to suggest how organizations can use dialogue, communication strategies, and multi-loop learning to put processes in place for ethical conversations. William Frederick (1995) in Values, Nature, and Culture in the American Corporation espouses a return to a naturalistic ethic, and using the sciences for background disciplines in business ethics. Finally, in Moral Imagination and Management Decision Making, Patricia Werhane has analyzed the role that moral imagination plays in organizational life. She suggests that many moral failures are simply failures to use the imaginative powers of human reason.

6 Conclusion

This essay has only touched the surface of the developing field of business ethics. It has a number of shortcomings. For instance, we have not focused on a burgeoning body of empirical work in business ethics. We have said little about a growing body of work by scholars who are social scientists and who study ‘social issues in management’. We have had little to say about exciting research in accounting, marketing, finance, operations, and organization studies that is combining key constructs in these fields with ideas from business ethics. Instead we have focused attention on promising philosophical work in business ethics. A number of papers and books have been written on the intersection of strategy and ethics. See especially the work of Daniel R Gilbert Jr. (Gilbert, 1996). Marketing ethics is a flourishing field of its own (e.g., Laczniaiak and Murphy, 1993; Brenkert, 1999). And there is a great deal of work on ethics in finance as summarized in a forthcoming book by John Boatright (Boatright, 1999). In addition, economists such as Robert Frank, Michael McPherson, and Amartya Sen have been working on the intersection of ethics and economics, serving as critics of neoclassical economic theory and as proponents of new ways to approach this intersection (Frank, 1988; Hausman and McPherson, 1996; Sen, 1987, 1993).

Business ethics is a growing intellectual discipline, experiencing the euphoria of new ideas and the growing pains of conflict and controversy. We expect it to develop along multifaceted lines, but we see a great deal of room for the following kinds of research:

(1) Analyses of the disciplines of business using the separation thesis and other business ethics constructs;

(2) Continued interdisciplinary work among organization studies scholars and business ethicists;

(3) Broadening the base of business ethics to include more background disciplines such as literary studies, history, anthropology, etc.

(4) Strengthening the conceptual ties between business ethics and other ‘practical ethics’ disciplines such as medical ethics, environmental ethics, legal ethics, etc.

(5) Strengthening the links with the practice of business, and increasing the
relevance of the frameworks and models of business ethics to the daily lives of managers and other business stakeholders.

Business ethics has a bright future. The continued debate on agency and responsibility, the emergence of a concern with ethics and leadership, and the development of new and exciting frameworks for a more comprehensive understanding of how business and ethics go together, are all on the horizon, as business ethics takes its place among the critical pillars of management thought.

Notes

1 Blaise Pascal was a seventeenth-century French mathematician and philosopher who argued that we do not know whether or not God exists, but we should gamble on the fact that God does exist. This is a better wager, since if God exists and we acknowledge that, we will be granted eternal life. If God does not exist it does not matter anyway.

References


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