Strategy as Ethical Persuasion

How Aristotle can make strategy ethical

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Executive Summary

In this thesis it is argued, that managers with strategic responsibilities are unlikely to commit to contemporary business ethics, because its deontological nature is limited for strategic work's teleological focus. This is a problem because when managers do not commit to business ethics, they can damage the ethical culture in their companies. Unethical cultures are nests for scandals and malpractices that can hurt companies' reputation and, in turn, their profits. However, if managers were to commit to ethical behaviour the ethical culture would strengthen. For that reason, I have proposed an Aristotelian approach to ethics that could be useful for managers, when making strategic decisions. This could help strengthen the ethical culture in their companies.

Three managers with knowledge and experience of strategic decision making have been interviewed to test the usefulness and ethicality of the Aristotelian approach. The findings indicate that the Aristotelian approach could be useful for guiding strategic decision making. One respondent even said that the Aristotelian approach's rhetorical considerations could improve strategic decision making in his company.

Despite finding the Aristotelian approach beneficial for strategic decision making, two of the respondents did not think that the approach would be used for strategic decision making in their companies. The approach was said to be too abstract for managers to use in relation to all the practical issues they have to deal with.

All the respondents agreed, that the Aristotelian approach highlighted some ethical considerations, but they were reluctant to call it an ethical approach. However, it did not really matter to them whether the approach was ethical or not, because to them, strategic decisions where ethically neutral. This final statement supports that the deontological nature of contemporary business ethics is not useful for strategic work.

Introduction

Since the 1960s there has been a growing concern about the morality[1] of corporations (McMahon, 2006). Different scandals and malpractices, from diverse industries such as oil production, sports apparel, and coffee retailing, have upset and disgusted journalists and groups like Greenpeace, Oxfam and Fair Trade. They have reacted on these issues by drawing peoples' and governments' attention to them. This kind of negative exposure has naturally been bad for the corporations' reputation which in turn can lead to impoverished revenues, decreased ability to attract financial capital, and reduced appeal to current and potential employees (Fombrun et al., 2000).

Many corporations have consequently introduced ethical initiatives to show their commitment to responsible behaviour. For instance, corporations have introduces codes of ethics that prescribe how the corporate members should behave. In addition, initiatives such as donations of funds to targeted causes, has helped to show corporate social responsibility. To make everyone notice these ethical initiatives, corporations publicise them on their websites and issue social responsibility reports that highlight all the good, they are doing for their stakeholders, society, and the environment.

Despite the now wide use of these ethical initiatives, scandals and malpractices still occur among so-called 'ethical' corporations, such as Enron and Shell (Webley & Werner, 2008). Research shows that this is possible because some corporations are both socially responsible and irresponsible at the same time (Strike et al., 2006). Neimark (1995) has criticised such conduct by saying, that some corporations are only promoting their ethical behaviour to draw attention away from their unethical activities.

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[1] The words ethics and morals will be used interchangeably throughout this thesis

Other critics (Bauman, 1993; Kjonstad & Willmott, 1995) have argued that these unethical events are happening because employees are not encouraged to act ethically as they must behave according to their code of ethics that mostly demand compliance with deontological principles (Blodgett & Carlson, 1997; Kaptein, 2004). The unfortunate effect of having to comply can be that corporate members actually set aside their own morality and feeling of responsibility (Wray-Bliss, 2007).

Critics (e.g. Hartman, 2008a; Ladkin, 2006; Nyberg, 2008) also find that deontological principles do not provide the appropriate guidelines for ethical behaviour, because they exclude contextual considerations from the process of evaluating what would be the ethical thing to do.

Contextual considerations have actually been neglected since the start of the Enlightenment in the 17th century (Cummings, 2002; MacIntyre, 2007; Tsoukas & Cummings, 1997), where Aristotle's holistic worldview was rejected in favour of the separation of theory and practice, and focus on objectivism.

Scholars (e.g. Hartman 2008a; Nyberg, 2008; Solomon, 2004; Tsoukas & Cummings, 1997) have therefore recently recommended a return to Aristotle's approach to ethics, arguing that this can make companies more ethical. Nyberg (2008) for instance, argues that Aristotle's notion of practical wisdom (phronesis) should be used to develop employees' moral capacity to make them better suited to handle complex ethical issues that emerge in everyday situations. By letting employees consider the complex contextual issues that influence an ethical situation and encourage the sharing of experiences and stories about similar ethical situations, they will gain practical wisdom through questioning, debating and reflecting on possible solutions. This will make them

more capable of choosing the 'good' solution instead of the deontological 'right' solution (Nyberg ,2008).

In promoting the Aristotelian approach to ethics, Nyberg (2008) and most of the scholars refrain from explaining how a 'good' solution is reached. It is actually quite important to understand how a good solution can be reached because different people will likely have different views on what would be the right, fair or good solution in a particular situation, even when they are part of the same community. The reason why people have different opinions is that there is not a single definition for good ethics that everyone can agree on. Many different approaches have emerged during the past 2400 years as to what good ethics are. They diverge on several aspects. Nonetheless, most scholars promoting an Aristotelian approach to ethics agree that if we debate and reflect about ethical issues a good result will be achieved. However, the good solution does not just happen. It evolves from the most persuasive argumentation.

Duska (1993) noted that ethics are like aesthetics where there is no definitive right or wrong. For instance when people are discussing the appearance of a piece of art they are basically trying to make others see the object as they see it; to see the beauty or ugliness as they do and reach a 'common' verdict about the art's appearance. In the same way when we debate about what is an ethical solution we try to make others see the situation from our perspective and convince them that our solution is the best. In the end the one who delivers the most persuasive arguments will have convinced the majority to agree with his/her viewpoint and ethical solution. Because rhetoric can help provide good arguments, it is a powerful and important tool for ethical debate, that should be acknowledged and used; Aristotle (2007) did!

Regardless of recommendations for improving corporations' morality through questioning, debate, and reflection between corporate members, evidence has shown that management's commitment to their code of ethics has a big influence on employees' willingness to behave ethically (Webley & Werner, 2008). If the employees therefore sense that their superiors are not committed to the corporations' code of ethics they will not commit themselves either (Webley & Werner, 2008). This is not uncommon, as managers in western capitalistic countries in the main use a utilitarian reasoning (Fritzsche & Becker, 1984; Premeaux & Mondy, 1993; Premeaux, 2004) whereas codes of ethics mainly demands a deontological reasoning. This creates a problem because the managers will not be perceived as ethical by colleagues which can foster an unethical corporate culture (Treviño et al., 1999).

It is understandable that most managers do not follow a deontological reasoning, because it is not useful for their strategic work. Cummings (2003) for instance argues, that ethics based on universal principles cannot be used to inform strategy, as it demands conformity, whereas strategy is about differentiation. All types of strategy and strategic decisions are focused on how the company reaches its goals in order to fulfil the company's purpose which is teleological focused, rather than deontological. However, if managers were to use an Aristotelian approach to ethics it could be useful to their strategic work, because according to Aristotle, being ethical is about being true to one's purpose in life while contributing to the community. This would make one distinct from others as we have different purposes and identities.

Fulfilling Aristotle's criteria of being ethical can be quite difficult, because it is not always evident, what others think is ethical. This can be a problem, because what is good for

the community, depends on the common sense of the community members. However, this difficulty can be eased with the help of Aristotle's rhetorical considerations.

In this thesis, I will present an Aristotelian approach to ethics that incorporates rhetorical considerations, so that it can help managers make decisions, that are both ethical and strategic. In doing so, I believe that managers and their strategies could become ethical. In order to test the usefulness of the approach I will conduct exploratory qualitative research by interviewing and presenting my approach to three managers with knowledge and experience of how strategic decisions are made.

In the next chapter we will look at some of the most prominent theories from the field of ethics, to highlight the complexity of the subject, that have emerged during the past 2400 years. This will show two categories of ethical theories: objective and subjective ethical theories. The objective theories can further be divided into two types: deontological and utilitarian. Aristotelian ethics is the only subjective theory.

We will then investigate what type of ethical reasoning managers are using in corporations, by looking at different research and exploring the history of modern business. This will show that utilitarian is the most dominant in western capitalistic countries. Unfortunately this has lead to many scandals and malpractices, due to the shareholder focus of corporations.

Next, we will look at how academics are suggesting that the objective ethical theories are making companies ethical, and how critics state that the objective ethical theories are far from creating ethical companies. We will also investigate how an Aristotelian approach to ethics could overcome the problems inherent in the objective ethical theories by being more concerned with contextual issues and encouraging moral

development. I will argue that the Aristotelian approach could be made more useful if it includes rhetorical considerations.

Subsequently, what companies are doing to behave ethically, will be examined. This will show that many corporations are promoting themselves as socially responsible and have introduced codes of ethics to ensure ethical behaviour and a good reputation. However, these initiatives do not necessarily ensure ethical behaviour or a good reputation. It will be argued, that the reason why some corporations will be prone to unethical behaviour, is that management will not commit to current business ethics, because it is not useful for their strategic work. Managers have an important influence on the ethical culture in companies. Therefore, if managers do not commit to business ethics, then their subordinates and other corporate members, influenced by them, will not be likely to commit to business ethics either.

Subsequently, we will find that many scholars have urged for the injection of ethics into strategy. We will therefore study different approaches that academics have proposed for making strategy ethical. Through this study of approaches, different flaws are identified and it is argued, that Cummings' (2003) Aristotelian approach has the most potential, to be beneficial for strategic work.

As Cummings' (2003) Aristotelian approach does not provide a method to consider, how a strategic decision will be received by a company's stakeholders, I will improve the approach by adding rhetorical considerations to the approach. This results in an Aristotelian approach that I call *Strategy as Ethical Persuasion*.

After presenting *Strategy as Ethical Persuasion*, it will be tested. Three managers from diverse industries will test and evaluate this Aristotelian approach. Their responses will be made into three case studies, that will be compared and discussed in relation to my

research questions concerning *whether an Aristotelian approach to ethics could make strategy ethical*.

The findings show that the respondents view the Aristotelian approach as useful for informing strategic decision and, although they do not necessarily view it as ethical, they can understand, that it highlights some valuable ethical considerations. From the findings it is identified that the respondents do not consider ethics to be important for strategic decision making. This attitude supports that current business ethics is not useful for strategic work. An unexpected finding was also made, when hearing that a company has hired a business priest.

Next, I provide three advises for manager and three recommendations for academics. For the managers I advise, that they should think more about their effect on stakeholders, when they do not explicitly consider ethics in their decision making, and that they should encourage an Aristotelian approach to ethics in their companies. For the academics I recommend, that (1) they should work out how an Aristotelian approach to ethics can be made more practical for managers, (2) do research about when the three means of persuasion are useful in strategic decision making, and (3) investigate if it is valid that managers claim ethical neutrality in strategic work.

In the conclusion, I will argue that an Aristotelian approach to ethics could in fact be useful for making strategy ethical based on the findings. The conclusion will also include a critique about my research, and a section where I explain, that I could have improved my thesis by getting more people involved in it and being better at managing a time schedule. Finally I suggest that researchers should conduct similar studies with different angles and investigate the phenomenon of business priests.

The quest for good ethics

Every time we open up a newspaper, go on the Internet or turn on the television to see the news, we learn about events that make us engage in ethical reflections. These reflections will normally lead us to an opinion about whether the acts described in the events are *right or wrong, fair or unfair, good or bad*. An example is the current conflict between Hamas and Israel that is headlines all over the world. Some people think that it is fair that Israel is attacking Hamas in Gaza because Hamas attacked Israel first but they may also think that Israel is doing it the wrong way, because the Israeli attacks are very aggressive and resulting in lots of innocent civilians as casualties.

War, abortion, euthanasia and cloning are always subject to much ethical reflection and debate because they concern matters of life and death but ethical issues can also be less dramatic, like work-related issues. Decisions that we make at work can lead to ethical scrutiny by others because every time we make a decision that affects other people we are actually making an ethical decision (Copp, 2006). For instance, a supply chain manager is confronted with an ethical decision, when he has to decide whether to replace a long good relationship with a reliable local supplier, which has 70 % of its turnover tied to the company, in favour of a cheaper foreign supplier, that uses child labour. The manager's decision will affect several people's lives.

When we are making ethical reflections we are dealing with the questions of what is a good life and what are right actions to choose and pursue in different situations (Deigh, 2005). These questions have been puzzling the minds of many since ancient times and continue to do so. For what is conceived as being good and/or right actions, depends on the outlook on life that people have and more specifically what defines and justifies moral values to them (Jacobs, 2002). In this chapter we will look at some of the most

influential answers that have been proposed through western philosophy history, in order to understand the complexity in the quest for good ethics.

Aristotelian Ethics

If we go back 2400 years, to the ancient Greek philosopher Aristotle, being moral was about living *a good life*; a life where personal and communal happiness were equally important (Aristotle, 1999). Aristotle viewed happiness (eudaimonia) as the greatest good because people strived for happiness for its own sake and chose to do different activities in order to achieve happiness [1097b5-6]. The personal happiness would come from doing *fine* actions that shapes a person's character (ethos) virtuously and promotes the good of fellow members of the community [1094b9-11].

Aristotle believed that any living thing would live *a flourishing life* by excelling in its purpose. In the *Nicomachean Ethics* Aristotle argued that the common purpose of humans was to live a life guided by practical reason because Aristotle identified humans as rational agents that, opposed to animals and plants, had reason as a part of their soul [1098a 1-8]. For people to excel in practical reasoning Aristotle claimed that they had to have an understanding of both the universals and particulars of the different situations where they had to make a decision and act [1141b15-23]. These types of understandings would strengthen through studying and experiencing similar situations. Guided by these understandings people would be better suited to make prudent decisions on how to act ethical in different situations.

Aristotle's criteria for an ethical (i.e. virtuous) act were quite demanding. It had to be the right act, at the right time, for the right reason, and in the right way. Meeting these demands would be subject to the person's character and community. Whether the action is done for the right reason depends on the person's character because he should

only do what he feels it is the virtuous thing to do. Whether it is the right way is also subject to the person's character and can be guided by the *doctrine of the mean* (see Appendix 1 – Doctrine of the Mean, p. 145). Whether the act is the right one and done at the right time is subject to the community as well as the person because the act should promote the good of fellow members of the community. Consequently, whether the act is ethical or not will depend on the affected people's perception of the situation. People might have different perception of what is the right thing to do. If a person's choice of virtuous act is not an appropriate act according to the majority of the affected people, then the person should not perform the act, since it would not be viewed as contributing to the good of the community. This does not imply that the person should conform to their idea of a right act because it is important that one stays true to one's own disposition and abilities and thereby shows integrity [1105a26-b6].

The big question is therefore: 'how does a person know whether his decision and subsequent act will be accepted by the affected people?' In search for the answer we should consider the *three means of persuasion* from Aristotle's work on rhetoric (Aristotle, 2007). Aristotle knew that ethical and political viewpoints were subject to much debate and that these debates were important for creating a good community. Therefore Aristotle provided *rhetoric* as a vehicle for promoting ethical and political issues [1.2.7]. Rhetoric is an ability to see the available means of persuasion in each particular case [1.2.1] and promote what is good [1.1.12]. Rhetoric consists of *three means of persuasion ethos, pathos*, and *logos* that a person should try to achieve when trying to persuade his audience about ethical and political issues. If he has *ethos,* it means that he is perceived as a trustworthy person by the audience [1.2.4]. If he has *pathos,* it means that he can move the audience emotionally to his favour [1.2.5]. If he has *logos,* it means that he can provide logical arguments to the audience that support

his particular case [1.2.6]. The more ethos, pathos and logos the person has, the more convincing his argument is.

From an Aristotelian perspective the supply chain manager should consider[2]:

1. what is his purpose as supply chain manager

2. what would a virtuous supply chain managers have done in his place

3. how can he make a good decision and subsequent act whereby he maintains his integrity

4. how his decision and subsequent act will be perceived by the affected stakeholders

5. if he can convince the affected stakeholders that his decision is a just decision

In summary, what is ethical, depends both on the individual as well as the community and is therefore also a political issue according to Aristotelian ethics. Since what is good for the community is debatable, using rhetoric is useful to consider whether an act could be accepted by the community. Aristotle claimed that moral virtues would develop in our character (ethos) as we keep making prudent decisions and undertake moral acts in the different situations we encounter. Living a moral life is therefore different from person to person and we should create, develop and maintain the virtues that make us and our community happy. This naturally implies, that a person does not become moral over night but it is a constant endeavour.

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[2] These considerations are inspired by Cummings (2003)

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Christian Ethics

The teleological focus of Aristotelian ethics was completely rejected when Christianity emerged around 2000 years ago. However, Thomas Aquinas (1225-74) allowed the virtues to enter Christian ethics after more than a thousand years (Pence, 1993). Three of the important virtues were faith, hope and charity (Pence, 1993).

The Christians believe that a theistic God has created the physical world and what is morally good is objectively defined by the God. The Christians hence believe that people should behave as their God commands, because their God's divine command is morally legitimate to them.

The God's commandments have come through revelations and were made clear in the Ten Commandments and interpreted from the evangelists' texts about Jesus Christ's deeds. The Christian ethics derived from these revelations emphasise moral duties (e.g. do not steal). As right and wrong acts are prescribed by their God, those acts that were not forbidden by the God would be morally sound (Quinn, 2005).

Equality is an important premise for Christianity and therefore everyone is required to do the same 'right' actions and forbidden to do what God has deemed 'wrong'. It does not matter whether you where a blacksmith or a professor, you have to abide by the same duties of right and wrong in order to be a moral person. What was ethical was no longer subject to the individual person and the community but was now objectively defined for everyone to follow.

From a Christian perspective the supply chain manager should consider whether he would be violating any of God's commandments if he replaces the local supplier in favour of the foreign supplier. If the manager does not violate any commandments, it is ethical to choose the cheaper supplier that uses child labour.

Natural Human Rights

After a long period with God's revelations as the sole justification for moral obligations, English philosopher John Locke (1632 – 1704) was trying to justify ethics from a naturalistic perspective based on human nature. Locke believed in the Christian God and that people were morally obligated by the divine commands but also believed that these moral obligations could be reached through reasoning about human nature (Wolterstorff, 2005).

Locke argued that the Christian God had made the divine commands to uphold the overall happiness of humans, so through deductive reasoning about human happiness, we could arrive at a natural law (Wolterstorff, 2005). More precisely, to determine the natural law, Locke claimed, that we had to imagine a group of people in *a state of nature*, that is a state of perfect freedom, independency, and equality, where mankind is free of all social structures, and is only bound by the law of nature and the will of God (Locke, 1772). We would then have to contemplate, which moral principles that would ensure our preservation as humans.

From a Lockean perspective the supply chain manager should consider if he is violating the natural rights of humans by replacing the local supplier in favour of the foreign supplier with child labour. The key question here is whether the children's natural rights are being violated. On the one hand it could be argued that the children's lives will be endangered due to unhealthy working conditions, but on the other hand it could be argued that without work they might starve.

Locke never did manage to develop a moral natural law himself but Thomas Jefferson used Locke's idea, in the Declaration of Independence in 1776, to stress individual rights in America. The vocabulary of ethics had thereby changed from moral duties to moral

rights but essentially ethics was still about duties because to be a moral person you have the duty not to violate other people's rights. And the focus is now on the individual.

Kantian Ethics

The German philosopher Immanuel Kant (1724-1804) did not think that the focus should be on the individual but on humanity. Kant proclaimed that the guidelines for human morality were not to be found in a religion or in natural human tendencies. It was to be found in the *free will* of people (O'neill, 1993). Kant believed that the only unconditional good was the *good free will* of people and by using our reason we could identify the moral principles that would be adhered to by a good will (O'neill, 1993)

Kant introduced a procedure for creating a universal moral law that he called the *categorical imperatives*. The first two considerations are the most famous. These considerations are:

1. *'act only according to that maxim whereby you can at the same time will that it should become a universal law'* (Kant, 1993, p.30)

2. *'act in such a way that you treat humanity, whether in your own person or in the person of any other, always at the same time as an end and never merely as a means to an end'* (Kant, 1993, p.36)

With these two considerations Kant is saying that actions are only morally justifiable if they always are preferred in any similar situation and if the actions treat people with respect.

From a Kantian perspective the supply chain manager should hence consider if he would want child labour to be universally accepted and whether this would be a humane way

of treating children. Again he should also consider if it is respectful to cut off the local supplier in such a way.

Utilitarianism

Ethics had now for about 1800 years mainly been about prescribing moral duties. The problem with this focus is that it can *'promote things that are good in themselves, without being good for anyone'* (Goodin, 1993, p. 241). Following a moral duty might in fact cause more pain than good (e.g. not being allowed to commit euthanasia even though the whole family agrees that it is the best thing to do).

The English philosopher Jeremy Bentham (1748-1832) saw this controversial issue and wanted ethics to be about utility. His mantra was that we ought to *promote the greatest amount of happiness* (MacKinnon, 2001). Bentham advocated a hedonistic version of utilitarianism by stating that pleasure and pain were the two parameters that guided human actions (Bentham, 1994), so the greatest happiness equaled the greatest pleasure among people. When evaluating what was the greatest happiness, we should consider the likely consequences of alternative actions and choose the alternative that created most happiness. This of course was controversial as this type of evaluation could justify the act of cheating, stealing, lying, and killing if it was part of the best alternative. This type of utilitarianism is also known as act-utilitarianism.

From an act-utilitarian perspective the supply chain manager should consider if he, by replacing the local supplier in favour of the foreign supplier, is creating the most happiness. In considering this he would acknowledge that it would be very bad for the local supplier, but he might also think of the improved profits it would generate for the company and its shareholders, but also how this could benefit his own career. He might also think the children would be hurt by the type of work his company demanded or

maybe that the children would actually be better off by getting his company as a customer. Depending on the supply chain manager considerations about the greatest happiness the decision can turn out for or against the new supplier.

Another prominent English philosoper, John Stuart Mill (1806-1873), promoted a different evaluation process of utilitarianism by stating that we should think of the act performed as a general practice instead (MacKinnon, 2001). Thereby we would not choose the acts that included for instance lying, as lying generally would break down trust between people that is not desirable. This paved the way for utilitarian rules, which is why this type of utilitarianism is also known as rule-utilitarianism.

From a rule-utilitarian perspective the main consideration for the supply chain manager is whether child labour as a general practice would produce more pleasure than pain.

Theory of Justice

For the American philosopher John Rawls (1921-2002) a democracy could not be morally justified, based on the utilitarian principle of the greatest amount of happiness. Instead, Rawls set out *to provide the most appropriate moral basis for a democratic society* (Rawls, 1971, viii). This was to be based on human rights; just like the founding fathers had proclaimed in the Declaration of Independence.

Like the founding fathers, Rawls was certainly influenced by John Locke as he contended that the principles of a democracy must be found from *an original position under a veil of ignorance* where free equal people, ignorant of their historical circumstances, can rationally agree on an impartial social contract about what principles will ensure a just society (Freeman, 2005).

The principles that Rawls proposed are (Freeman, 2005, p. 884):

1. *'each person has an equal right to a fully adequate scheme of equal basic liberties, compatible with a similar scheme of liberties for all'.*

2. *'social and economic inequalities must be attached to offices and positions open to all under conditions of fair equality of opportunity and must be to the greatest benefit of the least advantaged member of society'.*

These principles stress that good ethics are about equal rights and a fair distribution of goods whereby nobody is left worse off and the liberty to pursue self as long as it does not violate the other principles.

From a justice perspective the supply chain manager should consider first of all if anyone is left in a worse position if the decision is made to change suppliers. If the decision is made then the local supplier will surely be left in a bad state as 70 % of the business is lost.

Summary

In this chapter we have visited Christian ethics and some of the most influential western philosophers through the last 2400 years and heard their views on what good ethics are. By applying the different approaches to the supply chain manager's case, it shows that the different ethical approaches leads to different considerations that can result in different solutions. The conclusion from this comparison is that there is not a common understanding of what good ethics is.

There are several issues where the different approaches diverge. For instance, there are different views on how we come to acknowledge what are good and/or right actions to pursue. Some say we acknowledge it through revelations while others say it is through rationality or practical reason. One issue where most philosophers agree is whether

ethical action should be objectively or subjectively defined. Only Aristotle advocates that subjectivity is in order because we are all different people with different aims. All the others advocate a one size fit all approach.

A central issue in the quest for good ethics is: '*what defines goodness?*' Three different answers to this question have been proposed: a deity, the good free will, and happiness. Concerning what is a right action to pursue, there are also different answers because they are influenced by what is defined as good. However, we can generally divide them into actions based on duties, rights, utility, or virtue. The illustration below should help to better grasp all the different ethical standpoints[3].
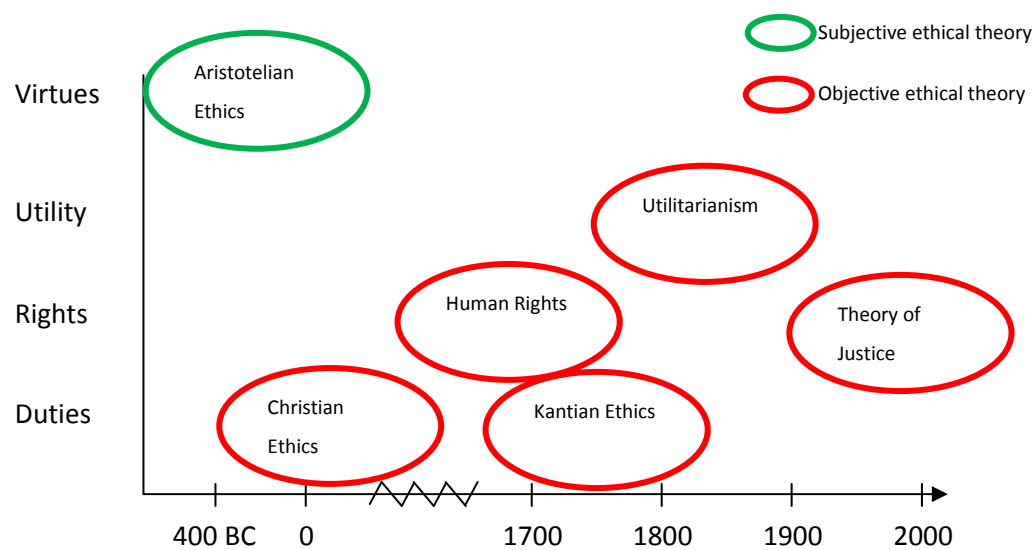
Figure 1: Overview of ethical standpoints

All the objective ethical theories shown in figure 1 apart from utilitarianism I will group together as *deontological* theories, due to their focus on duties. For the rest of this thesis I will refer to these theories as *deontology* or *deontological*.

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[3]Despite Christian ethics have virtues as well as duties, there is more focus on duties to God.

Reflection and Remarks

After looking into some of the prominent theories on ethics, the big question is '*what is the correct ethical theory?*' To explore this question one could first consider whether one thinks goodness is defined by a deity, the good free will or happiness. But even if you for instance should choose to believe that the Christian God is the master of morality, are the ethical theories based on the good free will or happiness then not justifiable? You might answer no, but what if other people truly believe in them just like you believe in the deity?

Maybe we should really ask *are any of the ethical theories wrong?* But if none are wrong, can we then just pick and choose between them and choose the one that would benefit our situation the most? Can we thereby claim that we in one situation have moral rights that must not be violated but in another situation transgress these moral rights of others because we think it will lead to the greatest amount of happiness?

I do not believe that the kind of moral relativism just described counts as moral behaviour. Moral behaviour must be consistent. We should therefore choose one ethical theory to guide our behaviour. This ethical theory could be one of the existing ones or maybe a combination of them whereby creating a new more complex ethical theory. But how do we choose? And even more important for this study: '*What moral theory should companies choose?*'

The Ethical Consciousness in Business

Before figuring out which ethical theory is most appropriate for companies it would be interesting to investigate what type of ethical reasoning managers are actually using in companies, as they are the decision-makers. This investigation will open this chapter but afterwards we will also take a look at the history of modern business and its ethics. The purpose of this historical journey is to help us understand why managers reason as they do.

Managers ethical reasoning

Robertson & Crittenden (2003) have proposed, that the dominant moral philosophy of managers in a country can be determined by investigating the country's economic ideology and culture as *these two variables set the tone for generally accepted business practices and the moral environment of a country* (Robertson & Crittenden 2003, p. 388). They state that a country's economic ideology is somewhere on a continuum running from capitalism to socialism while the country's culture is somewhere on a continuum running from western to eastern. By studying different moral philosophies they have proposed a cross-cultural map of moral philosophies as illustrated in figure 2.
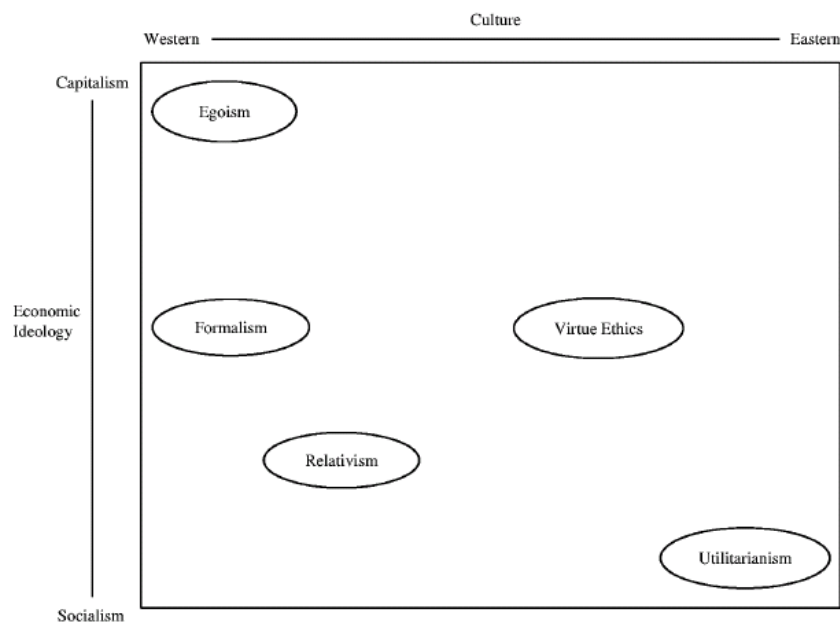
Figure 2: Cross-cultural map of moral philosophies (Robertson & Crittenden, 2003)

The map can be read as following: (1) egoism will be dominant in western-capitalistic societies, like the US, (2) formalism (i.e. deontology) will be dominant in western societies where economic ideologies are mixed, (3) moral relativism will be dominant in moderate western-socialistic societies, like Scandinavia, (4) virtue ethics (e.g. Aristotelian ethics or Christian ethics) will be dominant in moderate eastern societies where economic ideologies are mixed, and (5) utilitarianism will be dominant in eastern-socialistic societies, like China. Albeit the proposal of these dominant moral philosophies in different societies, Robertson & Crittenden (2003) acknowledged that managers' ethical reasoning would also be influenced by firm specific moderators such as corporate culture, polices, and profit motive.

Many studies have investigated what ethical reasoning managers actually use by classifying them according to Forsyth's (1980) ethics position theory, that proposes four types of personal moral philosophies: (1) situationists, (2) subjectivists, (3) absolutists,

and (4) exceptionists. These personal moral philosophies roughly translate into (1) act utilitarianism, (2) egoism, (3) deontology, and (4) rule utilitarianism (Forsyth, 1992). Based on all the research conducted using Forsyth's ethics position questionnaire (1980), Forsyth et al. (2008) have made a global study incorporating 29 different countries where they conclude that rule utilitarianism is more common in Western countries, egoism and act utilitarianism in Eastern countries, and deontology and act utilitarianism in Middle Eastern countries. The map below in figure 3 shows how the 29 countries are placed among the four different types of personal moral philosophies.
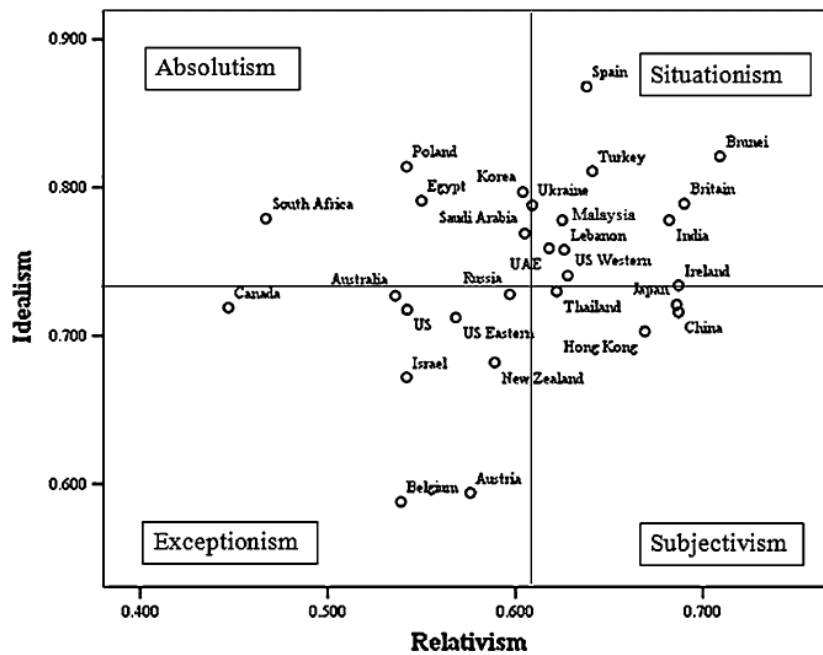
Figure 3: Personal moral philosophy map (Forsyth et al., 2008)

When comparing Robertson & Crittenden's map with Forsyth et al.'s map there are two obvious differences. Forsyth et al.' map shows that the US is placed in the quadrants of act and rule utilitarianism, but according to Robertson & Crittenden's map it should have been in the egoist quadrant. Similarly, China is placed in the egoist quadrant on Forsyth

et al.' map, but according to Robertson & Crittenden's map it should have been in the act utilitarian quadrant.

For the purpose of my thesis I will not investigate the ethical reasoning of managers from all over the world but limit my focus to western-capitalistic societies. As there seems to be a disagreement about the dominant ethical reasoning in these countries, I will take a closer look at these.

A few studies (Fritzsche & Becker, 1984; Fraedrich, 1993; Premeaux & Mondy, 1993; Premeaux, 2004) have tried to map out what types of ethical reasoning US managers are using in their decision making and the findings show that several types of ethical reasoning are common in business. Fritzsche & Becker (1984), Premeaux & Mondy (1993) and Premeaux (2004) wanted to find out whether marketing managers used utilitarian or deontological theories as their base for ethical reasoning. In their studies, using the same vignettes, they found that the utilitarian reasoning was mostly used. Premeaux (2004) argued that this is due to *'pressures surrounding business, particular economic pressures'* (Premeaux, 2004, p.278) and the fact that utilitarian judgements can be made quantitative (Snoeyenbos & Humber, 2006) whereby they can include economic calculations.

Fraedrich (1993) did not find a dominant ethical reasoning in his research of retail mangers, but did argue that managers who use rule deontology (e.g. Kantian ethics) are more ethical than managers who use act deontology (e.g. rights), act utilitarian, rule utilitarian or egoism.

In the studies above all the respondents where middle managers so to get a better understanding of the ethical environment among managers it would help to know what ethical stances senior executives have.

In a recent study by Das (2005) it was investigated which ethical principles that 585 vice presidents of US businesses preferred. The results showed that the Golden Rule: '*Do unto others as you would have them do unto you*' was the most preferred. This is a deontological principle but has not been mentioned in my review of ethical theories because it is a practical rule of thumb that applies to several of the theories. It is evident in Christian ethics were Mathew writes '*always treat other as you would like them to treat you*' (Matt. 7: 12) but is also similar to the first categorical imperative and also applicable for theory of justice.

One thing missing from these studies of the managers in western capitalistic countries is an evaluation of the presence of Aristotelian ethics. For some reason it did not even exist as a possible ethical theory in those studies. In the western-capitalistic countries it is indicated that utilitarianism is the main ethical reasoning among middle managers, while the studies by Das (2005) and Fraedrich (1993) have indicated that deontology is viewed more ethical and is preferred by senior managers. But why is deontology the preferred? And why is egoism seen as a moral philosophy? And why is Aristotelian ethics not considered in the studies from western capitalistic countries? To better understand this messy situation we will now take a look at how business and its ethics have evolved through history.

The History of Modern Business and its Ethics

Capitalism is the socioeconomic model that gave birth to modern business in most Western countries. To investigate the ethical origin of business, we should take a look at how and why capitalism became accepted in society. We start off by taking a religious journey.

Under the rule of the medieval Roman Catholic Church, business as we know it today would be unacceptable, because it was deemed sinful to pursuit economical self-interest. But with the rise of Protestantism during the 16th century, Calvinism emerged and paved the moral foundation for capitalism (Gerde et. al, 2007).

The reason for this was that Calvinism, opposed to other Christian views, preached the doctrine of predestination. This doctrine stated, that whether a person would go to heaven or not was predetermined by God and nothing that the person would do, could change that. In effect this meant that people could live their lives in whatever way they pleased and hence pursue self-interest (Weber, 1958). Having said this, Calvinism stated that only people, who lived their lives accordingly to the Bible, could be among the few, who were actually predestined to life in heaven. In order to give people a little more guidance on whether they were the elected for salvation, Calvinist pastors preached that people should make sure to live their lives as if they were the saved ones. This in turn demanded self-confidence. In order to build self-confidence, they should live productive lives, where they contributed to society (Weber, 1958).

Gerde et al. (2007) showed this Calvinistic concern by referring to a 17th century Puritan merchant's will. The will indicated his fear of condemnation by highlighting, how he had lived a productive life according to the Calvinistic principles of the Bible and all the good deeds he had done for society, hoping that this would make him one of the saved. A century later the Calvinist concern for condemnation seemed to have vanished while the principles of productivity had taken precedence. That was the argument Max Weber (1958) made in his book '*The Protestant Ethic and the Spirit of Capitalism*' by interpreting Benjamin Franklin's worldview as a secularised version of Calvinism, where

it was okay for people to pursue economic self-interest (Gerde et al, 2007)[4]. But was this

pursuit of self-interest morally acceptable for society?

The moral justification of business - The invisible hand

The first prominent figure to explicitly give moral justification to self-interested business

conduct was the Scottish philosopher, economist, and founder of modern political

economy Adam Smith (1723-90) who lived at the same time as Benjamin Franklin. He

shared the belief of his good friend, Scottish philosopher David Hume (1711-76), that

human nature apart from being egoistical also encompassed sympathy (Haakonssen,

2005). With the power of sympathy, Smith believed that humans could detach

themselves from particular situations as 'impartial spectators' and make just moral

judgements about what would be the appropriate act in a given situation (Griswold,

2005).

Together with his conviction, that the British Empire's monopolistic trade system, during

his time, hindered wealth-creation for everyone but the rich (Smith, 2007), Smith argued

for a liberal market economy, that would create wealth for everyone and evolve

ethically due to humanity's ability of prudent self-interest (Haakonssen, 2005); a

phenomenon that Smith called, and is popularly known as, 'the invisible hand' (Smith,

2007).

With the moral justification of businesses' pursuit of self-interest and the

industrialisation on its rise, capitalism was ready to take off with society's approval. But

could it really be, that 'the invisible hand' would assure that a company's pursuit for

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[4] Franklin's lack of fear for condemnation seems understandable as he lived during the
Enlightenment era where the teachings of intellectuals, like John Locke, made human reason a
justifier of human rights and knowledge.

economic self-interest would be the best for society and not only for the company owners? Karl Marx (1818-83) certainly did not believe that capitalism was good for society, only that it exploited the workers (Marx, 2008). Nonetheless, to this day many people, like Milton Friedman (2002), believe that the 'the invisible hand' works and provides the moral justification for egotistical acts in business as long as they are legal.

The many ethical ways of doing business

Businesses were not just driven by judgements about economical self-interest and utility, as could be implied by the above. They were also driven by religious views, although Benjamin Franklin seemed to have toned his down. Before capitalism emerged, religious considerations of duties and virtues were common, because businesses were usually run by families. The business conduct was hence based on *'the family's religion or by the role modelling behavior of the father as company head'* (Knouse et. al., 2007, p. 95).

The four types of ethical considerations (i.e. egotistical, utilitarian, virtues, and duties), were still important for businesses in the US during the 19th century and the start of the 20th century. Henri Ford was an example of this. He used a deontological approach to business ethics by demanding, that his workers complied with *'his personal religious beliefs – regular church attendance, no alcohol, no late hours, and no frivolous spending'* (Knouse et. al., 2007, p. 95). Virtues like honesty, courtesy, and philanthropy were also commonplace in business (Knouse et. al., 2007).

Although some business owners, like Ford, used their religious beliefs in shaping company ethics, it was not all that referred to religion. Due to the new view on the theory of evolution (i.e. Social Darwinism) some business owners were now using the egotistical principle of 'survival of the fittest' as their only concern and thereby

detaching utilitarian concerns and religious considerations of duties and virtues from business (McMahon, 2006).

The rise of corporations and unethical behaviour

Shared ownership gave birth to the modern corporation as an effect of business growth at the start of the 20th century (Knouse et. al., 2007). This meant that a corporation's business ethics were not just dictated by one owner/manager, but had to be a compromise among several owners/managers. The Great Depression in the 1930s focused the businesses on survival and during World War II, the main concern was on supporting the war effort. From 1950, the focus changed to making profits (Knouse et. al., 2007).

With businesses focusing on profit making, it was suddenly realised in the 1960s, that many US corporations were not including considerations of utility, duties or virtues in their conduct. Many corporations were purely egotistical. First, the electrical industry was found to use unethical means of price fixing, resulting in the government giving the offenders big fines and jail sentences (McMahon, 2006). Then, Raymond C. Baumhart (1961) conducted research on the ethicality of businessmen and concluded that most industries in the US were using unethical means to achieve their profits (McMahon, 2006).

During the 1960s and 70s, the US government tightened its grip on businesses by forcing them to comply with new legislation concerning equal rights, environmental issues, and anticorruption (McMahon, 2006). The result was that lots of corporations produced *codes of ethics* to instruct the employees on how to behave in different situations (McMahon, 2006).

However, in the 1980s western governments created a pro-business 'free-market' agenda by deregulating markets and thereby gave US, British, New Zealand, and Australian businesses freedom to act under self-control rather than state regulation (Wray-Bliss, 2007). This initiative was made to create more competition in the market place which, in turn, should be better for customers.

Unfortunately many businesses could not control themselves and scandals, disasters, and fraud became publicly known (Wray-Bliss, 2007). These events gave corporations a bad reputation. To regain the public's trust and protect themselves against more state regulation (Wray-Bliss, 2007), the corporations started to introduce *corporate social responsibility* initiatives. During the 1990s and 2000s deregulation of markets has been used in several countries in the EU and similar corporate ethical initiatives have evolved in these countries.

Understanding of managers ethical reasoning

We have seen research which indicates, that utilitarian reasoning has been dominant among managers in western capitalistic countries since 1984. This is understandable as managers are expected to contribute to the utility of the corporation and its owners. For that reason, I believe that utilitarian reasoning has always been the dominant reasoning among managers in businesses.

Unfortunately, this utilitarian reasoning has lead to many scandals and malpractices because since the 1950s, and probably even since Adam Smith justification of economic self-interest, many managers have only served the shareholders' utility.

Four reasons seem to explain why senior managers prefer deontology. Firstly, utilitarian reasoning, as mentioned above, has lead to scandals and malpractices. Secondly, after being subject to state-regulation, many corporations have regained control over their

conduct due to deregulation since the 1980s. Thirdly, to avoid state-regulation, corporations must avoid scandals and malpractices. Fourthly, it is believed that deontology, that demands compliance with ethical duties, could guard against such bad behaviour.

This brief journey through modern business history has also clarified that Aristotelian ethics has never been part of the ethical consciousness of modern businesses as business ethics were born out of the Christian ethical tradition.

Summary

This chapter has shown how business ethics in western-capitalistic countries was born out of the duties and virtues of Christian Protestantism around the 16th century, when ethical conduct was about doing altruistic deeds.

During the 18th century Adam Smith introduced the 'invisible hand', based on his belief in the power of human sympathy, and consequently made egotistical actions ethical.

Human sympathy and Christian ethics seemed to have lost their importance in business conduct during the start of the 20th century with the help of Social Darwinism, the rise of corporations and The Great Depression, but it was not until the 1960s that this was realised. Many corporations had shown themselves as egotistical profit machines and legal actions were taken by governments to force ethical conduct upon corporations.

However in the 1980s a free-market agenda was introduced by western governments and companies were expected to exert self-control. Many companies could not control themselves which resulted in many public scandals. To regain the public's trust and avoid more state regulation, corporations have introduced codes of ethics and corporate social responsibility initiatives.

Research has indicated that today's managers are mostly using utilitarian reasoning while deontological reasoning is preferred by senior managers, which in the light of the historical journey, through modern business and its ethics, is understandable.

The historical journey also showed that Aristotelian ethics has never been part of the business consciousness.

Reflection and Remarks

The evolution of corporations has apparently made managers aware of utilitarian and deontological ethics but unaware of Aristotelian ethics. In other words, it is only the objective ethical theories that are alive and well in corporations.

But what does this mean for corporations? It seems that utilitarian reasoning is permitting unethical corporations because the end (i.e. profit) justifies the means. By bringing deontological reasoning into corporations senior managers and researchers think that corporations can become more ethical.

Could an Aristotelian approach to ethics not achieve the same?

The Reactions from Business Academia

With the objective ethical theories dominating the business world, business scholars have had different reactions to the appropriateness of the theories. Firstly I will take a look at some scholars who support the usefulness of objective ethical theories. Then, I will look at some scholars who say, that objective ethical theories are useless in providing appropriate business ethics. Finally, I will show scholars have stressed that Aristotelian ethics can provide a good approach to business ethics.

For Objective Ethical Theories

Utilitarianism

Although I have just argued that utilitarianism can lead to corporate scandals and malpractices, it is still viewed as a useful approach for business ethics. This is evident by looking through any textbook on business ethics (e.g. Crane & Matten, 2007; De George, 2006).

A reason why utilitarianism is useful is that it provides a quantifiable method for managers to determine which one of several alternative decisions is the best. This is done by using the following process (Snoeyenbos & Humber, 2006, pp. 17-18):

1. Set out all the relevant alternative acts that are open to him or her.

2. List all the individuals who will be affected by the alternative courses of action, including oneself if affected.

3. Assess how the individuals will be affected by the alternative acts, computing the balance of benefit to harm for each individual affected by each act.

4. Choose that act which maximizes utility, i.e., which results in the greatest total balance of benefit to harm.

This makes it attractive for managers as it provides the foundation for cost-benefit analysis (Snoeyenbos & Humber, 2006)

As companies are becoming more globalised, they are experiencing that what is perceived as immoral in their home countries may be morally acceptable in other countries. For instance, bribery is perceived as immoral in many countries, but in other countries, it is a normal part of doing business. Act-utilitarianism will be able to justify breaking a moral rule, like bribery, in those situations where it is necessary for achieving the greatest utility.

Snoeyenbos & Humber (2006) sum up the above mentioned reasons by stating:

> *'Because it is universalistic, provides a definite method for determining which acts are right, and permits flexibility in adhering to moral rules we use in business, act utilitarianism has decided advantages in international business contexts.'* (Snoeyenbos & Humber, 2006, p. 23)

Apart from the usefulness of act-utilitarianism, William C. Starr (1983) argues that rule-utilitarianism can provide the ethical framework for creating viable codes of ethics. This is also implied by *optimal code utilitarianism*, which states that the optimal moral code is that, which contributes with most utility for a society (Snoeyenbos & Humber, 2006). Perhaps this society could be a business society?

Deontology

Norman E. Bowie (1999) rejects that utilitarianism is an ethical approach, but he argues, that by using a deontological approach to business ethics, companies can become more ethical while still being profitable. However, he does not agree with the senior managers from Das' (2005) research, that the Golden Rule is an appropriate deontological rule for

managers. Bowie states, that the Golden Rule is not practical for guiding business conduct, because in a business situation a manager may well expect and find it permissible that he/she can be outsmarted through immoral means. Consequently, the manager will also find it justifiable, that he/she uses immoral means to outsmart them.

Bowie (1999) argues that the following seven principles derived from Kantian ethics should be used to structure and manage a company so it becomes ethical (Bowie, 2006, p. 10):

1. The firm should consider the interests of all the affected stakeholders in any decision it makes.

2. The firm should have those affected by the firm's rules and policies participate in the determination of those rules and policies before they are implemented.

3. It should not be the case that for all decisions, the interests of one stakeholder take priority.

4. When a situation arises where it appears that the interest of one set of stakeholders must be subordinated to the interests of another set of stakeholders, that decisions should not be made solely on the grounds that there is a greater number of stakeholders in one group than in another.

5. No business rule or practice can be adopted which is inconsistent with the first two formulations of the categorical imperative.

6. Every profit making firm has a limit, but genuine, duty of beneficence.

7. Every business firm must establish procedures designed to ensure that relations among stakeholders are governed by rules of justice

The first three principles stress that the company must treat all its stakeholders with the same respect and that the company must be impartial, when making rules and decisions. The use of utilitarianism is clearly rejected in principle 4 and the importance of the categorical imperative in stressed in principle 5. The sixth principle states, that the company has to do some good to all its stakeholders. Concerning the last principle, Bowie explains that *'if an organization follows the other six principles then it has complied with the requirements of justice'* (Bowie, 1999, p. 95).

Bowie (1999) explains that the seven principles create a theoretical normative framework, but he believes that it is workable and profitable. He acknowledges that critics will claim, that impartiality is not workable in the business world, but he argues that it is needed:

> *'The intrusion of personal interests, such as the interests of family and friends, are inappropriate in most business transactions. To give one's friends or family special consideration in business is often to place oneself in a conflict of interest.'* (Bowie, 1999, p. 7)

By using the categorical imperatives, one of the main features of this approach will be making universal ethical principles. These universal principles can be incorporated into corporations' codes of ethics.

Against Objective Ethical Theories

In a recent textbook on business ethics the authors mentioned five points of critique about the objective ethical theories (Crane & Matten, 2007, p. 109).

1. They are *too abstract* because they are too theoretical and impractical for a business context that is filled with values, structures and practices that should also be considered.

2. They are *too reductionist* because each of the theories evaluate ethical issues from just one perspective (i.e. duties and rights or consequences) when many different perspectives should be considered.

3. They are *too objective* and elitist because they imply that only specialist ethicists and philosophers can actually make the truly ethical decision, although they have no subjective experience of the ethical situation, because they are the only ones who truly understand the complexities of the theories.

4. They are *too impersonal* because they do not account for personal bonds and relationships that have an influence on our feelings about right and wrong.

5. They are *too rational and codified* because they suggest that their rational rules and principles can guide the right action in every situation.

Kjonstad & Willmott (1995) argue that the problems with the objective ethical theories have lead to what they call *restrictive ethics*. Restrictive because they demand compliance with ethical codes of principles whenever ethical issues are identified.

Instead of just following rules, business ethics must also be about the development of employees' moral conciousness through understanding and questioning ethical issue and practices. Thereby employees will become more responsible rather than continue to just comply unconditionally.

> *'In the absense of critical…moral reasoning, the introduction of codes is likely to diminish rather than enhance the capacity for moral reasoning as codes deflect attention from, rather than to the problematic ethics of business and management'* (Kjonstad & Willmott, 1995, p. 449).

This reasoning is also the driving force behind the critical book on business ethics *For Business Ethics* (Jones et al., 2005). The authors argue that one of the reasons why business ethics is restrictive is that politics are excluded. There is no debate about alternative ways of conducting business ethics. They view as a paradox because *'ethics is about justice and about goodness and both are debatable and contestable'* (Jones et al., 2005,p. 139).

The sociologist and postmodernist Zygmunt Bauman even goes as far as stating that this type of *restrictive ethics* or *obedience ethics* is in fact unethical, because it demands conformity and uniformity of all employees. In his book *Modernity and the Holocaust* (Bauman, 1989) he explains how the obedience system of bureaucratic organizations removes autonomy from the employees and hence their personal sense of responsibility and morality. The same applies to objective ethical theories. Bauman has also stated that *'an ethics that is universal and objectively founded is a practical impossibility'* (Bauman, 1993, p. 10) because humans are morally ambivalent.

Alasdair MacIntyre (2007) looks further back in history to find the cause of restrictive ethics. His attack was not on business ethics as such but morality in general. MacIntyre explained that when the Enlightenment era emerged in the 17th century it had the unfortunate effect that it seperated theory from practice and the human focus from communitarian to individualistic. Moral theories of the Enligtenment were hence constructed from an impersonal metaphysical-level with no connection to the practical life of humans. Context was simply rendered obsolete; *'a context of practical beliefs and of supporting habits of thought, feeling, and action'* (MacIntyre, 2007, p. ix).

The downside of leaving out contextual considerations is evident form a recent study (Nyberg, 2008). It shows that ethical issues that arise in organisations are seldom clear-

cut but ambiguous. Due to the practicality of these ethical issues it would be unwise to solve them based on a universal moral law; *'ethical reflection must… be concerned with the situated performance, rather than universal principles or text in the form of guidelines or codes of conduct'* (Nyberg, 2008, p. 597).

Hartman (2008a) agrees that most ethical issues are so complex that they cannot be solved by using moral principles because there are many different angles involved and it can be seen from many different perspectives. Often you will actually have moral principles that *'conflict in practice, and there is no algorithm for weighing them where they do'* (Hartman, 2008a; p.254).

From a leadership perspective, objective ethical theories are not very useful, because an important feature of being a leader is to take relational considerations into ethical reasoning (Ladkin, 2006).

Aristotle's contribution

Nyberg (2008) has suggested that an Aristotelian approach to ethics, which focuses on the intellectual virtue of practical wisdom (phronesis), can provide these contextual considerations that are missing from the objective ethical theories as well as develop corporate members' moral conciousness. Instead of relying on universal rules to solve every ethical issues, Nyberg (2008) proposes, that focus should be on developing corporate members' moral capacity by improving their practical wisdom.

Nyberg (2008) explains that practical wisdom should be improved by making corporate members consider the contextual and other practical issues that may affect an ethical situation. They should also be encouraged to share stories about similar ethical situations, so they can compare, question, debate, and reflect on different possible solutions which in effect improve their practical wisdom (Nyberg, 2008). He argues that

they will then be better suited to distinguish between what is a good or bad solution, instead of just an objective right or wrong solution. By continuing to develop their practical wisdom they will be able to increase their moral capacity, which can *'empower [them] to make choices, take decisions in morally ambiguous situations, and take responsibility for their choices'* (Nyberg, 2008, p. 597).

The table below summarises Nyberg's view on how practical wisdom is achieved and shows concisely how it is different from objective ethical theories.

Table 1: A comparison between ethics based on objectivity and practical wisdom (Nyberg, 2008, p. 596)

Comparison between conventional and phronesis-based ethics		
	Conventional Business Ethics (deontological, consequential)	Phronesis
Aim	Search for universal rules to handle all situations.	Development of practical wisdom to handle particular situations.
Underlying thesis	Right versus wrong reasoning.	Better versus worse actions.
Method	Development of rules.	Development of human beings.
Moral training	Theoretical understanding of the ethical theories and their inherited rules.	Practical understanding of different alternatives to consider.
Pedagogy	Memorising rules.	Sharing cases and stories.
Usage	Suitable for theoretical dilemmas.	Suitable for practical dilemmas.
Advocates	Promotion of compliance with rules.	Promotion of questioning of rules.
Consequence	Restricts moral capacity.	Empowers moral capacity.

The importance of considering the contextual issues and using practical wisdom in ethical decision making is shared by Hartman (2008a). Hartman stresses, that good character is crucial for making a good ethical decision because a person with a good character will be able to frame an ethical situation correctly by apprehending the ethical salient features of a situation. Hartman explains, that in order to reach a good ethical decision on business issues you need to have the good character of *'an intelligent, experienced, professionally responsible, sensitive, tough-minded manager who wants to do things just right'* (Hartman, 2008a; p.256).

These criteria are quite demanding and Hartman (2008b) also explains that a truly good character is rare. Consequently not anyone will be able to reach a good ethical decision by applying their practical wisdom. Hartman (2008a) argues that practical wisdom is the sum of all virtues, so it is important to develop all the appropriate virtues that make you capable of applying good practical wisdom to ethical situations. Several virtues must be delevoped but which?

Bragues (2006) has turned to Aristotle's *Nichomachean Ethics* to promotes seven of Aristotle's moral virtues and two intellectual virtues to be suitable for business people. The moral virtues are *courage, self-control, generosity, magnificence, magnanimity, sociability, and justice* while the intellectual virtues are *practical wisdom* and *theoretical wisdom* (Bragues, 2006).

Prescribing virtues from the *Nicomachean Ehtics* to modern business people is not appropriate according to Solomon (2004). He argued that, because Aristotle explained, that one should see oneself as a member of a larger community and strive to do what was good for the community, the virtues should compliment the good of the community. In other words, the virtues are relative to the community you are a member of. Solomon said:

> '*A virtue has a place in a social context, in a human practice, and accordingly it is essentially part of a fabric that goes beyond the individual and binds him or her to a larger human network*' (Solomon, 2004, p. 1025).

The community for Aristotle was ancient Athens. For modern business people the community can be viewed as the corporation, because they spend half their waking adult lives there (Solomon, 2004).

The set of virtues that should be cultivated in a business will probably include some of Aristotle's moral virtues and certainly the virtue of practical wisdom but different virtues will probably also be fitting.

According to Schudt (2000) the presence of corporate members with good virtues in corporations does not necessarily ensure ethical conduct. Because virtues are subject to the community you are a member of (e.g. corporation), '*the possession of virtue by human agents can be extremely harmful if the action of the corporation is bad*' (Schudt, 2000, p. 718). He illustrates this by telling that a nazi soldier can actually act virtuously according to his nazi community when he is exterminating Jews. Schudt (2000) therefore argues, that corporations, independent of its corporate members, should have their own virtues. But is it acceptable to attribute virtues to a corporation?

Jane Collier (1995) has investigated this question and argues, that corporations can in fact be viewed as moral agents with virtues. She explains that because corporations have a corporate internal decision structure, which consists of the division of power and responsibility within the corporation and a corporate policy (French, 1979), corporations can turn policy into action (Collier, 1995). Of course some corporate members have created the internal decision structure, but when made, it acts independently of the corporate members. Therefore corporations have intentions of their own and can be held responsible for their actions and '*since we can ascribe responsibility, we can also ascribe virtue to such organizations*' (Collier, 1995, p. 146).

Another indicator that corporations can be viewed as moral agents is that corporations can have a distinct identity from the identities of the people, who occupy them. Research has actually found that people tend to make sense of corporations by attributing different personalities to them (Cummings, 2003). This is because:

> *'they are collectivities ... whose identity is not altered by a change in their membership, so that their identity is not exhausted by the identity of persons.* (Collier, 1995, p. 146)

Schudt (2000) not only appeals for corporate virtues but also argues for five appropriate corporate virtues. He explains that the purpose of a corporation is to ensure sustainable profit and the *corporate virtues are those characteristics that lead to sustainable profit* (Schudt, 2000, p. 712). He divides corporate activities into the following five activities: (1) production, (2) use of resources, (3) advertising, (4) pricing, and (5) relations with other corporations and humans. Further, he attributes the following corporate virtues, respectively: (1) efficient production, (2) resource management, (3) effective advertising, (4) correct pricing, and (5) right relationship. Schudt (2000) states that the first four virtues does not ensure ethical corporate behaviour, but the last virtue of right relationship does, because corporations are dependent on their relationships with other corporations and people and they need good relationships in order to achieve their goals. However, Schudt stresses that it purely business:

> '*a corporation should respect human beings as persons of moral worth not out of any feeling of sympathy, love or respect of some transcendent dignity of the human being, but because doing so is in the corporation's long term interest'* (Schudt, 2000, p. 722)

Aditi Gowri (2006) views not only the first four of Schudt's corporate virtues as unethical but also the last virtue as unethical. The virtues are in no way in the spirit of Aristotle's virtuous person (Gowri, 2006). She argued that:

> '*a person we knew to be on "good behaviour" only when she might be seen or rewarded for her efforts is not one that we would consider to be particular virtuous at all, but rather a hypocrite'* (Gowri, 2006, p. 398).

To be truly virtuous, a corporation therefore has to consider the affects, it has on all its stakeholders from a moral perspective (Gowri, 2006). Gowri does not propose any new corporate virtues as this is dependent on the specific corporation character and its stakeholders.

All the different scholars, mentioned above, all highlight different important aspects and ways of applying Aristotle's approach to ethics. However, the scholars views seem limited, because they do not address what should be done, when people or stakeholder disagree. How is an ethical solution reached when people disagree? It will hardly come as a surprise, that people can actually have different opinions about what is the ethical thing to do in a particular situation, even though they are part of the same community and striving for a good community. For instance in a company, many projects are proposed that could increase its utility, but it is only possible to choose one project, due to financial limits. Which project should be chosen?

The reason seems to be that the scholars, mentioned above, limit Aristotle's view on ethics to the teachings from Aristotle's *Nicomachean Ethics* and *Politics*. From my point of view, this limitation excludes the importance of Aristotle's *Rhetoric*, where he teaches about the reality of ethical and political debate. Only one scholar, Ronald F. Duska, has taken Aristotelian ethics this step further. Duska (1993) points out that the *Nichomachean Ethics* is about what is good for the individual person that in turn is dependent on the good of the community, which is discussed by Aristotle in the *Politics*, but in order to *apply* Aristotle's ethics to moral issues attention must be drawn to Aristotle's *Rhetoric*.

Rhetoric is important for ethics, because ethical issues are not easily solved as earlier implied. Ethical issues are usually ambiguous and complex and ethical solutions usually

comes down to the opinion of the majority. Consequently, although a person believes that his decision is ethical, all things considered, it might not be the best thing to do, if the majority of his community does not share his point of view. For a decision to be ethical it also has to contribute to the good of the community, so if the community does not perceive it as being good, then perhaps it is not the good thing to do. At least as long as the majority of the community members stick with their opinion. What can happen, is by using rhetoric skills, you might be able to change their point of view. They might even come to understand that the decision is in fact ethical, all things considered. An ethical decision has been reached!

That a decision can change, from not being ethical to being ethical, due to rhetorical skills, might seem very strange and not ethical. This is not necessarily the case. To give an example, Duska (1993) argues, that ethics and aesthetics are similar, because there is no definitive right or wrong in these cases. It cannot rightfully be claimed, that a piece of art is equally beautiful or ugly from everybody's point of view. Whether a piece of art is beautiful or ugly, and to which degree, depends on the person looking at it. However, if a group of people start discussing its appearance some people might change their point of view, and maybe the group will reach a *common verdict* about its appearance. This will happen if the majority start seeing it from the same point of view. During the discussion, the different people will try to make the others see the object as they see it. In the end the common verdict will fall on the viewpoint that most share.

Being able to get other people to see the piece of art as you do, is a matter of being persuasive through your arguments. This is where rhetorical skills are useful. Convincing other people to see it as you do, is not wrong or unethical when you sincerely believe, that our opinion is appropriate.

In the same way, when we debate with colleagues about what is an ethical solution to a dilemma, we try to make them see the situation from our perspective and convince them, that our solution is preferable, because we sincerely believe it is the preferable solution. If we reach an agreement about an ethical solution for the dilemma, the solution will be the one that is supported by the best arguments. Because rhetoric can help provide good arguments, it is a powerful and important tool for ethical debate, that should be acknowledged and used; Aristotle (2007) did!

Summary

Through this chapter we have seen that the objective ethical theories provide a means to create moral rules that are universally applicable, which can be transformed into viable codes of ethics.

However, many scholars have highlighted, that because the objective ethical theories take on objective impersonal evaluations of ethical acts, they will seldom be able to reach good solutions. Ethical issues are usually very ambiguous and complex and hence many contextual considerations should be included. It has also been argued that the objective ethical theories actually make people less concerned with good ethics, because they are forced to comply with the universal principles no matter what. Consequently, the employees are not motivated to reflect on their decisions and actions.

It has been argued by several scholars, that an Aristotelian approach to business ethics would help make business people and corporations more ethical. By encouraging moral development through ethical debate, questioning, understanding and reflection an ethical culture can be cultivated within the corporation. Among these scholars, it is only Duska (1993) who has argued that rhetoric is part of the full picture of Aristotelian

ethics. I agree with Duska, because ethical and political debates are needed. By looking into rhetoric we can understand how an ethical solution is reached and use it to argue for a common opinion.

Reflection and Remarks

I believe, if more scholars started to embrace rhetoric as an ethical tool, we could actually inform and prepare managers for the practical and communicational issues that surely will arise, when promoting or defending an ethical decision. However, it would be good to know how businesses are actually trying to be ethical so we can confirm that there is need for improvement.

How Corporations are trying to be good

In the section about *the history of modern business and its ethics* we saw that corporations had started to use two ethical initiatives as a reaction to bad reputation among the public, and governments interference with their business. These two initiatives were 'corporate social responsibility' and 'codes of ethics' and are an attempt to create responsible corporations. In this section we will take a closer look at their nature and see if they can change the corporations.

Corporate Social Responsibility

In the light of all the bad publicity, that emerged during the 1980s, corporations hoped, that by being socially responsible their reputation would improve (Wray-Bliss, 2007). Several scholars have supported that corporations should take social responsibility seriously also at a strategic level (e.g. Husted & Allen, 2006; Logsdon & Wood, 2005; Porter & Kramer, 2002, 2006); even McKinsey's CEO has seen the strategic significance of corporate social responsibility (Davis, 2005). But how should they be socially responsible?

The social responsibilities of corporations

Archie B. Carroll (1979) stated that:

> '*the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time*' (Carroll, 1979, p. 500).

Carroll & Buchholtz (2008, p. 44) have elaborated on these four types of responsibilities that:

1. *Economic responsibility* is REQUIRED by society. Corporations <u>must</u> hence be profitable by maximizing sales, minimizing costs, and making sound strategic decisions. Provide investors with adequate and attractive returns on their investments.

2. *Legal responsibility* is REQUIRED by society. Corporations <u>must</u> hence obey all laws. Comply with Sarbanes-Oxley Act. Fulfil all contractual obligations and honour warranties and guarantees.

3. *Ethical responsibility* is EXPECTED by society. Corporations <u>should</u> hence avoid questionable practices. Assume law is the floor on behaviour and operate above minimum required. Do what is right, fair, and just. Assert ethical leadership.

4. *Discretionary responsibility* is DESIRED/EXPECTED by society. Corporations <u>should</u> hence be good corporate citizens by making corporate contributions. Provide programs supporting community – education, health/human services, cultures and arts, civic. Provide community betterment. Engage in volunteerism[5].

The business world has also made definitions of corporate social responsibility but they go easier on business, by stressing commitment to sustainable development, rather than

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[5] The academic focus on corporate social responsibility has evolved through the years from corporate social responsibility to corporate social responsiveness to corporate social performance and finally to corporate citizenship (Crane & Matten, 2007). I will not go into details of these new versions because what is interesting, is how corporations are dealing with their four different responsibilities.

demanding it. Thereby the business world stresses choice instead of duty. This shows in the definition made by the World Business Council on Sustainable Development:

> *'Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local society at large to improve the quality of life'* (quoted from Cetindamar & Husoy, 2007, p. 164)

What are corporations doing to be social responsible?

Corporations have looked at various issues, in order to be, or to be perceived to be, more ethical. Enter almost any website of a big corporation and we will most likely see their contribution to society in the form of donations, social initiatives and development programmes. Maybe we will find how they contribute to a better environment by reducing carbon emissions, using renewable energy sources, recycling, or how they improve working conditions for their employees. As not everyone actively seeks this sort of information, corporations also make corporate social responsibility campaigns to make the public aware of their good deeds through the media.

In 2007, more than 2,900 of the leading companies in the world had signed up for the UNs Global Compact (Berger et al., 2007), whereby they have committed to ten universal principles regarding human rights, labour, the environment and anti-corruption. Several organisations exist, where corporations can join to commit to social responsibility and sustainable development and share best practices like the World Business Council on Sustainable Development, Business for Social Responsibility, CSR Europe, and International Business Leaders Forum (Cetindamar & Husoy, 2007).

More than 52,400 companies were using the 'triple bottom line' concept by 2007 (Berger et al., 2007). By using the triple bottom line concept corporations are not only

showing their performance in terms of economic results but also their social and environmental results for the year. The social bottom line is about the quality of people's lives and about equity between people, communities, and nations while the environmental bottom line is about protection and conservation of the natural environment (Carroll & Buchholtz, 2008)

Have corporate social responsibility made corporations good again?

A recent study (Pfau et al., 2008) has indicated, that when corporations make social responsibility campaigns, they do improve their public reputation. However, Yoon et al. (2006) highlighted that while some companies are able to successfully improve their reputation through corporate social responsibility campaigns, others are not. They explained that people can become suspicious of the companies' underlying motives for such campaigns, and consequently will judge the campaigns according to the level of sincerity they attribute to them. For that reason, if people are unsure of the motives behind the campaign, then it will be ineffective on them, if they attribute insincere motives to the campaign, then it will worsen the company's reputation.

Still, what is interesting for corporations, is that social responsible corporations attract qualified employees (Cochran, 2007). What is even more interesting, is that many studies have investigated the relationship between being socially responsible and financial performance, and the results indicate, that good corporate social responsibility leads to good financial performance (Orlitzky et al., 2003; van Beurden & Gössling, 2008). People are actually willing to seek out companies that are perceived ethical and pay a premium for their products (Creyer & Ross, 1997). For instance, Starbucks promotes itself as a deeply responsible company. Together with its focus on quality

products and services '*Starbucks can charge five to ten times as much for a cup of coffee than does the local convenience store*' (Cochran, 2007, p. 453).

Despite this added economic value that corporate social responsibility can bring, we still experience scandals and misbehaviour even from socially responsible companies; take for instance the corporation *Stride Rite*. Marilyn K. Neimark (1995) explains, that although Stride Rite was one of the first corporations to join the social responsibility network *Businesses for Social Responsibility* and has won 14 social responsibility awards by making social responsible initiatives through its charity foundation, it has also acted unethically. By moving large parts of its production away from depressed areas in the US to Asia where wages are ten times lower and working condition are appalling, Stride Rite has acted '*in ways that contribute to the increasing degradation and deformation of life in the USA and the exploitation of workers abroad*' (Neimark, 1995, p. 83).

By researching 222 US firms, Strike et al. (2006) have supported that many corporations can simultaneously be socially responsible and irresponsible when they enter new geographic locations, to exploit their market opportunities, because it can both benefit some stakeholders and harm others.

Being social responsible does therefore not necessarily make a corporation good through and through.

What is the problem with corporate social responsibility?

If we return to Carroll's (1979) four corporate social responsibilities; economic, legal, ethical, and discretionary, we might understand, why socially responsible corporations are not always good. These four responsibilities can be split into two group: a) ends and b) means.

a) ends, are the economic and the discretionary responsibilities where focus is on the economical and social outcomes of corporations and

b) means, are the legal and ethical responsibilities where focus is on the way the corporations behave in order to reach their ends.

It is business-as-usual for corporations to try to make profits and social contribution can simply be made through donations. Therefore, the ends are not where the problem lies. However, the means is where trouble can occur. That corporate members have to obey the law is quite straight forward, but the story is different when it comes to being ethical. Carroll & Buchholtz (2008) stated that corporations have the responsibility to *do what is right, fair and just* but as we know there are different ethical perspectives on what is right, fair and just. Additionally, the studies on managers' ethical reasoning showed, that managers mostly used utilitarian reasoning, which can justify wrongdoings as long as the expected goodness of the act is greater.

Consequently, focus should be on corporations' business ethics, if corporations are going to minimize the risk of future scandals and malpractices. The most popular way that corporations have tried to manage their business ethics is through codes of ethics which we now will turn to.

Codes of Ethics

Looking back at *the history of modern business and its ethics* (see p. 33), it was explained that the use of codes of ethics started to take off during the 1960s and 70s, because corporate members apparently needed to be instructed how to behave, in order to avoid scandals and malpractices. The focus of this section is hence whether codes of ethics have been able to do their job.

The presence and diversity of codes of ethics

Today more than half of the 200 largest companies in the world have a code of ethics (Kaptein, 2004). In some countries it is even demanded that companies have codes of ethics if they want to be listed on the stock exchange (Webley & Werner, 2008). Hence, many companies have been forced to make codes of ethics in order to comply with legislation. Companies have also developed codes of ethics due to pressure from all sorts of stakeholders (e.g. owners, employees, customers, suppliers, non-governmental organisations, activists, communities, governments), societal trends and institutional forces (Waddock et. al., 2002).

Codes of ethics have actually been around as early as 1802 in England and 1846 in the US (Knouse et. al., 2007) and have taken on many different shapes and names such as code of conduct, business principles, business codes, corporate credo, corporate philosophy, corporate ethics statement and code of practice (Kaptein & Schwartz, 2008), but in this thesis I will use the term *code of ethics*. But what are code of ethics exactly?

As a result of the many variations, there is not one single agreed definition of what codes of ethics specifically consists of, but there seems to be broad agreement that codes of ethics is '*a written, distinct, formal document which consists of moral standards which help guide employee or corporate behaviour*' (Schwartz, 2002; p.28) and is, hence, an explicit commitment to ethical behaviour. The question is now: 'What kind of ethical behaviour are companies committing to? Are they committing to deontology or utilitarianism that can justify codes of ethics or are they also committing to other ethical theories?

The content of codes of ethics

Vinten (1990) has looked at the content of different codes of ethics and divided them into the three categories: a) regulatory, b) aspirational, and c) educational.

a) regulatory codes are moral laws that must be followed

b) aspirational codes are moral standards that employees should aspire to

c) educational codes acknowledges that people ought to decide on the own what ethical and hence focuses *'upon shaping individual values and actions'* (Wood & Rimmer, 2003; p. 185)

From the corporate members' point of view, regulatory codes are deontological as they prescribe must-do actions, aspirational codes could both be deontological and utilitarian as they set objective standards, while educational codes could be Aristotelian, as they emphasize moral development. Vinten (1990) recommended the educational code as being the best code in the long run.

Studies show that Vinten's recommendation has not been heard and the deontological codes are taking precedence. Blodgett & Carlson (1997) found in their research on 29 companies within the retail, finance, and utilities industries in the US, that the regulatory codes were dominating codes of ethics and said that:

> '*codes of ethics often contain vague references to acting ethically, then give extensive compliance lists which serve mainly to prohibit the violation of current laws'* (Blodgett & Carlson, 1997; p. 1369).

Kaptein (2004) supported that US corporations mostly use regulatory codes, but also indicated that European corporations where more likely to mix the regulatory with the aspirational codes.

Researchers have supported that the wide use of deontological codes is grounded in the fear for illegal and unethical conduct, that can hurt corporations' profitability rather than being socially responsible. For instance, Cressey & Moore (1983) found in their study of 119 codes of ethics from US corporations, that top executives had given most attention to unethical behaviour that could decrease profits and least attention to unethical behaviour that could benefit profitability.

In a more recent study, on the codes of ethics from 25 corporations from Canada, Germany, and U.K. respectively, Bondy et. al. (2004) found, similar to Cressey and Moore, that codes of ethics are in fact used primarily to regulate behaviour of employees and suppliers rather than attempt to be more environmentally and socially responsible.

Regarding Australian corporations, Wood (2000) found that most of them are largely influenced by their US-based parent company, so most Australian corporations also use codes of ethics for economic self-protection. This finding could indicate, that all the different US subsidiaries around the world are focused on economic self-protection rather than social responsibility.

Even so, not all corporations appear to be self-centred. This was indicated by Carasco & Singh (2003) in their study of 32 transnational corporations from around the world. Their research showed that corporations are also concerned about the effects they have on their surroundings (e.g. environment concerns, community affairs, health, and safety,) although unethical behaviour within the corporation (e.g. conflict of interest and insider trading) still had most focus.

There has, in effect, not been much change in the function of codes of ethics since the 1960s. They are still instruction manuals for corporate members. It is therefore

understandable, that deontological codes of ethics are dominating among western capitalistic corporations as they are prescriptive.

As a result, most codes will probably only focus on all the different duties that legislation and different important stakeholders demand from the corporations. Of course corporations will also include rules against behaviour that can lead to scandals and malpractices, if they are not already demanded, as this can harm the reputation and in turn the profitability of the corporations. Consequently, the purpose of codes of ethics seems to be the protection of economic self-interest, rather than promoting sincere ethical conduct.

The effect of codes of ethics

Due to the large number of companies that are using codes of ethics and the fact that they serve as instruction manuals for corporate members filled with deontological prescriptions the big question arises: 'Does codes of ethics make companies more ethical?'

Many studies have actually looked at this question (e.g. Stevens, 1999; Farrell et al., 2002; Somers, 2001) and come up with very different results. Stevens (1999) found in her study on 215 employees from two hotels in the US, that reading documents about ethics, including the code of ethics, was valuable for them, when making decisions.

Farrell et al. (2002), on the other hand, found through their questionnaire and direct observational study, that codes of ethics did not have the ability to influence 25 top managers and 545 employees' behavioural patterns from eight Australian corporations.

Somers (2001) study even indicated mixed results from the use of codes of ethics. Somers set out to investigate, whether unethical behaviour was less prevalent in

corporations that had adopted codes of ethics. He surveyed 613 management accountants from a wide range of industries in the US and found mixed results, because it was indicated, that in corporations where there were codes of ethics, there was less perceived wrongdoings, but there was not an increase in the propensity to report unethical behaviour, even though there was code of ethics.

A new study (Kaptein & Schwartz, 2008) has investigated the many studies conducted on the relationship between the use of codes of ethics and companies ethicality. The results support that so far it is really difficult to say anything about the relationship, because there are so many different results from the studies. The results of the studies show everything from a significant positive relationship through mixed results to a negative relationship (Kaptein & Schwartz, 2008).

One thing that is certain, is that stakeholders and society in general are disgusted when companies' are caught doing unethical acts, especially if the companies have code of ethics that should prohibit that sort of behaviour. This was certainly the case for Enron. In the 2000 version of Enron's code of ethics (2000), the chairman had proclaimed, that two of Enron's values were respect and integrity. The code of ethics stated:

> '[*Respect to*] *treat others as we would like to be treated ourselves [and integrity to] work with customers and prospects openly, honestly, and sincerely'* (Enron's code of ethics, 2000, p. 4).

It was hardly these values that lead to Enron's bankruptcy in 2001, but rather greed that drove decision making (Webley & Werner, 2008).

Why are codes of ethics not working?

Warren (1993) argues, similar to the earlier criticism of objective ethical theories, that codes of ethics are ineffective because they give no practical guidance, when employees are faced with particular ethical issues. He explains that:

> *'The type of reasoning that will be exercised is not that of deduction from a general rule or principle to a course of action, but is more like that of casuistry where the facts of the situation are judged in relation to other precedents derived from the agent's experience'* (Warren, 1993, p. 188).

Warren (1993) also points out, that employees will not necessarily commit to the codes, because they have not been involved in the process of developing them. He elaborates that:

> *'All too often ethical codes are handed down to employees from the executive above them, and the importance of trying to create a community of purpose within the company is ignored'* (Warren, 1993, p. 189).

Along the notion of community, Treviño et al. (1999) stress that the ethical culture of a corporation is the most influential factor, when it comes to successfully implementing a code of ethics. If the culture in the corporation, is that corporate members are unlikely to live by the code of ethics, then the code will not work. If top management wants a code of ethics, they have to be sure that comply with the rules. Treviño et al. (1999) elaborates:

> *'Executive leaders and supervisors must regularly show they care about ethics (including demonstrating that values are as important as the bottom line), and shared values and they must show that they care through words and consistent actions'* (Treviño et al., 1999, p. 145).

Treviño et al. (1999) also warn that a code of ethics may actually do more harm than good, if employees feel that top management has just implemented the code as a means to protect themselves, rather than concern for the employees and community.

In a new study Webley & Werner (2008) have looked at why codes of ethics do not necessarily lead to ethical companies. They have highlighted five reasons for this:

1. The content of the codes are inadequately designed by not addressing all corporate members or providing insufficient guidance for ethical situations.

2. The code of ethics has not been sufficiently embedded in the company for instance through training.

3. Top management is not committed to the code of ethics.

4. Pressure to meet unrealistic business targets make employees neglect the code of ethics.

5. Employees fear that by reporting unethical behaviour they might jeopardise their job or alienate themselves from their colleagues.

Of the above mentioned reasons, Webley & Werner (2008) stress, similar to Treviño et al. (1999), that top management's lack of commitment is probably the severest, because it affects the ethical climate in the corporation. If they do not commit to the code of ethics, then '*high standards of conduct will not be regarded as a priority by managers or their teams*' (Webley & Werner, 2008, p. 408). Webley and Werner therefore suggest that

Summary

With the public's eye and disregard hovering over corporations, many corporations have introduced corporate social responsibility initiatives and codes of ethics to regain a good reputation.

Corporations have promoted social responsibility, mostly in the form of discretionary activities, through their websites and campaigns to make their actions known to their stakeholders and the general public. However, these *good* activities do not necessarily make all corporations *good* as unethical behaviour has still been reported about so-called social responsible corporations. Research indicates that this will not be uncommon.

Codes of ethics are supposed to prevent unethical behaviours and today many corporations have a code of ethics. The reason why so many corporations have them is mostly due to legislation and pressure from all sorts of stakeholders. The content of codes of ethics has been divided into three categories: regulatory, aspirational, and educational. Among these three types the regulatory codes, that are deontological, are most common in corporations' codes of ethics.

Although these codes of ethics are meant to provide guidelines for corporate members on how to behave ethically, they have not been able to safeguard against unethical conduct. Before codes of ethics can do their job well several things must be done. Maybe the most important thing, that must be achieved, is top managements' commitment to the codes of ethics. This is extremely important, because this has a big influence on the ethical culture, and thus corporate members' willingness to behave ethically.

Reflection and Remarks

The reason why top management in some corporations do not commit to codes of ethics, can be because the codes have been forced upon them by legislation and stakeholder pressures. From another perspective it can also be due to the present deontological nature of business ethics where being ethical is about complying with universal prescriptions.

Using the terminology of Vitten (1990), business ethics needs to be educational if it is going to be interesting for top management. If this was the case then top management could use business ethics as an active element in shaping the corporate strategy. Including ethics in strategic work is necessary to create a genuine ethical culture according to Webley & Werner (2008). But due to the deontological nature that pervades business ethics, it has been stressed, that business ethics can hardly be used for strategic work. Cummings (2003) explains:

> *'Strategy is about determining and expressing how you are different from your competitors, [while] business ethics appears focused upon bounding organizations to act 'in accordance' or all be the same'* (Cummings, 2003, p. 42)

If top management once again could use business ethics in their strategic work, they would most likely become more committed to business ethics and improve the ethical culture in their corporations.

Stevens et al. (2005) have indicated that this assumption is plausible. In their study of 302 senior financial executives, they found that the executives were indifferent about codes of ethics. However, the executives would actually be likely to use codes of ethics in their strategic decisions, if they thought it could benefit the internal ethical culture,

satisfied salient stakeholders, or improved the company's image. In other words there is hope!

Because strategic work is concerned with how a company reaches its goals in order to fulfil the company's purpose, its teleological nature does not fit with the deontological nature of current business ethics. For business ethics to be incorporated into strategic work wholeheartedly, it should be useful in shaping strategic work rather than limiting it through universal prescriptions.

Aristotle's cure

I believe that an Aristotelian approach to ethics can provide this educational element as it reminds us to develop towards a purpose, while contributing to our community through ethical and political debates and reflection. Using this approach to business ethics could make it useful for strategic work and therefore for management, as it provides aspiration and guidance for the company. In turn, committed managers would have a positive effect on the ethical culture in the company.

Attempts to close the gap between Ethics and Strategy

In the last chapter, I argued alongside Webley and Werner (2008) for the injection of ethics into strategy. It is definitely needed if ethics is truly going to flourish in business. In this chapter I will investigate if others have also urged for the injection of ethics into strategy and why. Although I have an Aristotelian approach in mind for this injection, I will also study how scholars have suggested, that this operation should be performed. However, I will start off by giving an overview of the extent to which ethics have been incorporated into the strategic management literature by presenting two recent studies, that have investigated this. This will illustrate the emphasis ethics receives in business strategy academia.

Ethics in the Strategic Management literature

Cummings & Daellenbach (2009, forthcoming) have made a comprehensive analysis of all the articles published in 'Long Range Planning' from its first publication in 1968 to 2006. The analysis was made to investigate the evolution of strategic management through 40 years and showed, that different themes had come and gone while others have been constant and some are on the rise. They identified that ethics became a key issue around 1972, but then faded away straight after. In 1992 ethics reappeared and has been slowly rising since. Still, ethics was only the key issue in approximately 1 % of the articles published in 2004.

Robertson (2008) has also made an analysis of the importance of ethics in strategic management by analysing the articles in 'Strategic Management Journal' from 1996-2005. The analysis showed that 23 of the 658 articles published in this period, focused on business ethics. In other words, only 2.3 articles per year. The main ethical issues of these articles were environmental issues, ethical policies and planning, reputation

management, white-collar crime, corruption and international market analysis, and assessments of business ethics research.

The evidence from these reviews show that the issue of ethics in strategic work is not unknown, but it has not gained much attention by business strategy scholars so far. The little attention that it has received will be the subject of the remainder of the chapter, where I will look at more sources than just the two journals mentioned above.

The support for ethics rightful place in strategy

A decade after Baumhart (1961) had unveiled the unethical nature of corporations, scholars (Challen, 1974; Wilson, 1974) started to recommend that ethics should be brought into the strategic planning process in the form of social responsibility.

Wilson (1974) for instance explained that strategy was usually based on technological and macro- and micro-economical considerations, but due to the rapid changes in society and a broadening of the concept of social responsibility to include social expectations about the '*scope and objectives of a company's business, its style of operations, its governance, its support for social objectives'* (Wilson, 1974, p. 2), strategy should take social responsibility seriously. At the General Electric Co., where Wilson worked, they included six additional considerations in the strategy process; international, defence, social, political, legal and manpower (Wilson, 1974). Based on the many analyses they could create several alternatives strategic options. They saw it suitable to evaluate them based on questions about social responsiveness, political viability, and employment attractiveness (Wilson, 1974).

Ten years later Archie B. Carroll had teamed up with Frank Hoy (1984) and made the same claim as Wilson (1974) by stating, that social responsibility should not just be treated as '*a residual factor in the environment or as one criterion among many ... to*

evaluate organisational effectiveness...[but be incorporated] into strategic management'
(Carroll & Hoy, 1984, p. 56). They made this claim, because they acknowledged, that the
social environment had a big impact on corporations, which was evident from different
malpractices and scandals during the 1980s.

At the same time the stakeholder approach was introduced into strategic management
by R. E. Freeman (1984). He stressed, that most organisations should no longer view
themselves as autonomous entities, due to the turbulent and rapidly changing business
environments that surrounded them. Instead, organisations had to realise, that they
were part of a larger system together with all their stakeholders.

With the new stakeholder approach, managers 'should *formulate and implement
processes, which satisfy all and only those groups who have a stake in the business'*
(Freeman & McVea, 2001, p. 192) and ensure that '*the interests of key stakeholders
must be integrated into the very purpose of the firm'* (Freeman & McVea, 2001, p. 193)

This statement has created much debate about who the stakeholders actually are (e.g.
Achterkamp & Fos, 2007; Mitchell et al., 1997) because managers should consider the
effect, that different strategic decisions would have on the different stakeholders, and
not only the stockholders which was the norm at the time. Freeman knew that not all
stakeholders could be happy with all the decisions, so it was important to have a shared
set of core values with the stakeholders, if the cooperation was to be long term
(Freeman & McVea, 2001). In other words 'value'-based management should evolve into
'values'-based management. By stressing the importance of values, Freeman implied
that ethics has an important place in strategy.

Shortly after, Daniel R. Gilbert Jr.'s (1986) message was not just that corporate strategy
should become more ethical due to the increased focus on social responsibility or the

changing business environments. Corporate strategy should become more ethical, because corporate strategy was unethical. Firstly, he referred to the *hypothetical imperatives* that should ensure the *Implicit Morality of Free Enterprises* (McMahon, 1981) and argued, that corporate strategy violated all of the imperatives. Then he argued, that corporate strategy also violated Rawl's theory of justice by forcing a corporate culture upon employees. He concluded that *'corporate strategy must take into account the values of individuals engaged in collective economic action'* (Gilbert, 1986, p. 149). In other words strategy must become ethical as it has a duty to do so.

Later, scholars have emphasised the benefits of having an ethical culture. Thompson & Strickland (1999) said that *'an ethical corporate culture has a positive impact on a company's long-term strategic success; an unethical culture can undermine it'* (Thompson & Strickland, 1999, p. 343). You could ask what that has got to do with making strategy ethical. It has everything to do with making strategy ethical, because as we learned from Webley & Werner (2008) top management's commitment to ethics affect the ethical climate of a firm and *'managerial values also shape the ethical quality of a firm's strategy'* (Thompson & Strickland, 1999, p. 58). Logically, if the ethical climate has to improve managers need to infuse strategy with good values that will make strategy more ethical.

At the turn of the millennium both scholars from the US and EU are stressing the importance of infusing strategy with ethics (e.g. Gilbert, 2001; Ulrich, 2002).

Urging for ethics' rightful place in strategy is a good start but how should it be done? As we know there are many different ways of being ethical that lead to different outcomes. In the following we will therefore look at how scholars have proposed that strategy should become more ethical.

Strategy as Duty

The two supporters for infusing strategy with stakeholder values, Freeman & Gilbert (1988), teamed up to get ethics into the core of corporate strategy. Their ethical focus was on individual rights, autonomy and a Kantian view that '*we need to think of corporations as means to individual ends*' (Freeman & Gilbert, 1988, p.158). In other words strategy had a duty towards all the stakeholders.

They were upset that theories and models of corporate strategy did not consider stakeholders' values but only considered stakeholders as means to production. They stated, that by ignoring the stakeholders' values, it will be difficult to implement a strategy, because when stakeholders' values clash with the values inherent in the strategy, ethical dilemmas will arise. This notion should be considered in strategy formulation, because all stakeholders will be affected by it. Therefore '*we must put ethics in its rightful place at the very centre of discussions about corporate strategy*' (Freeman & Gilbert, 1988, p.7)

They proposed that the concept of Enterprise Strategy (E-Strategy) could replace corporate strategy. The main drivers for the E-Strategy's formulation process would be the purpose and values of the corporation, internal and external stakeholders. The process is shown below (Freeman & Gilbert, 1988, p.83):

1. It requires managers to reason about the purpose of the corporation and values, by taking a hard look at management's purpose and seeing if they match with annual reports, press releases, employee communication, and daily operation of the business.

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2. Have conversations with employees to investigate how far away from the fundamental purposes and values of employees the current thinking of management is.

3. Have the same conversations about purposes and values with key stakeholders.

4. When a preliminary E-Strategy has been formulated it should be subject to rigorous criticism by all concerned.

Purposes and values will undoubtedly clash in this process, so in order to make the best E-Strategy Freeman and Gilbert stated that a reflective equilibrium must be considered. The reflective equilibrium consists of moral principles that '*should apply to everyone, not only for a particular situation*' (Freeman & Gilbert, 1988, p.57). A process that requires us to reflect on the moral rules that we use in business by applying them in innumerous cases and modifying the principles, according to the gaps we encounter in the cases.

The moral principles that Freeman and Gilbert think are important for an E-Strategy are the following principles that show their adherence to deontology (Freeman & Gilbert, 1988, pp. 168-170):

1. **The principle of personal autonomy**: Persons have the right to formulate, articulate and pursue projects, unless in doing so they violate the rights of others.

2. **The principle of conventional rights**: Persons' rights are a matter of general agreement among members of the community

3. **The principle of respect for persons**: Persons have a duty to treat others as ends in themselves, rather than as mere means.

4. **The principle of voluntary agreements**: Persons have the right to enter into voluntary agreements with others in order to accomplish their projects.

5. **The principle of human institutions**: Institutions, for example, corporations, exist as a mere means for the accomplishment of the projects of institutional members.

6. **The principle of corporate membership**: Corporate members have the right to participate in those decisions which affect the accomplishment of their projects in an important way. Typical corporate members include managers, stockholders, employees, suppliers, customers, and community representatives.

Summarising Freeman and Gilbert approach, they stress that corporations should include many different stakeholders in the strategy formulation process, view everyone as ends and enforce several rights and duties.

I think that this approach can only work in an idealistic world. Although we should use ideals to inspire us, this approach is just not practical. This is mainly due to many diverse and clashing projects that would exist, which they actually acknowledge themselves. Let us take an example of three stakeholders in a company. A production worker's 'project' is to earn money for his family, so they can enjoy a decent lifestyle. The 'project' for an engineer in R&D is to create the best automatic production site ever. The 'project' of the CEO is to drive forward the company in the most profitable way possible. The engineer's and CEO's 'projects' are compatible, because the engineer's 'project' will reduce production costs if the manual labour cost can be reduced. This will of course inflict on the production worker's 'project'. According to the moral principles, people's rights must not be violated. But whose rights take precedence? Conventional rights against workers being made redundant, cannot be expected. If the production worker is made redundant, is he not just treated as a means to production? That is clearly against their 'principle of respect'. Does the company then have to find a new job for the production

worker so his 'project' is not violated? Is it even realistic to reach a reflective equilibrium? Many more questions would arise as personal projects and principles continue to clash in practice.

Strategy as Objective Ethical Pluralism

Larue Tone Hosmer (1994) has proposed, that strategy should be informed by all the principles from the objective ethical theories. He proclaimed that this is the best way of generating trust between a corporation and its stakeholders. In turn, this trust will create commitment to the corporation, that will ensure a cooperative and innovative effort from their stakeholders. According to Hosmer, this '*will lead to competitive and economic success, however measured, for that firm over time*' (Hosmer, 1994; p.32).

Hosmer (1994) acknowledged that corporations are dependent on a wide variety of stakeholders, so they must see themselves as part of an extended organisation along with their stakeholders. A corporation must therefore consider which moral problems may arise between it and its stakeholders that could cause negative reaction the extended organisation. He claimed that subjective ethical judgements are inappropriate for corporations in a global economy, because these subjective judgements will vary by culture, country, and time. Hosmer stated, that when stakeholders are from another culture or country, it is only by considering all the objective ethical principles that potential and actual ethical problems can be recognised. Hosmer explains that this is because '[*objective ethical principles] remain exactly the same across cultural groups, national states and historical periods*' (Hosmer, 1994, p. 24).

Hosmer (1994) states, that when ethical problems are recognized, solutions will inevitably produce benefits and harms for the stakeholders. For that reason, a corporation should resolve ethical problems through an objective process, where

objective ethical principles are used to compare the interests and rights of the different stakeholders and distribute the harms and benefits in the fairest manner possible (Hosmer, 1994). If this is done with the virtue of integrity, trust will be generated as showed in Hosmer's model below.
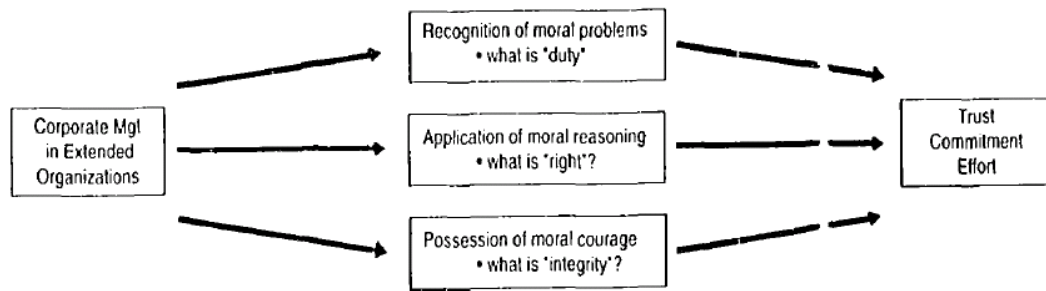
Figure 4: The strategic importance of objective ethical considerations (Hosmer, 1994)

Hosmer's (1994) argument of the necessity of using all the objective ethical principles for recognition purposes is a good argument, but since all the objective ethical principles, he refers to, are derived from western philosophy and Judean/Christian traditions he ignores an important issue. What if the stakeholders are from cultures and/or countries that do not base their ethics on western philosophy or Judean/Christian traditions? Do they really share western objective ethical principles? Would it be right to label them according to western definitions? Do definitions of human rights align between western and eastern cultures? Not everyone agrees.

In an article called 'Are Human Rights Universal?' Shashi Tharoor (1999) points out the following critical philosophical statement: '*If there is no universal culture, there can be no universal human rights*' (Tharoor, 1999, p. 1). The former Iranian UN representative, Said Rajaie-Khorassani, also said in 1981 that the Human Rights are a secular

understanding of the Judeo-Christian tradition, which could not be implemented by Muslims without trespassing Islamic law (Littman, 1999).

Hosmer's (1994) proposition about using universal objective principles to inform strategy in a global economy can therefore turn out to be unwise, as a company's stakeholders can come from non-western cultures and/or countries, that might have a different view on what is good ethics.

Using objective ethical principles can lead to different results. It makes you wonder, how to choose between them, when they lead to different results. This will no doubt lead to many headaches if managers try to use Hosmer's instructions.

Strategy as Moral Philosophy

Alan E. Singer (1994) has also promoted the use of diverse major ethical theories in strategy. With the appealing title *Strategy as Moral Philosophy*, he sets out to enlighten us 'why and how' strategy should be informed by ethics. His first 'why' argument is that strategy is connected with ethics through rationality on a meta-level, because they are *'broadly concerned with the same problems of action, decision and behaviour set in socioeconomic contexts'* (Singer, 1994, p.200). His second 'why' argument is that corporations can be viewed as moral agents. On account of these two arguments, he claims ethics should be used to inform strategy.

Singer explains that core strategic concepts are derived from economic theory, which assumes certain forms of economic rationality. He goes on to argue that other forms of rationality also inform strategic concepts and then he outlines a list of 40 different forms of rationality that inform many different strategic concepts. Furthermore he claims that these 40 forms of rationality *'are intertwined with almost all of the major approaches to*

ethical reasoning, such as teleology, deontology and contractarianism' (Singer, 1994, p. 200)[6]. Ethical considerations are therefore connected with strategic considerations.

Previously arguments have been made, that it was nonsense to say that companies should be ethical because ethics only concern moral agents. However, Singer (1994) claims that corporations can be seen as plural rational agents, because previous arguments against this view have now been rejected due to research of cognitive limits, social choice, systems theory and political perspective. In a similar fashion, he claims that because corporations can be seen as plural rational agents, they can also be seen as moral agents, because arguments against this claim have been challenged and new arguments for this claim, have emerged. The illustration below shows Singer's rationale as to why corporations are moral agents as described above.
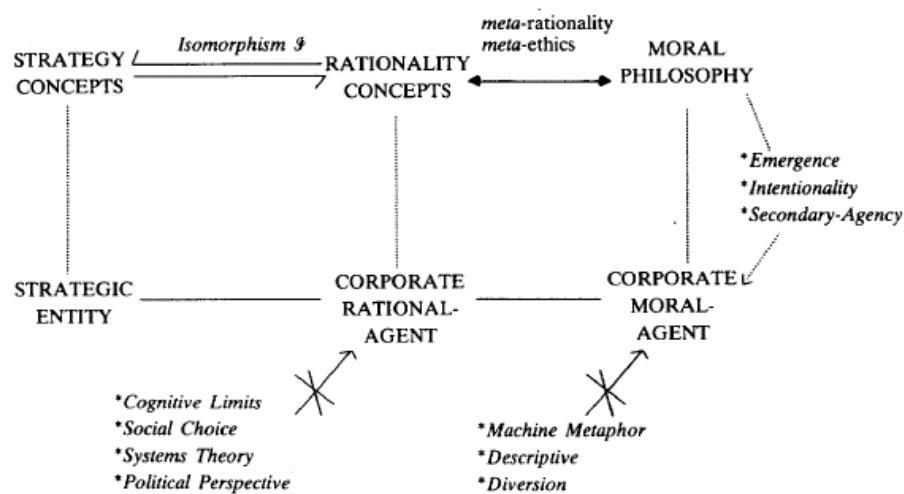
Figure 5: The reason why corporations are moral agents (Singer, 1994)

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[6] Ethical theories based on rights are also called contractarian theories because they are derived from a fictional contract between people. In this thesis I have labeled the contractarian theories under the deontological theories because, although they focus on rights, they also demand duties as we are not allowed to violate the rights others rights.

Singer's 'how' argument is that managers, who already are implicitly choosing rational-ethical principles when they use particular strategic concepts, should use his list of 40 different rational-ethical principles and strategic concepts as a checklist when making strategic considerations thereby ensuring a good process. Another way to use the list is to inform strategic concepts in new ways by including new different types of rational-ethical principles, than previously used.

Strategy as Moral Philosophy does a good job in promoting and justifying ethics' place in the realm of strategy. Unfortunately it does not supply a very good manual for deciding on what is a good ethical strategy. The main story is that *'the complexities and ambiguities of the various meta-relationships could be avoided, simply by appealing to all the principles of plural rationality and ethics'* (Singer, 1994, p. 204). Unfortunately *Strategy as Moral Philosophy* actually becomes complex and ambiguous to use, because it does not give any information about the different ethical outcomes that utilitarianism, contractarianism, and deontology promote, and there is no guidance on how to prioritize. It basically promotes an ethical relativistic approach, were managers can pick and choose whatever rational-ethical principles they find suitable or interesting.

Strategy as Justice and Caring

Scott J. Reynolds (2003) has presented an international strategic decision making framework that incorporated strategic consideration with considerations about ethics of justice and caring. He stresses, that the intertwining of strategy and ethics in decision-making is needed, because it is a big problem that strategy and ethics are seen as two different realms. The consequences are that (Reynolds, 2003):

1. ethics and making profit is not perceived as compatible and therefore

2. ethics and strategy are not considered simultaneously in decision-making

3. managers become less familiar and less competent in using ethical decision making tools.

Reynolds (2003) states, that because ethics and strategy are not considered simultaneously in decision-making, strategic decisions might lead to unethical behaviour and scandals.

Reynolds (2003) explains that in an international context a company's strategy will be found in the tension between the pressure to integrate (i.e. reduce overall costs of operations while optimizing operations) and the pressure to be responsive to local competitive and customer demands. On a similar note, he states that being ethical will be found in the tension between being just and caring. He asserts that the strategic concern for integration overlaps with the ethical concern for justice. Likewise, the strategic concern for responsiveness overlaps with the ethical concern for caring about others as illustrated in figure 6.
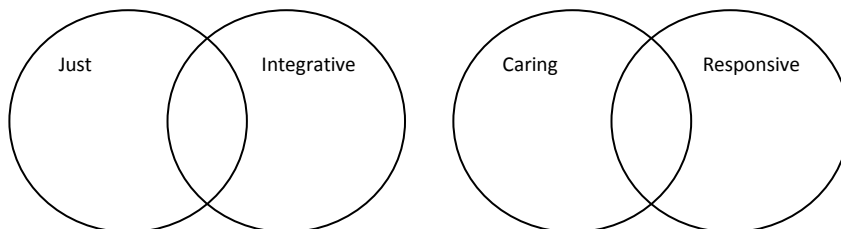
Figure 6: The connection between ethics and strategy (Reynolds, 2003)

His argument is that decisions can be just without being integrative and vice-versa, but also just and integrative at the same time because both concepts, at fundamental level, concerns '*creating and maintaining functional relationships among individuals within a social unit*' (Reynolds, 2003, p.367). Likewise, decisions can be caring without being responsive and vice-versa, but also caring and responsive at the same time because both

concepts are concerned with '*how the organization and its members meet the very specific needs of those with whom they interact*' (Reynolds, 2003; p.369). By considering these concepts we can make decisions that at the same time are just, integrative, caring and responsive (Reynolds, 2003). Thereby the decisions are both ethical and strategic.

Reynolds approach will be very difficult to use in practice as it is very abstract. The notion that you have to make just decisions, does not bring much guidance as justice can take many forms, depending on the ethical viewpoint you take (e.g. deontological or utilitarian). Reynolds also acknowledges this but hopes that his approach will help make people understand that ethics and strategy is compatible.

Strategy as Convention

After having stressed the duties of strategy with Freeman (Freeman & Gilbert, 1988), Gilbert seems to have changed tactics on how to make ethics part of strategy. In his book *Ethics through Corporate Strategy* (Gilbert, 1996) he changed his focus from ethics of duties to ethics of opportunities.

Gilbert (1996) was fed up with '*the assumption that ethics is alien to most [business] people's dispositions and experience*' (Gilbert, 1996, p. 10) and that people needed to be told how to act ethically by senior executives and consultants. He wanted to tell the whole world that people can be ethical because they have a right to pursue their own projects in life, if they do so in a self-restrained way, whereby they do not affect others' projects negatively. Thereby he was continuing with his logic about human rights from earlier (Gilbert, 1986; Freeman & Gilbert, 1988).

Gilbert (1996) presented a way to let ethics permeate strategy that he called *Strategy Through Convention* which is '*the story about persons seeking to lead lives of self-improvement through their autonomous, interdependent, and self-restrained efforts*'

(Gilbert, 1996, p. 13). This story must be remembered by the corporate strategists when they develop a strategy. The strategy must therefore be conducive for the stakeholders' personal projects by considering the following three questions (Gilbert, 1996):

1. What accomplishments are the stakeholders striving for and why?

2. Given the different accomplishments that the stakeholders are striving for, what common grounds can be formed by the stakeholders which they can share and jointly shape?

3. Given the different common grounds that can be formed, how are conducive connections created between the common grounds whereby all the stakeholders contribute to each others' accomplishments?

In order to answer the first question, Gilbert (1996) is urging corporate strategists to talk to all the stakeholders, as he did eight years earlier with Freeman (Freeman & Gilbert, 1988). Again we must visualise an ideal world if Gilbert's proposal is to work. An ideal world where a corporation, with its hundreds or thousands of stakeholders, could stop the clocks in order to have honest one-to-one conversations with all its stakeholders, before trying to group them together in special nurturing environments. It would probably work wonders in small companies with only a handful of stakeholders but for corporations, it seems utopian.

Strategy as Shared Ambition

Hubert K. Rampersad (2003) believes that ethics and strategy should evolve only from the managers' and employees' perspective. He advocates a teleological view of personal ambition and states that ethical behaviour is when there is alignment between personal ambition and behaviour.

On the strategy side, Rampersad (2003) is inspired by the Balanced Scorecard (Kaplan & Norton, 1996) that promotes a similar teleological view for strategy development (ambition) and implementation (behaviour). Following this logic the Balanced Scorecard is the top management's strategy tool to create an ethical strategy by aligning strategic ambition and behaviour. However, it can only be a truly ethical strategy if it includes the personal ambitions of the employees as well as top management (Rampersad, 2003).

For that reason, Rampersad (2003) introduces a *Personal Balanced Scorecard* for the employees in addition to the *Organisational Balanced Scorecard* for the top management. These two Balanced Scorecards should then be aligned, in the best possible way to create a good ethical strategy.

The approach used by Rampersad (2003) has an Aristotelian flavour about personal development, but it limits the environment to only include considerations about the internal stakeholder environment and not the external stakeholder environment.

I believe a good ethical strategy should make an explicit connection to the external stakeholders as well. Rampersad's approach is also weak in explaining, how all the different *Personal Balanced Scorecards* should be combined with the *Organisational Balanced Scorecard*.

Strategy as Authenticity

Jeanne Liedtka (2008) promoted a similar approach as Rampersad (2003) but with a different twist. She has investigated the concept of authenticity and proposed that strategy will be more ethical in an authentic organisation. Generally authenticity is about '*being true to oneself*' (Liedtka, 2008, p. 238) and is shaped both by our personal development and the dialogues we have with others.

Liedtka (2008) explains that strategy making is usually exclusive for senior executives, who create a formal strategy and try to implement it by communicating it down to the employees. She states that this classic and widespread way of making strategies is seldom successful, because the employees simply do not see these strategies as personally relevant or personally meaningful.

The main factors why employees do not commit to strategies are the lack of participation and 'voice' in the decision making processes as well as the feeling that they are replaceable (Liedtka, 2008). She explains that a way to regain employees' commitment to strategies is to let them participate and be heard in the strategy formulation process by letting them talk freely. Thereby they will be authentic and the organisation can become authentic (Liedtka, 2008). She suggests that a strategic intent should be made in consensus between management and employees, where everyone is allowed to express their desires for the future of the organisation.

The premise of Liedtka's (2008) proposal was in the very spirit of the Aristotelian approach, where personal and communitarian considerations should be made but, like Rampersad (2003), she only included the considerations of the management and employees. It could be argued that in practice the external stakeholders would implicitly be considered by the internal stakeholders, but it is not explicitly addressed in Liedtka's proposal.

Strategy as Ethos

A third teleological approach that has been made by Stephen Cummings (2003) is actually an approach derived from Aristotelian ethics. Similar to Liedtka (2008), Cummings claims that strategy will be more ethical in an authentic organisation. However, authenticity has bad odds, because common codes and values are being

prescribed by consultants to companies as a form of best-practice ethics (Cummings, 2003). Consequently, companies are transforming into faceless entities, that are hard to differentiate (Cummings, 2003). Best practice business ethics can therefore not be part of a company's strategy because *'strategy is about determining and expressing how you are different from your competitors'* (Cummings, 2003; p.42), while best practice is about copying others.

Cummings (2003) notes, that research has found that people actually think about companies as if they were different people with different values. To prescribe similar values to different companies would therefore not make sense. For the sake of companies' identity and strategy, Cummings proposed that we dismiss the notion of there being universal codes and values acceptable to everyone and return to the ethics of Aristotle, where good ethical behaviour is subjective to an individual. As we know from Aristotelian ethics, good ethics does not consist of universal rules or principles, but varies from person to person, depending on what his/her specific state and purpose in life is.

According to Cummings (2003) a company should use an 'aretaic' approach to strategy where the company make the following three considerations:

1. What is the company's purpose?

2. What is the company's current state?

3. How should the company behave in order to get from its current state to that of its purpose while contributing to its community?

The message here is that a company needs to self-reflect about its personality and how it should be. By realising the gap between these two states, the company can determine

how it ought to behave in different situations, but it must be remembered that its actions should not be disadvantageous for its stakeholders.

Thinking you know how to behave does not necessarily make you do the good thing. Cummings (2003) uses the example, that by trying to be courageous, you might end up trying so hard that you act too rash, or you might not try enough and act cowardly.

Opposed to Liedtka (2008), Cummings (2003) has explicitly put the external stakeholders back into focus and not just the internal stakeholders. Further, it is positive that his focus is on the company as a moral agent within its stakeholder community. Thereby we do not forget that corporations have an identity that is different to its corporate members, although they also influence it (Collier, 1995). Unfortunately, Cummings (2003) does not provide a good solution for a company to understand, whether its action will contribute to its community. By not considering this aspect, the company might perform a seemingly ethical action, from its own point of view, but unethical from some of its stakeholders' point of view, which could turn out disastrous for the company. A more practical consideration is needed towards the stakeholders.

Summary

The importance of injecting strategy with ethics has been supported by several scholars and many different ways have been proposed of how to do this. Some scholars believe that by using many different ethical approaches to strategy, we would be sure to have an ethical strategy, but the applicability of such approaches is questionable, due to many clashing ethical views. Especially a purely deontological approach has fallen into this trap by adhering to many different principles but not knowing how to prioritise these, when they clash.

Other scholars have proposed a teleological approach, where managers' and employees' ambitions or voices should guide a company towards an ethical strategy. By finding the shared ambition or voice, the company could build an ethical strategy, because it will receive genuine support from most managers and employees. Albeit admirable, a point of critique for these teleological approaches is that they do not explicitly consider the external stakeholder environment and the fact, that corporations have identities that are different from the sum of its corporate members.

Strategy as Ethos (Cummings, 2003) is a promising approach. This is an Aristotelian approach. The approach recognises that a company can have a unique identity and therefore, ethical actions are those that are loyal to its identity and purpose. Another important feature of this approach is that the company's actions should contribute to its external stakeholders as well as the internal stakeholders, because these make up the corporations' community.

Whether a company actually contributes to its stakeholders is sometimes questionable and unfortunately *Strategy as Ethos* does not provide any considerations to this point.

Reflection and Remarks

Cummings (2003) approach is good because it is an approach where the company must look inwards as well as outwards to make a good and ethical strategy. Because it does not provide any considerations about what is good for the community, I think that by applying Aristotle's rhetorical considerations we can fill this gap.

It is important to make rhetorical considerations, because it brings attention to the controversy that may arise between a company and its stakeholders after strategic decisions have been made. Controversies between a company and its stakeholders can have a negative effect not only on the relationship between them but also the

company's reputation. If the company's reputation is damaged, it can have severe economical consequences for the company (Fombrun et al., 2000).

Strategy makers should evaluate their possible strategic decisions by comparing them with the probable opinions of diverse stakeholders. As a result, strategies can be tailored to suit the corporation's purpose as well as the good of its stakeholder community. Strategies will then become ethical!

Strategy as Ethical Persuasion

'*Given the ubiquity of the perception that ethics is ethics and business is business,*

the more tools and perspectives that bridge these two areas the better' (Reynolds,

2003; p.376)

As a response to the recommendation above and the gap identified between strategy

and ethics and especially considerations about what is good for the community, I will

present a framework that connects strategic considerations with Aristotelian

considerations about ethics, politics, and rhetoric. I call my framework 'Strategy as

Ethical Persuasion' and it is inspired by Cummings' (2003) Aristotelian approach to

strategy and Aristotle's (2007) work on rhetoric.

Cummings' Aristotelian approach

As we just learned, Cummings (2003) argued that when making a strategic decision the

following three questions should guide the decision:

1. What is the company's purpose?

2. What is the company's current state?

3. How should the company behave in order to get from its current

   state to that of its purpose?

Cummings (2003) also reminded us that the decision must contribute to the company's

community (i.e. stakeholders). I believe that by utilising Aristotle's rhetorical

considerations, we will be able to make strategic decisions that are ethical, because they

will be better matched with the stakeholders' opinions and expectations.

Aristotle's rhetoric

Aristotle defined rhetoric as *'the ability, in each particular case, to see the available means of persuasion'* (Aristotle, 2007, p. 37). He stated that there are *three means of persuasion*, namely *Ethos, Pathos, and Logos*, which should be considered, when wanting to persuade an audience. However, they are not means for a communicator to use, because they are qualities that the audience attributes to the communicator depending on how the communicator makes his/her proposition.

Below are examples of the interaction between a speaker and his/her audience of how the three means of persuasion can occur:

Ethos

A speaker can be attributed Ethos by his/her audience, if the audience perceives the speaker as credible when making his/her proposition. For instance, the audience will be more likely to believe a doctor giving health advice than a hairdresser giving the same advice.

Logos

A speaker can be attributed Logos by his/her audience if the audience thinks that the speaker is providing logical support for his/her proposition. For instance, the speaker refers to reports made by scientists, who support the proposition, rather than just arguing of the top of his/her head.

Pathos

A speaker can be attributed Pathos by his/her audience if his/her proposition moves the audience emotionally. For instance, the speaker stresses how the proposition will help starving people in Africa, rather than just saying it is a good investment.

The speaker should take into account how the three means of persuasion can improve the argumentation for the proposition, so the audience is more likely to see the proposition as he/she does. If the speaker appears to possess all three modes in the minds of the audience, then the speaker delivers a persuasive argument.

There is no best practice for building persuasive arguments, because as Fortenbaugh (2006) points out a speaker is concerned with *'persuading a particular audience and therefore must argue from the beliefs and conceptions actually held by a given audience'* (Fortenbaugh, 2006, p. 112). The speaker must understand the audience, in order to provide the strongest argument. For instance, the speaker should perhaps be more focused on evoking Ethos and Logos than Pathos when trying to persuade a group of investors to invest in a new storage unit.

Although there is no best practice for building persuasive arguments, Wisse (1989) explains that in the courtrooms in ancient Greece, the accuser and the accused build their arguments by first trying to establish goodwill, then, they would deliver their main arguments and finally try to arouse hatred against the opponent and pity for himself among the audience. In other words the speaker would try to be attributed Ethos before he tried to be attributed Logos and finally Pathos.

This will obviously not always be the best way forward, as persuasion is not restricted to courtrooms. I do think that being attributed Ethos is the foundation for ethical persuasion, because Ethos should reflect the moral character of the speaker. Logos and Pathos should then compliment the ethical proposition, depending on the situation. Figure 7 shows my hierarchy of the three means of persuasion.
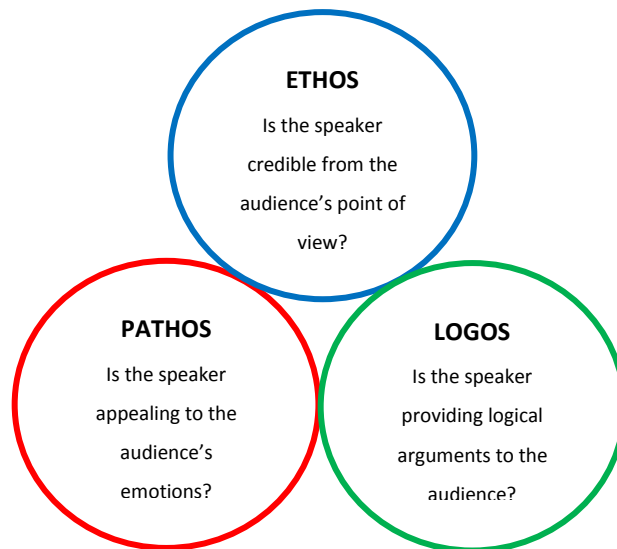
Figure 7: The hierarchy of ethical persuasion

Rhetoric for strategy

An important part of strategy is to keep stakeholders happy, as many competitors may be fighting for the same stakeholders support (e.g. same customer segment, same suppliers, or same qualified employees). Strategic considerations should therefore also be concerned about persuading people and/or organisations to support the company. If the 'three modes of persuasion' are transferred to strategic decision making, the following three rhetorical considerations should be made before deciding on a strategy:
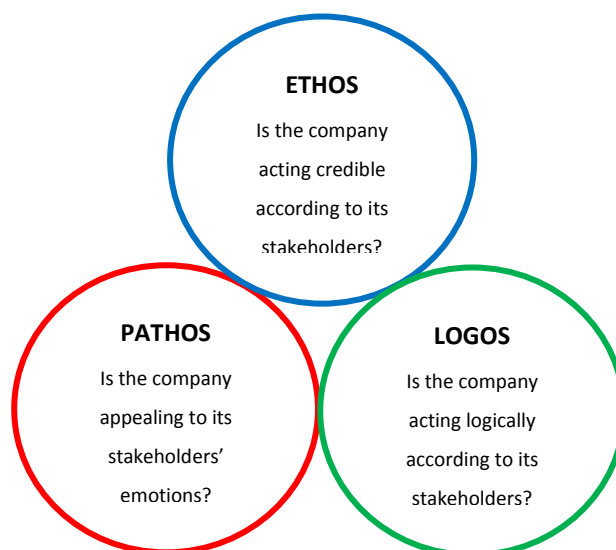
Figure 8: Rhetorical considerations for strategic decisions

There are many different ways that a company can affect the degree of Ethos, Pathos, and Logos that is attributed by its stakeholders but it depends a great deal on the history the company has with its different stakeholders.

In my framework for *Strategy as Ethical Persuasion* the rhetorical considerations will therefore not be specified further. It will then be up to the strategic decision makers to make the appropriate considerations and judge, if their suggested strategic decisions will be acceptable from their stakeholders' point of view.

Aristotelian Framework

The framework for 'Strategy as Ethical Persuasion' is presented below.

1. What is the company's purpose?

2. What is the company's current state

3. How should the company behave in order to get from its current state to that of its purpose?

   Identification of strategic options

4. Selection of possible strategic options.

5. Which stakeholder will be affected by the strategic options?

ETHOS

Is the company acting credible according to its stakeholders?

PATHOS

Is the company appealing to its stakeholders' emotions?

LOGOS

Is the company acting logically according to its stakeholders?

   Evaluation of the effect on stakeholders

6. Choose strategic option(s) for implementation

The first section (i.e. step 1-3) of the framework is about identifying possible strategic options, by following the process from *Strategy as Ethos* (Cummings, 2003). In step 4 all

the possible strategic options are selected, if they live up to ethical/teleological criteria inherent in the first section. In step 5 the stakeholders, who will be affected by the selected strategic options, are identified and the strategic options are evaluated, according to their contribution to the stakeholders, by evaluating the strategic options according to the three means of persuasion. In the last step (i.e. step 6) the strategic options are chosen for implementation when they are regarded as contributing to the company's community by benefitting and/or being acceptable to the stakeholders.

A strategic option should not necessarily be discarded because it does not seem to be persuasive at first sight. It might be reformed so it still meets the requirement of the first section while now being more persuasive. When an option has to contribute to the company's community, I am not suggesting, that all stakeholders should be considered equally. It would not be fair, for instance, to consider a small customer equally to a very important distributor. How the company should consider its different stakeholder will depend on the specific case.

With this Aristotelian approach and framework, I believe that strategies can become ethical, because considerations about the stakeholders and what they might think about the strategy will be included. They can therefore be re-tailored to suit both the company and its stakeholders if a mismatch has been identified.

A short recap prior to the field research

Before we proceed to my field research, I think this is an appropriate time to recap, what has been found and argued, so far, in this thesis.

Findings and arguments

1. Defining what good ethics are is not easy because many different theories about this matter have been proposed. Roughly these theories can be divided into Aristotelian ethics, deontology, and utilitarianism. Deontology and utilitarianism are objective ethical theories as they take a universal and impartial view on ethical issues. Aristotelian ethics is a subjective ethical theory as it takes personal as well as communal issues into consideration.

2. Research has found that middle managers mostly use utilitarian reasoning in their decision making. It has been argued that this is due to economical pressures, which make good sense as the corporations utility is measured in profits.

3. However the corporations' ethical reasoning is not utilitarian but egotistical due to different historical events, like the moral justification of business egoism during the 18th century and Social Darwinism's focus on 'survival of the fittest' in the 19th century. This has unfortunately resulted in many corporate scandals and ruined the public's belief in ethical corporations and, in turn, corporations' reputation during the latter half of the 20th century.

4. Corporations have tried to rebuild their reputation as good businesses by introducing corporate social responsibility and codes of ethics. Unfortunately these initiatives have not guarded against unethical conduct.

5. Scholars point to the fact, that the dominance of objective ethical theories in business ethics makes it hard for business people to behave ethically, because these theories omit contextual considerations. The objective ethical theories demand compliance with universal principles no matter what. Because of this, business people can even become amoral in worst cases, as they might be forced to act against their own moral conviction.

6. An Aristotelian approach to ethics has been proposed by several scholars as a way to get morality back into corporations. By viewing the corporation as a community where corporate members should be encouraged to develop practical wisdom through debate and reflection on ethical issue, they will be better suited to make *good* decisions about actual and future ethical issues rather than objectively *right* decisions.

7. It has been found that the ethical culture in corporations depends on managements' commitment to the codes of ethics. If they do not commit, then everyone below and around them in the corporations will not be encouraged to commit to ethical conduct either. Therefore, it is important all managers commit to ethical behaviour.

8. Since the deontological focus of codes of ethics is of no use for the teleological focus of strategic work, this can be a reason why top and middle managers with strategic responsibilities are not committing to the codes of ethics.

9. In the same vein, several scholars have stressed the need for injecting ethics into strategy. They have suggested different approaches to make strategy ethical by utilising different or multiple ethical theories to do this. However, they have different flaws.

10. Based on Cummings (2003) Aristotelian approach to make strategy ethical, I have argued for the same Aristotelian approach to ethics but with rhetorical considerations incorporated, as this should provide improved means to anticipate stakeholders' reactions to strategic decisions.

Methodological Design

Although it has been argued that an Aristotelian approach to ethics can make corporations more ethical, this statement will not be the focus of my field research. This would require a longitudinal study that investigates the implementation and effect of an Aristotelian approach to ethics.

I will limit my field research to investigate if managers believe that strategy can be made more ethical by using an Aristotelian approach.

I believe that using an Aristotelian approach to ethics can make strategy ethical, but rhetorical considerations should be included to make the approach more useful for managers. To prove my point, I want to test my Aristotelian approach in businesses, so I can explore its potential usefulness. In order to conduct good research, I have made several methodological considerations. This section describes these methodological considerations for my research.

Research questions

The purpose of my research is to investigate this main research question:

Could an Aristotelian approach to ethics make strategy more ethical?

To be able to answer this main research question, I want to investigate the following three sub-questions:

1. Could my Aristotelian approach to ethics be useful in guiding strategic decision making?

   The answer to this sub-question will indicate if it is appropriate to use the Aristotelian approach for strategic decisions.

2. <u>Could rhetorical considerations be useful for strategic decision making?</u> This sub-question overlaps with the first sub-question but I have chosen to separate it from the first because it will be interesting to know, if it is useful to incorporate rhetorical considerations in strategic decision making, as I recommend.

3. <u>Would my Aristotelian approach to ethics be considered ethical?</u> The answer to this sub-question can make it debatable whether it is justifiable to call the Aristotelian approach ethical.

Methodology

In doing my literature review I did not come across any research that described how or whether ethical considerations are in fact part of strategic decision making processes in companies. As the purpose of my research is to investigate whether an Aristotelian approach could make strategy ethical and there seems to be no prior knowledge about this I will conduct basic research as '*the purpose of basic research is knowledge of the sake of knowledge'* (Patton, 2002, p. 215).

The type of research I will do is exploratory as '*an exploratory study is undertaken when little is known about the situation at hand'* (Cavana et al., 2001, p. 108). Because of the exploratory nature of the study, I find it appropriate to use a qualitative research design where I take an inductive approach (Bryman & Bell, 2003) as I do not wish to test hypotheses but investigate my research questions so I can generate knowledge about the link between ethics and strategic decision making.

Research sample and recruitment

The ideal way to investigate whether an Aristotelian approach could make strategy more ethical would be to question many different managers who have knowledge and experience about strategic decisions, from many different companies in different industries. But given the exploratory nature of my research, I am satisfied with a research sample of three managers, who are from different corporations in different industries.

In order to achieve this sample, I have chosen to mix a handpicked sampling approach with convenience sampling (O'Leary, 2004). This is a non-probability sampling design that makes generalisability very difficult (Cavana et al., 2001), but since insight on usefulness is important, and not generalisability, it does not jeopardise my research.

The handpicked sampling approach is chosen, because of my earlier mentioned criteria about the managers' insight on strategic decision making and diverse types of industry, but also because I have an extra criterion for the sample. The extra criterion is that the managers must work in corporations that communicate to the public that they are engaged in ethical conduct. My assumption is that these managers are most likely to make ethical considerations and perhaps include these in their strategic decision making.

It would be extremely time-consuming for me to identify all the companies that commit to ethical conduct, so after spending some time searching for relevant corporations on the internet I decided to go to a job-fair in Copenhagen where many different corporations were present. By talking to some of the people from the different corporations, I identified several corporations that could be suitable for my research. By speaking to people from different corporations, I tried to get access to some of the

corporations by explaining, what my research was about and persuade them to participate.

Two of the companies that I contacted at the job-fair agreed to participate.

In order to find a third company to participate, I contacted some of the interesting corporations, I had found on the internet, and obtained details about at the job-fair. I used the convenience sampling method by only contacting companies that were located in or close to Copenhagen where I live.

I contacted the companies by calling the Human Resource (HR) Departments, as they normally help out students, who want to use information from their companies in a thesis. I gave them a brief summary of my research. At the end of our conversation, they usually asked me to email them a detailed description of my research stating what kind of participant I had in mind and other relevant information. My email would then be forwarded to relevant managers. Other HR personnel also gave me a direct telephone number to relevant managers, for me to speak to them. It was through the direct contact, I found my final participant.

Research methods and tools

Being an exploratory qualitative study, I found it appropriate to conduct interviews because this technique generates lots of data quickly about participants view on a specific subject (Marshall & Rossman, 2006). To get the most out of my interviews, I decided to use an interview guide (see Appendix 2 – The Interview Guide, p. 146) whereby I could cover the topics I was interested in by talking freely about them with the respondents and using follow-up questions (Patton, 2002).

As I would be dealing with busy managers, I was careful not to be of any inconvenience to them. I let them decide where and when the interview was to take place. I wanted to make the most out of my interviews. Therefore, I tested my interview guide on a relative, who is a manager, with knowledge and experience in strategic decision making. By doing this test, I could make appropriate corrections before the real interviews.

During my interviews I would have to explain Aristotle's approach to ethics and how my framework should be used. In order to be able to deliver a similar presentation to all the respondents I formulated and practiced my presentation several times before the interviews. This was important as different presentations might cause a different understanding of the Aristotelian approach and in turn risk the comparability of the findings and, in turn, the validity of the research (Patton, 2002).

I was aware that conducting interviews, where lots of data is generated, it was important to capture all the information and to be as unbiased as possible (Bryman & Bell, 2003). For that reason, I used a digital recorder to record my interviews, so I could ensure as much authenticity as possible into my summaries of the interviews. Using the digital recorder also gave me the freedom to focus 100 % on the respondents instead of making notes.

When conducting interviews there is always the danger that the interviewer and respondent misinterpret each other (O'Leary, 2004). To avoid this happening I emailed each respondent my summary of the interview in order to allow them to rectify statements, and finally confirm the authenticity (O'Leary, 2004) of my summaries, which they all did. Later, I also contacted two of the respondents to clarify some of the things they said. This was done as telephone interviews, where I had my telephone on loudspeaker so I could record the interview on my digital recorder, in order to capture

the exact wording of their answers. Conducting the extra interviews in this way was appropriate as the respondents already had talked about these issues and needed no further visible instructions.

Analysing and reporting the data

In order to analyse the raw data from my interviews, I made three case studies (Patton, 2002) where I reported what the respondents had told me according to the different issues I wanted to investigate as well as providing a description about their qualifications, their personal views on ethics, and their knowledge about strategic decision making. When the three case studies where completed I compared the findings and discussed them according to my research questions.

A word of caution should be made about the quotations in my case studies. As the respondents were all Danish, the interviews were conducted in Danish. Therefore the quotations have been translated from Danish to English by me. All the quotations are translated based on the respondents' exact wording of their answers, but sometimes it can be hard to capture the exact meaning in another language. I have done my best to quote the respondents as precisely and authentically as possible.

Ethical issues

Ethics is not just the focus of my research but is also very important to consider before embarking on my research. Cavana et al. (2001) explains that a researcher is accountable for three stakeholder groups; the research subjects, society, including one's profession, and sponsors or clients. For my research ethical focus has been on the research subjects and my role as a student researcher.

Given the sensitive nature that discussing strategy has, O'leary (2004) has pointed out three important ethical issues to consider towards the respondents:

1. Respondents have to give informed consent.

2. Respondents must be given confidentiality.

3. Respondents will not harmed by the research.

I ensured informed consent through the detailed research description I sent to the respondents. I provided information about what the research was about, who I was looking for to participate, where and when I would like to conduct the interview, how I would ensure their confidentiality.

In the worst case scenario, harm could come to the respondents, if the sensitive content of the interviews could be linked to them. Therefore, I assured them of confidentiality and made them unidentifiable in my thesis.

Harm could also happen if the raw data was to fall in the hands of wrong people. I therefore made sure that the digital recordings were stored on my password protected personal computer and erased from my digital recorder so only I could access the data. I also informed the respondents that only my supervisor and I would be given access to the content of the interviews.

From my university's point of view as well as my own, it was important that the ethical considerations, I had made, met the ethical standards of good research. If I conducted bad research, it could result in a bad reputation for my university and have a negative effect on future student researchers, who would want to gain access to companies for their research. My ethical considerations have hence been through a Human Ethics Committee to *'ensure the integrity of the knowledge produced and to promote the practice of ethical responsibility towards participants'* (O'leary, 2004, p. 50)

Findings

In this section I will present the findings gathered from the case study managers in a random manner, as this does not affect the conclusion.

Respondent X

Respondent X is the head of corporate communications and investor relations in a Danish multinational corporation. The company has approximately 11,000 employees based in more than 40 countries. *Respondent X* has worked for the company for 12 years. She has been at part of all the different strategy processes that the company has held, during her time in the company.

Knowledge and experience of strategic decisions and ethical considerations

In *respondent X's* company, a strategic decision is a decision, that affects the goal set by the company, the way the company is structured, the way that the company should act in different respects, or a focus area. For the above mentioned reasons, a strategic decision does not just concern the corporate strategy but '*it can also be a decision made during a normal working day'*, said *respondent X*. These strategic decisions happen alongside the changes in their business environment. The company's board of directors are actually recommending these everyday strategic decisions rather than making big sophisticated strategy plans during the current changing markets.

There are no standard strategic decision-making models or procedures that have to be followed, where specific types of considerations must be made. The only certain consideration, that is always made, is whether the decision will provide profit for the company. Which other considerations are made, depend on the people who are involved in the strategic decision.

Remarks on the Aristotelian approach's usefulness in guiding strategic decisions

Due to the need for swift strategic decisions where non-profit considerations are dependent on the decision-makers, *respondent X* hesitated when asked whether the Aristotelian approach to ethics could be useful in shaping these strategic decisions. *Respondent X* was not sure whether the Aristotelian approach would be consulted before a strategic decision was made, due to the unstructured way that the company's managers made strategic decisions, but also because she did not believe that consulting the approach would have any effect on a strategic decision. However, she thought that the approach provided a good process for understanding and explaining why a strategic decision turned out successful or unsuccessful by looking at whether the different ethical parameters were reached or not. *Respondent X* said:

> *'I am considering whether the approach would have affected the way we acted. No, I do not believe it would. Instead I think it could be a framework that helps explain, why we acted as we did. Like a kind of post-rationalisation, because the reason why our strategic decision turned out successful, was that it met all the ethical requirements from the approach. I do not know, if the approach would be used, before a strategic decision is made as a way to make sure, that the decision was based on the right conditions, because it is normally an unstructured process. But it makes sense to me and it is a good way to explain the process.'*

Remarks on rhetorical considerations usefulness for strategic decisions

Respondent X did not think that considerations about the three modes of persuasion would be included in processes leading up to a strategic decision in the company, at least not explicitly, but maybe unconsciously considered.

According to *respondent X*, the three means of persuasion are good considerations before deciding, how to implement a strategic decision. Considering how stakeholders

would feel and think about the decision, is useful, when planning how best to communicate the decision to the stakeholders. *Respondent X* said:

> *'The approach is a good process to identify what we should be aware of. For instance, if we notice that the employees could be unhappy about a change then we have to address this issue. The same would apply to our suppliers. Perhaps we have to explain to our suppliers what this decision means for them as well as us. The approach could therefore be useful when implementing a strategic decision.'*

Respondent X thought it could be beneficial not only to consider the three means of persuasion before a strategic implementation, but also ordinary decisions that need implementation. *Respondent X* therefore saw the three means of persuasion more as an operational tool rather than a strategic tool.

Remarks on the ethicality of Aristotle's approach to ethics

When asked whether the Aristotelian approach seemed ethical, *respondent X's* answer was mixed, because she could see the rationale behind the approach. However, it was different to her views on ethics

Respondent X thought that Aristotle's view that we should not harm our society, was ethical, but she was not sure about the rhetorical considerations' merit for ethics. She also implied that ethics was not a strategic matter. *Respondent X* said:

> *'You have definitely made me think differently about ethics, because when I think about ethics, it is more about doing good for society and behaving properly; it is more operational than strategic. I do not think that the approach is unethical, but I would not call it ethical because is it ethical just because it reminds us to be credible?'*

Extra

During the interview, *respondent X* implied that the general principles used in their code of ethics were not very useful due to contextual issues, so employees were actually encouraged to use their common sense. *Respondent X* said:

> *'We have just created our business code of conduct that explains, how employees should act in different situations. There are lots of general rules, but in many cases, it is actually recommended that the employees use their commonsense. We say that these are the general rules, but use your common sense, because there can be several things in a situation that makes you decided differently than you would have done otherwise.'*

Respondent Y

Respondent Y is HR manager in the Danish regional IT group for a conglomerate that has a presence all over the world with more than 400.000 employees. The IT group's function is to support three divisions within the conglomerate. *Respondent Y's* experience with strategic decisions comes from making the strategy and strategic decisions for the IT group during his time as HR manager.

Knowledge and experience of strategic decisions and ethical considerations

Respondent Y explained that there are two ways of making strategic decisions. One, you make strategic decisions when making a formal annual strategy. Two, you make strategic decisions during the year, based on the formal strategy.

Respondent Y normally plans different strategies for the IT group in relation to the three divisions that the IT group supports. The strategy plans are also made to fit the vision made by the international HR department. In making his strategies, *Respondent Y* normally does not need to view the strategy documents of the three divisions, because

he is well aware of their content through ongoing dialog with the divisions' management.

Respondent Y's strategy plans are made by answering 'What goals do we want to achieve?', 'How do we want to achieve them?' and 'What does this mean for the IT group?' According to *respondent Y*, the last question is where he considers ethical issues. Elaborating on this statement he said:

> *'Ethical considerations are made before making strategic decisions because people who make strategic decisions are well aware of the ethical consequences their decisions will or might have.'*

However, the ethical considerations will probably not have a vast effect on the strategic decision, according to *respondent Y*, because it is not until you have to implement the strategic decision that you are confronted with the ethical issue, and you feel the pain of having to do something that has a negative effect on the employees. *Respondent Y* said:

> '*It is extremely easy on a strategic level to say that we need to be more efficient and effective when the ethical issues are distant, but it is hard personally when it results in redundancies*'

Remarks on the Aristotelian approach's usefulness in guiding strategic decisions

Respondent Y thought that the framework highlighted important considerations that would be beneficial to consider, every time a strategic decision was being made. He also argued that every time a strategic decision is made, these different considerations are to some degree unconsciously taken into account, so it will be an improvement to consider them all more consciously. Nonetheless, he did not think that he would use the framework in reality due to time pressure. He elaborated:

'I think that these considerations would be made in an idealistic world where there was more time to reflect and think about one's own role, and time to ensure that decisions were made with integrity from both a personal and a company point of view. However in reality, we have to admit that even important strategic decisions are made swiftly. They are made on a reflex so to speak; based on gut feeling, and quick considerations, and a hope that they are the right decisions to make.'

He also pointed out that from managers' and his own perspective the approach seemed very abstract, considering the issues they deal with on an everyday basis. He said the following about this matter:

'The approach is very abstract. Even though you think that you have brought it down to a level where it is workable, I still think that the considerations made by managers are more concrete than that. Managers are occupied with very real issues and therefore it is hard to engage in an abstract level of thinking all the time, so they tend not to do so.'

However, he stressed, it would be extremely valuable if these considerations could be made. The reason why they are not made is time and pressure.

Instead of using the framework before making a strategic decision, *respondent Y* thought that the approach could serve its purpose as a method to analyse the process of a strategic decision. The analysis could help show the quality of a decision.

Remarks on rhetorical considerations usefulness for strategic decisions

Respondent Y did not think that the considerations about Ethos, Pathos, and Logos would be included before a strategic decision was made. However, he saw the three means of persuasion as being beneficial in the strategic implementation phase by considering how to gain support from the stakeholders. He said:

'On further consideration, I think the three modes of persuasion can be used when a strategic decision needs to be communicated to the employees in order to make them accept the decision.'

Remarks on the ethicality of Aristotle's approach to ethics

Respondent Y could not decide on whether he thought the approach was ethical or not because his perception of ethics was more about big controversial issues that concerned society as a whole and/or the world, rather than what the norms and values of the company and a few stakeholders were. But he could understand how it could be viewed ethically. *Respondent Y* elaborated:

'I can understand that if there is a balance between different people's norms and values after a decision, then it can be viewed as ethical. So if I make a strategic decision on behalf of my company where there is balance between the company's and the stakeholders' norms and values, then, it could also be viewed as ethical. I could actually use your framework to achieve this. I would also be able to use the framework to find out if I, personally, had made a decision that was true to my own values.'

Respondent Y went on to say that it did not really matter if by using the framework he would come to an ethical decision. The important thing for him would be that the framework could help him make more informed decisions than earlier. He said:

'If I may be a little cynical, what is in it for me? It actually does not matter to me whether the decision is ethical or not, because what the approach can do is to ensure a qualified decision. So principally it does not matter whether it has something to do with ethics or not, if you know what I mean.'

Extra

During the interview we also touched upon the usefulness of their code of ethics in relation to making strategic decisions or any decision for that matter. *Respondent Y* clearly stated that the codes were not useful by saying:

> *'Not useful, because what the business conducts guideline basically states, is that you may not break the law. When it comes to making strategic decisions, we are dealing with issues that are more difficult and complex than just considering whether we are breaking the law. I think that having company values such as being responsible, innovative, and excellent are more helpful in guiding decisions and will actually in some cases justify the decisions that we make.'*

Respondent Y also said that he had recently met a manager from a Danish energy corporation, who told him that they had just hired a priest. They had taken this action because they wanted the priest to comment on the way they conducted business, so that the corporation could reflect on these matters.

Respondent Z

Respondent Z is head of strategic and financial planning in a Danish company that is involved in exploration and production around the world. He works with strategic analyses that are used to support strategic decisions. He therefore has an excellent knowledge of the strategy process within the company.

Knowledge and experience of strategic decisions and ethical considerations

In *respondent Z's* company, strategic decisions are always made by the corporate management team, supported by the intelligence work coordinated and supplied by his department. A strategy process would normally be held over several days where usually two important issue or analyses are discussed during a session. The strategy process is

usually an iterative process, because although they have outlined the different steps in the strategy process, they usually go back a few steps to look at new options, when they encounter a problem.

Respondent Z's department supply macro-environmental *country scans* that focus on technological, political, financial, and environmental issues. Inherent in the political and environmental scans there are ethical considerations, because '*the company does not want to get its hand dirty',* explained *respondent Z.* Apart from these scans, strategic decisions also have to live up to the company's values. Two of these values are especially important namely k*eeping our word* and *showing care for current and future business. Keeping our word* is obviously an ethical consideration as it is the foundation for trust. *Showing care for current and future business* is also an ethical consideration, he said, because it shows concern for the company's health and indirectly for the employees and other stakeholders that are doing business with the company.

Remarks on the Aristotelian approach's usefulness in guiding strategic decisions

Overall *respondent Z* liked the Aristotelian approach, because it was an approach that highlighted softer values rather than hard facts. But he did not think that the first considerations about how the company should move from its current state towards its purpose, would bring anything new to the table. However, he thought that the three means of persuasion could bring some extra valuable considerations to the table. *Respondent Z* said:

> '*During our strategy process, we currently consider what the purpose of our business is, what the current situation, market situation and internal situation are, but the other part of the approach could force us to go a bit further. And I think this could be useful.'*

Remarks on rhetorical considerations usefulness for strategic decisions

Respondent Z thought that the three means of persuasion could be useful to consider more strategically because the company uses a lot of time and money on communicating and negotiating with different governments around the world. Consequently, considering the three means of persuasion could guard against future stakeholder complications. He elaborated:

> *'The three means of persuasion could be a kind of control method for the things you do, to see if they make sense. When you have made your rational-economic evaluation of the possible strategic decision, there is a danger that you might get caught up in the numbers and make the decision based on just this. The approach forces you to look at how the decision affects those around you. Consider whether we can communicate the decision? Does it seem credible? Do we have a plausible story that our stakeholders will accept? From my position, it could serve as a last control by checking if we can sell the decision to our stakeholders, before deciding to implement the strategic idea.'*

Remarks on the ethicality of Aristotle's approach to ethics

Respondent Z agreed that the approach could ensure that unethical decisions were avoided, but he would not go as far as to say that it leads to an ethical strategic decision. He elaborated:

> *'It is hard for me to accept that a decision is ethical just because it is some sort of a consensus decision. I think the approach would eliminate many of the things you might be tempted to do. It would ensure that you did not do anything that was unethical, but I do not think that this necessarily makes it ethical. For me there are situations where you are neither unethical nor ethical.'*

However, that did not matter because *respondent Z,* personally, thought that ethics was more about behaving properly rather than using it to make decisions. He said:

'Overall ethics are not explicitly considered when it comes to making a strategic decision because focus will be on how we want to position the company and ethics is about how we behave properly and orderly. Just like when we make decisions during the day we do not explicitly consider whether it is ethical or not, ethics is more about the way we act.'

Comparison and Discussion

After presenting the findings from the interviews, I will discuss them in relation to my three sub-questions. I will also discuss other relevant findings from the interviews. I will address the main research question in the conclusion.

Could my Aristotelian approach to ethics be useful in guiding strategic decision making?

There was an agreement among the respondents that the Aristotelian approach to ethics could be useful for strategic decision making, but the degree of usefulness and whether it is likely to be used to guide strategic decisions, depended on the way strategic decisions were normally made, and what the strategic decisions concerned.

Respondent Z, who said that their strategy processes were structured, was of the opinion that the Aristotelian approach could contribute an extra layer to their strategy processes by including the three means of persuasion as a last control before they made a strategic decision.

Respondents X and Y thought that the Aristotelian framework was a good process to follow when they wanted to evaluate a strategic decision. Therefore, it would also be beneficial to consider before making a strategic decision. However, they did not think that the Aristotelian approach would be used, when making strategic decisions in their corporations, because their way of making strategic decisions were unstructured and emerged through on-going dialogs. Strategic decisions sometimes had to be taken quickly. Still, *respondent Y* thought that the Aristotelian approach could be useful to consult before managers made a strategic decision if the time pressure was not there.

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Thereby he supported the finding from Webley and Werner (2008) that pressure made managers neglect ethical considerations.

The three respondents said that the first section of the framework (i.e. step 1-3) was in fact what they were already doing, when making strategic decisions. They all said that the Aristotelian approach was just another way of describing their strategic considerations. *Respondent X* also thought that Logos would automatically be attributed by stakeholders when they found out about a strategic decision. Her assumption was that since a strategic decision for her was a rational decision, it would be logical and therefore the stakeholders would also be able to see the logic in the decision.

I think it is quite an assumption to make that a strategic decision is always logical, from stakeholders' perspective. It certainly depends on the perception that the stakeholders have of the corporation. *Respondent X* might think that all stakeholders can understand that corporations have to make money to survive. However, there is a big difference between finding it logical that a corporation is making a certain strategic decision in order to survive and trying to understand the logic behind a specific strategic decision that makes several people redundant when the cause is unknown.

A necessary feature for attributing Logos is transparency so unless there is transparency regarding a strategic decision I cannot agree with *respondent X's* assumption. I do not know which particular stakeholders she had in mind when making this assumption, but I do not recommend relying on it for stakeholders that are not aware of the process, behind the strategic decision.

In the chapter *Attempts to close the gap between Ethics and Strategy* I argued, that the earlier attempts to make strategy ethical were unpractical. I must acknowledge that my Aristotelian approach also can be viewed as unpractical. *Respondent Y* pointed out that

the framework would be too abstract for him to be useful, when making a strategic decision. The two other respondents did not mention this.

The reason could be that, compared to *respondents X and Z*, *respondent Y's* strategic decisions are focused on his small department in the corporation, where he interacts with the employees on a daily basis. *Respondents X and Z's* focus is on corporate strategy. Consequently, *respondents X and Z* do not necessarily see the effects of the strategic decisions in their everyday life but only see the results in financial figures. *Respondent Y* highlighted this difference by saying:

> '*It is extremely easy on a strategic level to say that we need to be more efficient and effective when the ethical issues are distant, but it is hard personally when it results in redundancies*'

It should therefore be considered if the Aristotelian approach can be made more practical and hence useful for managers perhaps by making it more detailed. However, I must stress that the great value in the Aristotelian approach is that it makes us reflect about ourselves as well as our stakeholders. Therefore, there has to be a level of abstraction to reach its potential. Academics should try to find a detailed approach without losing the level of abstraction.

Could rhetorical considerations be useful for strategic decisions making?

As stated above, it was only *respondent Z* who said that the three means of persuasion was likely to be explicitly considered, before making a strategic decision. *Respondents X and Y* thought that the rhetorical considerations would be appropriate, when planning how to implement a strategic decision, because as *respondent X* said, she thought of the three means of persuasion as an operational tool rather than a strategic tool.

The reason why *respondents X and Y* did not think that the three means of persuasion would be used before making a strategic decision, could be due to their relationship with their important stakeholders. *Respondent Z* said that they often had to negotiate with foreign governments to be allowed to make explorations in foreign countries. This means that their important stakeholders are normally strangers and therefore it would be wise to consider how their strategic decisions might be received by the strangers. A good first impression is important! In the case of *respondents X and Y,* I am guessing that their important stakeholders are well known to them. They will implicitly know how a strategic decision will be received by the stakeholders before they make the decision. It would be worth carrying out further investigations about the relationship between the need to explicitly consider the three means of persuasion and the type of relationship there is with stakeholders.

Would my Aristotelian approach to ethics be considered ethical?

This question is very interesting because, as we found earlier on, research (Forsyth et al., 2008; Fritzsche & Becker, 1984; Fraedrich, 1993; Premeaux & Mondy, 1993; Premeaux, 2004) has indicated that Aristotelian ethics is not considered a part of the moral consciousness in corporations in western-capitalistic countries. Based on the interviews with the respondents, I would say that the Aristotelian approach is *not at first sight* considered ethical, but *has ethical elements* according to the respondents.

I would say, *not first sight,* because all the respondents were reluctant to call the approach ethical, because ethics to them is associated with big controversial and important issues like the world's carbon emissions and/or generally how people behave according to the controversial matters, rather than the way managers make decisions in corporations that affect a few of their stakeholders. Their understanding of ethical

decisions and behaviour is different to that of Aristotle. That is understandable, as Aristotle's view was abandoned with the rise of the Enlightenment era (Cummings, 2002; MacIntyre, 2007; Tsoukas & Cummings, 1997).

However, I say *has ethical elements* because all the respondents could understand the rationale behind the Aristotelian approach to ethics. For instance, *respondent Z* thought that the approach would surely prevent that unethical decisions were made. *Respondent X* agreed that the approach highlighted some ethical concerns like being good for the community. *Respondent Y* said that he could understand that the approach could be viewed as ethical because it reminded us to act in accordance with other stakeholders' norms and values.

Strategic decision making is claiming ethical neutrality

A good start for making strategy ethical is to make the respondents see that the Aristotelian approach could be useful for strategic decision making and that it included ethical elements, from their perspective.

However, the respondents argued that ethics do not really have a place in strategy making. *Respondent Z* said that ethical considerations are not an important part of strategic decision making, because the ethical focus is on how we behave rather than the decisions we make. This claim fitted nicely with *respondent X's* explanation, that commercial considerations were always the main drivers for their strategic decisions, while the inclusion of ethical considerations would depend on the decision makers. *Respondent Y* certainly was of the opinion that ethical considerations were not important for his strategic decision making because he said that he could not see the personal benefits of making ethical strategic decisions. *Respondent Z* may have capture the view the respondents have of the relationship between strategy and ethics, when he

stated that the strategic decision they made where rarely considered ethical or unethical but were somewhere in between.

Based on these responses, I am certain that the respondents do not share Copp's (2006) view, that every time we make a decision that affects others, we are actually making an ethical decision. The respondents implied that they are on ethical neutral ground, when they make strategic decisions. I do not think that this ethical neutrality necessarily leads to unethical decisions as long as they are considerate about the effects their decisions might have on the stakeholders. Whether we call it ethical decisions or neutral decisions or something else does not really matter as long as we make these considerations about the stakeholders. However, by not viewing the strategic decisions as ethical, focus will likely be removed from the decision makers' responsibility towards the affected stakeholders. I find it fair to assume that it makes managers less considerate about the effect of their decisions and in worst cases they may completely ignore the harm the decision may cause, like Bauman (1989) argued.

It is a bad idea to claim this ethical neutrality, as have been shown in the chapter on *The Reaction from Business Academia*, that ethical issues are not clear-cut and objectively defined issues but are subjective to people. What may seem neutral to one person in a particular situation is not necessarily neutral to another person, just like a picture may appear beautiful from one perspective but ugly from another's perspective.

That is why managers should evaluate the effect of strategic decisions from the stakeholders' perspective no matter what.

Is business ethics the source of ethical neutrality?

That this belief in ethical neutrality exists among the respondents supports the critics' claim that based on objective ethical theories contemporary business ethics are not useful for addressing ethical issue appropriately. *Respondents X and Y* also provided evidence of this because they said that their codes of ethics were too general or only focusing on not breaking the law. As a result, the codes were also useless for guiding strategic decision making or even everyday decision making.

I think the biggest problem with contemporary business ethics is the inadequacy in making managers aware of the different ethical issues that may arise, between the corporation and its stakeholders, as argued earlier. Because the focus is on violations of laws and human rights and how to generally behave according to such situation, the more subtle ethical issues are not realised or are simply ignored. The lack of ethical awareness by decision makers will most likely affect the ethical culture negatively, as stated by Treviño et al. (1999). Without an ethical culture corporations are prone to commit unethical acts because the corporate members are less committing to ethical decisions or behaviour.

I therefore concur with the academics who argue for creating an ethical culture by introducing an Aristotelian approach to ethics where questioning, debating, and reflecting about decisions and subsequent behaviour in encouraged.

Are some businesses returning to the Christian duties and virtues?

Despite this ethical neutrality, *respondent Y* mentioned that a Danish energy corporation had hired a Christian priest to comment on the way they conducted business. Whether this is a corporate gimmick to show corporate social responsibility or a genuine attempt

to strengthen the ethical culture in the corporation, is unknown. However, this raises the question of whether some companies have realised that they have an unethical culture and hope to remedy this by returning to the Christian duties and virtues that gave birth to modern business? It would be very interesting to investigate how many companies are using these business priests, what these business priests are doing, and what effect it has on the companies' ethical culture.

Recommendations

In this chapter I will provide three pieces of advice to business managers and make three recommendations for future academic research. The advice and recommendations are derived from the analysis and discussion.

Management Practice

Due to the exploratory nature of my research, it would be inappropriate for me to make strong recommendations for management practice in general. However, I will provide advice. My first advice to managers is:

1) **Do not forget to think about the effect that strategic decisions can have on stakeholders. What may seem ethically neutral from your perspective may not be ethically neutral from others perspective.**

I strongly stress that people have different perceptions about different events or issues because we do not all have the same knowledge and understanding of things. There is not an absolute truth where ethics are concerned. Therefore we have to consider how others may perceive a strategic decision.

Another word of advice for managers is:

2) **Be aware, that when not making ethical considerations explicit in a strategic decision, you may signal to other corporate members, that being ethical is not important. This may damage the ethical culture in the corporation.**

Having an ethical culture is paramount for getting corporate members to commit to business ethics. It must therefore be avoided that managers unconsciously signal that

ethics is not important for them. If this happens, the ethical culture in the corporation will be affected.

My last advice concerns the ethical blind spots the current business ethics create:

3) **Corporate members should be encouraged to question, debate, and reflect about issues that affect stakeholders, because codes of ethics are rarely helpful in identifying ethical issues when they are not law breaking issues.**

As academics have pointed out for decades now, current business ethics are not helping managers to be ethical. I believe that an important reason why this is the case, is that the deontological state of current business ethics, does not help identify ethical issues other than law breaking issues. Concurring with Kjonstad & Willmott (1995) and Nyberg (2008) my advice is that the moral capacity of corporate members must be increased, so they can identify the many subtle ethical issues that arise from time to time.

Academic Research

Although the Aristotelian approach is seen as being useful for strategic decision making, as it highlights good considerations, it was also shown to be too abstract to be used by managers. I therefore recommend that:

1) **Academics should try to work out how to make Aristotelian approaches that are more detailed and hence more practical for managers.**

I must stress that in the Aristotelian approach the great value is that it makes us reflect about ourselves as well as our stakeholders. Hence there has to be a level of abstraction for an Aristotelian approach to reach its potential, as reflection requires abstraction.

The respondents said, that the three means of persuasion were good considerations, but only one of the respondent said that the three means of persuasion were worth considering explicitly before making a strategic decision. I suspect the difference in opinion between the respondents is caused by their relationships with their stakeholders. Some stakeholders will be well-known to them, while others are unknown. I therefore recommend that:

2) **Academics look into the relationship between the need to explicitly consider the three means of persuasion and the type of relationship there is with stakeholders.**

As a last recommendation I suggest that:

3) **Academics should investigate if the claim is valid that strategic decision making is ethically neutral.**

Although I do not think that it is valid to classify strategic decision making as an ethical neutral activity, the respondents implied that it was, because they found that is is not the decision, but only the subsequent act, that is subject to ethical scrutiny.

Conclusion

In this chapter I will address how my research contributes to the academic literature. I will also highlight some points of critique about my research and what I could have done different. Finally, I will suggest some areas for further research, but first I will address my main research question.

Could an Aristotelian approach to ethics make strategy more ethical?

My answer is yes

I think my Aristotelian approach to ethics can make strategy ethical, because my respondents thought it was useful in highlighting some good and ethical considerations for strategic decision making. One respondent even said, that the three means of persuasion were worth including in their strategy process, before making a strategic decision.

Although the respondents would not call the Aristotelian approach ethical, because their understanding of ethics was different to the Aristotelian approach, I will still argue that it is an ethical approach. I make this argument because as I have argued in this thesis, there is not one correct way of defining good ethics. I think that ethics should not be limited to objective rules and principles, because good ethics is highly subjective to the affected people.

Aristotelian ethics should help fill this gap in current business ethics. The task ahead is therefore to make people aware that ethics is not limited to law-breaking issues and matters of life and death but also includes concerns about our effect on others.

Some good old rhetorical considerations could come in handy for this task.

Contribution to academia

With the answer to my main research question, I can support that an Aristotelian approach to ethics could in fact make strategy ethical in the business world. That is my finest contribution to the academic literature, because with it I have not only argued but also shown that an Aristotelian approach can be useful for strategic work while the deontological nature of current business ethics is not useful. My research is the first to do this.

As research has recommended that making strategy ethical is important for creating ethical cultures in companies, I hope that my research will get academics from the fields of strategy and business ethics to develop more and better approaches that can bridge these two subjects. I also hope that my research will get academics to go out and test their approaches in companies, so a more practical approach can be developed.

Unexpectedly, I found that a Danish corporation had hired a Christian priest to comment on the way they conducted business. This could lead to an interesting line of research that investigates the use of business priests and their effect on the ethical culture.

Critique of my research

Despite that I have argued, that an Aristotelian approach to ethics could make strategy ethical, my argument is based on my interpretation of what is ethical. Working with this thesis for a year has naturally made me biased towards an Aristotelian approach to ethics. I could imagine that if, for instance, one of my respondents had to answer my main research question he/she might answer no, because ethics for them was different from the Aristotelian approach. The answer is subject to the person answering the question.

Another issue that could have influenced my finding was my presentation of Aristotle's view on ethics. This was crucial for the respondents' perception of my Aristotelian framework which, in turn, influenced their responses. I cannot be completely sure that they saw the Aristotelian approach as I do. I tried to make the same presentation for all the respondents, but I cannot be sure whether they perceived it in the same way. Because of this, there is a chance that the respondents may have given responses to a different perception of the Aristotelian approach than I tried to give them.

Many of the studies, I reviewed for my thesis, were about corporations from the US and other western capitalistic countries, but not Denmark. It could therefore be argued that my research sample was inappropriate. However, Denmark has the same issues about unethical business conduct and Danish corporations are also influenced by corporations from the US and EU. Therefore, I do not find it too problematic.

There is no doubt that my interviews could have been better prepared. Only having one person review my interview guide did not make it the best preparation for the interviews. Unfortunately, I did not manage to plan ahead well enough, so I could test it on several people and perhaps make a few preliminary interviews. After having sent out my requests for respondent to my research, I had hoped that I could finish my literature review before the interviews. Unfortunately, I was not able to do so, because the respondents were only available on certain times. Consequently, I did not have much time to prepare for the interviews.

It could be argued that my choice of respondents was off because two of the respondents talked about strategic decisions from a corporate strategy point of view while the last respondent talked about strategic decisions from a department's point of view. Nonetheless, I did not really have that many respondents to choose between. In

fact, I could not choose between any because I wanted to have three respondents and only three managers replied that they were willing to participate. It was not until I interviewed respondent Y that I realised that he was not going to talk about corporate strategy.

As my intention was to talk about corporate strategy, using respondent Y was not the best choice. However, I think it has been good for my research to get different perspectives on strategic decisions from different areas in corporations, because there is not a definitive definition and scope for strategy in the real business world. Some might call a department's strategy for a tactical issue but respondent Y did not. No matter how we define managerial decisions, they will still have an important influence on the corporate ethical culture.

What I would have done different

If I was to do this thesis again, I would definitely try to get more people interested and involved in my thesis and update my time schedule on a weekly basis.

While making my thesis, my biggest problem has been progress. I was not good enough to progress, because it was hard for me to decide when to stop researching one subject before moving on to the next. I had made an initial time schedule, for how I should progress, but when I came to a deadline for a subject, I felt that I had not done enough research. I tried to change my time schedule but I kept missing deadlines for when to stop with a subject. Not meeting my deadlines made it harder for me to stay motivated, because I started to feel that the deadlines were useless.

As time went by, the final deadline came closer and I slowly started to feel the pressure on me. The pressure automatically motivated me, but I am sure that if I had been better

to meet my deadlines, I would have enjoyed making this thesis more, I would have had more time to prepare for my field research, and I would have had more time to reflect on my research before submitting.

In order to meet my deadlines, I should have been better to keep contact with my supervisor or others who could help me keep motivated. Just by making a promise to someone, who would review or talk about what I done on the day of my deadline, I would have been more motivated to meet the deadlines. Only making promises to myself does not work!

I stopped looking at my time schedule after a few months, because I had not met my deadlines at any point during those months. Although the time schedule seemed useless, it was a big mistake to forget about it. By not thinking about my time schedule, I just kept researching one subject until I felt satisfied. This was not wise as there was not unlimited time to make my thesis. I should have kept updating my time schedule as it still kept me more on track than not having one.

Suggested areas for further research

A part from investigating what I have proposed in my *Recommendations* chapter, it would be beneficial to conduct similar exploratory research on corporations from other industries. For instance, it could be interesting to conduct the research on corporations that sell to the consumer market, or other corporations that are dependent on good relations with *strangers*. These kinds of studies could help clarify whether the three means of persuasion are more suitable considerations in strategic decision making for companies that are dependent on stakeholders they are not too familiar with.

It would also be highly relevant if future studies investigated the usefulness of the Aristotelian approach to ethics in making strategic decisions from different level in a company: corporate-, business unit-, and department-level. By doing this it could be indicated whether the Aristotelian approach is too abstract for all managers at different levels or not.

On a slightly different note, I would also encourage researchers to look into the phenomenon of B*usiness Priests.* Why do companies hire them? What do they do for the companies? What effect do they create in the companies? Could they help create an ethical culture?

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Appendix 1 – Doctrine of the Mean

The 'doctrine of the mean' states that a moral act is somewhere between two vices and what is moral is relative to the person performing it [1106a25-b8]. The person, who wants to perform a moral act, has to understand that if he overdoes the moral act or does not do it enough he will perform a vice [1106b25-29]. For instance before performing a brave act, he must consider the vices of performing the act too bravely (i.e. too rash) or not brave enough (i.e. too cowardice). He also has to consider which of the two vices is worst so he can guard against it [1109a31-35]. At the same time he has to acknowledge that he probably has a natural tendency to veer towards one of the vices [1109b1-5] due to his disposition. With knowledge of these things and having an understanding of both the universals and particulars of the situation he is better equipped to decide on what is the moral thing to do. Additionally he has to consider how he can actualise his moral decision so it becomes a moral act. Here Aristotle explains that the capacity of cleverness must be put to use to figure out how the person can use his abilities to perform the moral act [1144a21-27].

Addendix 2 – The Interview Guide

This interview guide was originally written in Danish but has been translated into English to be understandable for everyone.

Agenda

The main focus of this meeting concern how you make strategic decisions and whether there are any ethical considerations involved but first I would like to get an understand of how you view these subjects, so I will start of by asking

- What is a strategic decision according to you?
- What is ethics for you?

The Story

Next, I would like you to **tell me about a strategic decision,** that you have made or been involved in making. I would like to cover these issues:

- What was it about?
- Who was involved in the decision?
- Which considerations were made?
- What was decided?

Note to self: While the respondent is telling his/her story I should make sure to get the following issues covered:

- What considerations are normally made when making strategic decisions?
  - Are there any ethical considerations?
    - If yes, which?
    - If no, why not?
- Do they use specific processes, procedures or decision making models when making strategic decisions?
- Are there any other factors that are important for strategic decision making?

Presentation

Afterwards I will make a presentation about Aristotle's view on ethics and show the respondent the Strategy as Ethical Persuasion framework. The framework will then be used to analyse the story the respondent just told about a strategic decision to test its usefulness

Evaluation

When having used the framework the following questions will be asked:

1. Do you think that the Aristotelian approach is useful for making strategic decisions?
   a. Why/ Why not?

2. Do you think that the approach is ethical?
   a. Why/ Why not?

3. Do you think that you have made a more ethical decision after consulting the approach?
   a. Why/ Why not?

4. Do you think that approach could be used in your company?
   a. Could the approach be used for strategic decision making?
      i. Why/ Why not?
   b. Could the approach be used in other situations?
      i. Why/ Why not?