

PREFACE

Commerce is by its very nature a normative enterprise. It is concerned with creating value for owners and other constituencies, ranging from the firm's immediate stakeholders, such as employees, customers, and suppliers, to the entire society within which the business operates. As a field of study, business ethics aims to specify the principles under which businesses must operate to behave ethically. Thus, business ethics focuses on issues such as those that have recently attracted so much public scrutiny: executive compensation, honesty in accounting, transparency, treatment of stakeholders, and respect for the environment. These are, in fact, perennial questions that accompany the long history of human economic activity and that will also be present through an indeterminate future.

Although defining business ethics has been somewhat problematic, several definitions have been proposed. For example, Richard De George defines the field broadly as the interaction of ethics and business, and although its aim is theoretical, the product has practical application. Manuel Velasquez defines the business ethics field as a specialized study of moral right and wrong. Unfortunately, a great deal of confusion appears to remain within both the academic and the business communities, as other related business and society frameworks, such as corporate social responsibility, stakeholder management, sustainability, and corporate citizenship, are often used interchangeably with or attempt to incorporate business ethics. This *Brief Guide to Business Ethics* is not designed to offer any easy answers about what business ethics is or to oversimplify any of the complex relationships between these frameworks. Rather, its aim is to provoke thought and raise questions about the key concepts in the field—about the history of these concepts and the way in which they have continued to evolve over time, about the key scholars and practitioners who have shaped our understanding of these concepts, and about the many ways in which they relate to and interconnect with each other.

FORMAT

This guide to business ethics provides key terms and concepts related to business ethics in a short, easy-to-use format. It is intended to act as a companion for business ethics courses or as a reference for students and practitioners who would like to learn more about the basics of business ethics.

The text is divided into seven sections that contain important keywords that relate to those sections: *What is Business Ethics?*; *Theories of Ethics*; *Ethics of Business and Management*; *Employee and Human Resources Issues*; *Consumer Issues*; and *Ethics of Advertising, Marketing, and Public Relations*. Each keyword entry is a comprehensive essay written by a scholar of business ethics. Entries address such critical topics as ethical decision making, international business ethics, ethics of finance, and consumer and employee rights, and include a list of references and suggested readings. In the back of the book, you will also find three appendixes. Appendix A, Problematic Practices, includes entries on businesses and industries that have encountered ethical issues as well as key incidents that have shaped the way we think about business ethics today. A correlation table in this appendix also provides suggested pairings between the problematic practices and the entries in the text, so that instructors have an idea of which concepts are illustrated in the problematic practices entries. Appendix B provides a list of business ethics organizations and—for further exploration and research—Appendix C provides a list of key business ethics periodicals.

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—The Editors of SAGE

PART I

What Is Business Ethics?

Business Ethics

BUSINESS ETHICS

Although defining business ethics has been somewhat problematic, several definitions have been proposed. For example, Richard De George defines the field broadly as the interaction of ethics and business, and although its aim is theoretical, the product has practical application. Manuel Velasquez defines the business ethics field as a specialized study of moral right and wrong. Unfortunately, a great deal of confusion appears to remain within both the academic and the business communities, as other related business and society frameworks, such as corporate social responsibility, stakeholder management, sustainability, and corporate citizenship, are often used interchangeably with or attempt to incorporate business ethics. Relative to other business and society frameworks, however, business ethics appears to place the greatest emphasis on the ethical responsibilities of business and its individual agents, as opposed to other firm responsibilities (e.g., economic, legal, environmental, or philanthropic).

A BRIEF HISTORY OF BUSINESS ETHICS

The subject of business ethics has been around since the very first business transaction. For example, the Code of Hammurabi, created nearly 4,000 years ago, records that Mesopotamian rulers attempted to create honest prices. In the fourth century BCE, Aristotle discussed the vices and virtues of tradesmen and merchants. The Old Testament and the Jewish Talmud discuss the proper way to conduct business, including topics such as fraud, theft, proper weights and measures, competition and free entry, misleading advertising, just prices, and environmental issues. The New Testament and the Koran also discuss business ethics as it relates to poverty and wealth. Throughout the history of commerce, these codes have had an impact on business dealings. The U.K. South Sea Bubble of the early 1700s, labeled as the world's first great financial scandal, involved the collapse of the South Sea Company. During the 19th century, the creation of monopolies and the use of slavery were important business ethics issues, which continue to be debated until today.

In recent times, business ethics has moved through several stages of development. Prior to the 1960s, business was typically considered to be an amoral activity; concepts such as ethics and social responsibility were rarely explicitly mentioned. During the 1960s, a number of social issues in business began to emerge, including civil rights, the environment, safety in the workplace, and consumer issues. During the late 1970s, the field of business ethics began to take hold in academia, with several U.S. schools beginning to offer a course in business ethics by 1980. From 1980 to 1985, the business ethics field continued to consolidate, with the emergence of journals, textbooks, research centers, and conferences. From 1985 to 1995, business ethics became integrated into large corporations, with the development of corporate codes of ethics, ethics training, ethics hotlines, and ethics officers. From 1995 to 2000, issues related to international business activity came to the forefront, including issues of bribery and corruption of government officials, the use of child labor by overseas suppliers, and the question of whether to operate in countries where human rights violations were taking place. From approximately 2000 until today, business ethics discussion has mainly been focused on major corporate scandals such as Enron, WorldCom, and Tyco, leading to a new phase of government regulation (e.g., the Sarbanes-Oxley Act of 2002) and enforcement.

This current “scandal” phase of the business ethics field has tremendously enhanced its popular use. For example, a search in Google using the term *business ethics* (as of November 2005) generates over 88 million hits. Hollywood continues to portray important business ethics issues or dilemmas in movies such as *Wall Street*, *Quiz Show*, *Boiler Room*, *Erin Brockovich*, *The Insider*, and *Jerry Maguire* and even in children’s films such as *Monsters, Inc.*

MORAL STANDARDS AND BUSINESS ETHICS

Although the field of business ethics covers a broad range of topics, the core of the field is based in moral philosophy and its use of moral standards (i.e., values, principles, and theories) to engage in ethical assessments of business activity. A literature review indicates that five moral standards have been applied in the field of business ethics to a greater extent and with greater consistency than others. Two moral theories are particularly dominant in the business ethics literature: utilitarianism and deontology. Utilitarianism, often expressed as a teleological or consequentialist framework, is primarily based on the writings of Jeremy Bentham and John Stuart Mill. Deontology

(i.e., duty-based obligations) is often expressed in terms of “Kantianism” (or more specifically as the principle of the categorical imperative), being primarily based on the writings of Immanuel Kant. In addition to utilitarianism and deontology, two other moral theories (typically considered deontological in nature) have been used extensively in the business ethics field: moral rights and justice (e.g., procedural and distributive). The fifth moral theory receiving attention appears to be moral virtue, being primarily based on the writings of Aristotle. The predominant use by business ethicists of these moral theories points toward their importance in the field. Other important moral standards that are also used (although to a somewhat lesser extent) in the field of business ethics include moral relativism, ethical egoism, and religious doctrine.

There have been several means by which moral standards have been applied in business ethics. Some of the more apparent ways are (1) individual ethical decision making; (2) organizational ethical decision making (e.g., policies and practices); (3) the moral evaluation of business systems (e.g., capitalism) and the marketplace (e.g., competition); (4) the relationship between business and society (e.g., corporate social responsibility); and (5) specific issues in business (e.g., affirmative action and discrimination, conflicts of interest, privacy, whistle-blowing, executive compensation, consumer protection or marketing, and international business). In conjunction with the above are the uses made of moral standards with respect to both teaching and research in business ethics.

BUSINESS ETHICS AS AN ACADEMIC FIELD

Richard De George might be considered the first to attempt to distinguish business ethics as a separate field of study. De George suggests that business ethics is a field to the extent that it deals with a set of interrelated questions to be untangled and addressed within an overarching framework. He argues that the framework is not supplied by any ethical theory (e.g., Kantian, utilitarian, or theological) but by the systematic interdependence of the questions, which can be approached from various philosophical, theological, or other points of view.

Despite business ethics being a relatively recent distinct field of study, several typologies have emerged. There appear to be five general approaches: (1) a normative and descriptive approach, (2) a functional approach, (3) an issues approach, (4) a stakeholder approach, and (5) a mixed approach. For example, in terms of the normative/descriptive approach, academic business

ethics research is often divided into normative (i.e., prescriptive) and empirical (i.e., explanatory, descriptive, or predictive) methodologies. A functional approach attempts to divide the subject of business ethics into separate functional areas such as accounting, finance, marketing, or strategy. Others attempt to categorize business ethics by using an “issues” approach—in other words, by discussing issues such as the morality of corporations, employer-employee relationships, or other contemporary business issues. Another approach attempts to discuss the subject of business ethics from a stakeholder perspective (i.e., in relation to which stakeholder is most directly affected). For example, business ethics issues might be framed based on the following stakeholders: owners, employees, consumers, suppliers, competitors, the government, the natural environment, and the community. Finally, a mixed approach draws on aspects of several of the approaches (e.g., normative/descriptive, issues, and stakeholder) and appears to be the most popular approach used by business ethics academics. For example, quite often business ethics textbooks will commence with a normative discussion of moral theory and business systems. The discussion will then turn to a more mixed normative/descriptive discussion of the specific issues. In addition, many of the issues are tied to stakeholders, typically involving employees and customers.

In terms of business ethics research, in a review of the first 1,500 articles published in the *Journal of Business Ethics* from 1981 until 1999, Denis Collins found the presence of the following major business ethics research topics: (1) prevalence of ethical behavior, (2) ethical sensitivities, (3) ethics codes and programs, (4) corporate social performance and policies, (5) human resource practices and policies, and (6) professions—accounting, marketing/sales, and finance/strategy.

MAJOR EARLY CONTRIBUTORS TO BUSINESS ETHICS

Several important early contributors to the field of business ethics, mainly through their initial textbook publications, include Norman Bowie, Richard De George, Manuel Velasquez, Thomas Donaldson, W. Michael Hoffman, Patricia Werhane, John Boatright, and many others too numerous to mention. John Fleming conducted a study in 1987 to determine among other things the most referenced authors, books, and articles in business ethics. The top five referenced authors were (1) Milton Friedman, (2) Christopher Stone, (3) Thomas Donaldson, (4) Peter French, and (5) Alasdair MacIntyre. The top

three referenced books were (1) Christopher Stone, *Where the Law Ends*; (2) Thomas Donaldson, *Corporations and Morality*; and (3) John Rawls, *A Theory of Justice*. The top three referenced articles were (1) Brenner and Molander, “Is the Ethics of Business Changing?”; (2) Peter French, “The Corporation as a Moral Person”; and (3) Milton Friedman, “The Social Responsibility of Business Is to Increase Its Profits.”

BUSINESS ETHICS TODAY

Based on early efforts, the field of business ethics continues to flourish in both academia as well as the business community. For example, a search (as of November 2005) using the database ABI/Inform for the term *business ethics* found in scholarly journal articles generates over 11,000 hits. Several important academic journals now exist, including *Journal of Business Ethics*, *Business Ethics Quarterly*, *Business & Society*, *Business Ethics: A European Review*, and *Business & Professional Ethics Journal*, among others. Business ethics conferences are held annually, including those conducted by the Society for Business Ethics and the European Business Ethics Network. Every 4 years, the International Society of Business, Economics and Ethics organizes a World Congress on Business Ethics, often portrayed as the “Olympics of Business Ethics.” Research centers such as Bentley College’s Center for Business Ethics, Wharton’s Zicklin Center for Business Ethics Research, or the Ethics Resource Center based in Washington, D.C., continue to support research efforts in the field of business ethics. Surveys suggest that approximately two thirds of the top U.S. business schools now teach business ethics as either a mandatory or an elective stand-alone course. In the corporate world, the growth of ethics officers as well as the Ethics & Compliance Officer Association, ethics programs (e.g., codes of ethics, ethics hotlines or helplines), ethics audits and reports, ethical investment, and even corporate business ethics awards highlight the growing practical importance of the field. Consulting efforts in the business ethics field appear to have grown significantly as well due to the various corporate scandals and the desire of firms to avoid them in the future.

Yet despite the growth of business ethics and the apparent acceptance of its importance among many, several issues are being debated. For example, can business ethics be taught? What factors actually influence ethical behavior? What should a firm’s ethical obligations (i.e., beyond the law) consist of?

Does ethical behavior actually improve the firm's financial performance? Is a firm capable of being held morally responsible, or only the firm's agents? How can business ethics best be integrated into a firm's corporate culture? These issues, as well as many others, remain to be examined and debated by those active in the business ethics field.

—Mark S. Schwartz

Further Readings

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PART II

Ethics and the Individual

Human Nature

Human Rights

Trust

Integrity

Ethical Decision Making

HUMAN NATURE

Human nature may be defined as the essence of the human species and consists of all the characteristics and behaviors that are inherent in human beings. While inquiries into human nature have occupied philosophers both classical and contemporary, practical men and women frequently attribute one or another experienced injury or benefit to some element of human nature and make decisions informed by their own hopes and fears. Advocates of business ethics often look to human nature to explain abuses or to propose a path of change.

WHAT MAKES A HUMAN BEING?

Humans are distinguished from animals by their ability to use tools, develop language, and reason. These last two are closely connected in that the practice of logic is intertwined with the structure of language. While rhesus monkeys have been taught to use sign language and domesticated animals are capable of understanding spoken words, the development of a formal language is unique to human beings. Indeed, humans have created a diversity of spoken and written languages, and the vocabularies of these languages reveals commonalities and differences among cultures. Written language permits a more detailed historic record and enhanced opportunities for self-consciousness and specialized labor.

In biological terms, the “human” is a mammal, large brained, has an “s”-shaped spinal column, an erect posture, opposable thumbs, an omnivorous diet, binocular vision, speech, practices bipedal locomotion, and dwells on the ground. The human or hominid is preceded in the mammalian chronology by pongids (apes or monkeys). Pongids and hominids share several characteristics with humans: their group living, their careful socialization of children, and their capacity for learning, among others.

The human brain is supple and responds to environmental challenges through reconfiguring its neural pathways. An individual’s loss of a sense leads to a process in which the other senses compensate, and a new synthetic

understanding of the environment emerges. Damage to the brain stimulates a reassignment of functions among the healthy parts of the brain. The individual's need to process information and interact with the environment stimulates the development of appropriate areas of the brain. The chemistry of the brain is thus altered. Nurture and broad experience may affect nature.

Humans live in groups, not as isolates. Human survival is crucially dependent on primary and secondary groups, from the dyad and nuclear family to larger kinship patterns. Families depend on an overarching organization or complex of organizations, ranging from the tribe and confederations of tribes, to the political structures of the city and nation-state. Pongids share the primary and secondary group structures in which humans live, but they lack the more complex political and economic institutions that characterize human experience.

One basic need satisfied by social organization is continuity in food supply. Participation in social organization with this purpose is not optional. A primary function of the economic system is to assure the availability of food and accommodations and, beyond this, to guide the distribution of wanted goods consistent with cultural values.

Religion has emerged among humans to explain and guide shared experiences of birth, illness, death, love, hurt, and disaster. These explanations are organized into a superstructure that provides reasons, names, and rationales, confers membership, allocates power, and promulgates a charter to order society. Religions proliferate but societies have more recently turned to secular forms of organization in which the influence of religion can still be discerned. Religions constitute one of the oldest forms of social organization and continue to shape business practice, political movements, and statecraft. Religion is an important element of culture that stands along with biology in explaining human behavior.

DETERMINANTS OF HUMAN NATURE

Biology

Biologists have documented much of the human genome and, in doing so, have revealed fundamental elements of human nature. In a very real but limited sense, the genetic code accounts for human nature. Human DNA provides the biological basis for human consciousness, from which derives the human

capacity for learning and the complex knowledge transmitted by culture. While the ancient Greeks speculated about fixed forms and ideas determining human nature, contemporary scholars find evolving intelligences, in dialogue with one another and interacting with the environment.

Human evolution is the process through which humans emerge within nature. That humans are animals has led some to claim that humans are inherently violent and aggressive, as some animals appear to be. Evolution is often described as the “survival of the fittest,” which is taken by “Social Darwinists” like the 19th-century sociologist Herbert Spencer and his contemporary disciples to mean that humans necessarily struggle with one another, with some destined to lose. Konrad Lorenz argued that humans possess an aggressive instinct but proposed means to subdue it.

Charles Darwin did not intend that evolution be equated with violent competition. Rather, he emphasized the question of reproductive advantage. That is, the evolution of a species is the consequence of the development of characteristics that contribute to differential reproductive success in the local environment. Reproductive success is not necessarily a function of violent competition within or between species. The 19th-century social critic Petr Kropotkin and modern evolutionary biologists have demonstrated that cooperation within and between species also plays a critical role in promoting the survival of offspring. As discussed below, animals and humans have been said to practice a reciprocal altruism in which cooperation emerges as a strategy for survival.

Consider as well the process of symbiosis. Species may evolve in such a way as to intimately depend on conditions produced by other species and may even live within their bodies. This is far from Thomas Hobbes’s and Spencer’s war for survival.

Culture

Humans are unique in regard to the role played by culture, rather than biology, in shaping individual behavior. Culture is the set of values and customs in which individuals are socialized and that bind a community together. Cultural values shape but do not determine behavior because individuals and groups have the capacity to examine their culture’s assumptions and subject them to analysis. Socrates counseled that “the unexamined life is not worth living.” Descartes explored the uncertainties of his own existence, and every generation brings a new round of questioning.

Moreover, cultures may coexist, merge, or fragment. Cultures and nations may share boundaries but varied cultures may also blend in a single nation. Shared beliefs and behaviors rather than physical location or political jurisdiction characterize cultures.

The logical structure embedded in many of the languages of the world facilitates questioning. The concept of opposite or negation invites an experimental mind to invert culturally transmitted propositions. Any culture, however conformist, inspires movements of dissent and reformulations of received doctrine. No culture is fully stable.

It is possible almost everywhere to find borderlands where cultures mix and traditions bend or erode. Authority and challenges to it coexist in the borderlands and throughout the contours of cultural evolution.

Clyde Kluckhohn, a cultural anthropologist best known for his survey of the many definitions of culture, called culture an abstract description of the trends toward uniformity in the words, deeds, and artifacts of a human group. Kluckhohn and other anthropologists have noted that cultures are dynamic and are characterized by processes reinforcing both stability and change. Geography and legal jurisdiction shape but do not determine cultural change.

Anthropologists have found considerable differences among the peoples of the world in their practice of gender roles, in their construction of race and class, in their conception of the individual and the collective, in their interpretation of family responsibility and the extended family, in their treatment of elders and assessment of tradition, in their assessment of the proper relations between workers and managers (laypersons and clergy, amateurs and experts), and in their attitudes toward progress. Kluckhohn found these questions to be central to the differentiation of cultures: the conceptions of inherent good or evil in human nature; the perceived relationship of humans and nature; the emphasis on past, present, or future; the conception of life as being, becoming, or doing; and the patterns of emphasis in primary relationships.

Management scholar Geert Hofstede sought to apply the concept of culture to a business context. He surveyed the global population of IBM managers to illuminate national differences in values. He found national differences on the acceptance of power differentials (power distance), individualism (vs. collectivism), masculinity (vs. femininity), the tolerance of uncertainty, and future (or present) orientation. GLOBE researchers at the Thunderbird School of Management amended his model, identifying nine cultural dimensions: performance orientation, assertiveness, future orientation, humane orientation,

institutional collectivism, in-group collectivism, gender egalitarianism, power distance, and uncertainty avoidance.

From an anthropological perspective, patterns of uniformity and divergence are of equal interest. The Hofstede and GLOBE models appear to emphasize uniformity rather than change and differentiation. They also assume the narrow vantage point of the multinational manager and cultural variation is understood in relationship to the constituent parts of a multinational enterprise. However, the multinational enterprise is perhaps too culturally specific to serve as a framework for comprehending cultural variation.

The United Nations Universal Declaration of Human Rights emerged from a process in which representatives from the world's nations debated the notion of rights in the aftermath of World War II. That such a document was written with broad international support underscores the possibility of communication and understanding across cultures. Beneath the evident cultural differences on dimensions like individualism and collectivism across the globe, there are underlying problems about the relationship of the individual to the group. Even violations of the Declaration reveal similar patterns of social control and resistance across cultures and nations.

Diversity: Relationships of Gender, Race, Class

The wide variation in cultural practices across the globe and the visible differences among races and genders have inspired theories of difference and inequality. Explorers and scholars who recorded differences among races and cultures in the 18th, 19th, and 20th centuries, in many cases, assumed a fixed hierarchy of ability and intelligence. These views are increasingly contested by egalitarian perspectives that emphasize the complexity of language and belief systems in disparate civilizations. French anthropologist Claude Levi-Strauss studied the religions and other beliefs of so-called primitive societies and discovered similarities in the detail and complexity of understanding and argument. Franz Boas and more contemporary anthropologists have questioned the concept of race, noting that race accounts for minuscule differences in the genetic code and that there are far greater genetic differences within rather than between the races.

In the United States and many other industrialized nations, women increasingly participate in the labor force. Despite this, there are persistent disparities in income and occupational distribution. While feminists, professional groups, and trade unions agitate for corrective action, there remain significant constituencies who argue for a return to traditional gender roles.

DEBATE OVER ESSENTIALISM

The ancient Greeks and particularly Plato and Aristotle contributed profoundly to the historical development of ideas about human nature. In various ways, they advanced the argument that human nature is fixed and personal qualities unalterable. Plato and Aristotle argued that human beings, animals, and things were expressions of underlying forms. For Plato, the material world known by sensation was merely a shadow of a more fundamental reality of unchanging forms or ideas perceived by the intellect or reason. Most important among forms is “goodness,” accessible only to reason.

On the other hand, Aristotle saw form and matter as intertwined. According to Aristotle, humans share the same underlying form but differ in their material manifestations. The human soul or mind consists of the distinctly human faculties including consciousness and reason. From the material world come individual differences.

Aristotelian philosophy validates experience as a source of knowledge. Aristotle believed that the forms manifested in all living and inanimate things are accessible to the human mind through experience coupled with reason.

Like Plato, Aristotle embraced inequality among humans and rationalized a rigid class system. Aristotle specifically endorsed slavery as natural and argued that most slaves were mentally inferior to their masters. He placed humans at the peak of a hierarchy of all life-forms but suggested that some humans were brutish or animal-like, particularly non-Greeks.

Aristotle identified human fulfillment with the exercise of reason in a life of activity and social engagement. He proposed practical wisdom, moderation, courage, and justice as principal virtues to guide living. Virtue lies in the mean between extremes, and extremes of wealth and poverty produce manifold injustice.

Platonic and Aristotelian philosophies continue to shape modern thinking. Plato’s notion of the separation of mind and body or “dualism” is reflected in Christian teaching about the soul’s independence from flesh. Contemporary arguments about the superiority of reason to emotion recall his work.

Platonic idealism has an analog in the free market model in neoclassical economics. Many economists view the market as the underlying reality of economic life even as they de-emphasize the violations of neoclassical assumptions posed by the details of corporate power and the experience of individuals and groups at work. Institutionalists, Marxists, and other dissenters within economics have sought to counterpose the social realities of poverty

and exploitation with the abstract formalism of economic models. Economists' adherence to the ideal of free markets, like Platonic idealism, is rooted in a preference for mathematical structures over subjective experience.

Aristotle's conception of human differences, characterization of human virtues, and empiricism have been influential. Modern conservatives find in Aristotle a justification of aristocracy in the political and economic realms. On the other hand, Robert Solomon and others have developed paradigms of multiple virtues in business ethics relying on Aristotle's works.

Forms in Platonic and Aristotelian philosophy represent means to explain what is common and what is different among humans, animals, and things. Contemporary scientists struggle with the same questions and have found that the DNA code constitutes a modern equivalent for form among living things. However, DNA does not determine all aspects of human nature or individual differences. For example, it is probably only one of many factors influencing intelligence.

Scholars and practitioners continue to debate the relevant contributions of nature and nurture to intelligence. The Intelligence Quotient is premised on the notion that there is one fundamental kind of intelligence that has a fixed and unequal distribution among the human population. Critics such as Howard Gardner now argue that there are multiple forms of intelligence, including social and emotional varieties, that depend on context and are not necessarily correlated. Others have suggested that apparent cultural differences in intelligence are an artifact of testing, in which culturally specific approaches to reasoning are privileged. Most important, critics find considerable evidence for the notion that individuals have multiple paths of intellectual development open to them and that they are not handicapped by a fixed amount of intelligence.

Given the near-universality of complex hierarchies in the business world and the phenomenon of the "pecking order" among animal species, it is tempting to say that hierarchy and inequality are embedded in human nature. From Plato and Aristotle to contemporary ethologists such as Desmond Morris, this has been the view. Others condemn this notion as an anthropomorphic fallacy. Dominant chimpanzees or roosters do not claim superiority relative to the others in their group. Their dominance is highly constrained and relates to the ordering of events rather than to the quality of existence. It is only among humans that hierarchy rations access to necessary goods.

Counterposed to the essentialist views of Plato and Aristotle are models of a malleable and flexible human nature. Jean-Jacques Rousseau, Karl Marx, John Dewey, and even the 20th-century management scholar Douglas McGregor

argued that the reconstruction of social institutions could initiate new patterns of human development. Rousseau argued that humans were essentially good but corrupted by existing civilizations. He called for a new social contract informed by the “general will,” freed of corrupting sectarian interests. Karl Marx imagined an emancipated human nature of unlimited capacity following socialist revolution and the transition to communism. Dewey believed democracy to be the key to the enhancement of ordinary individuals’ abilities. McGregor argued that a more participatory approach by managers would uplift and fulfill most workers. The debates about the scope of human malleability and improvement are embedded within contemporary political discourse.

BEHAVIORS BASED IN HUMAN NATURE

Self-Interest Versus Altruism

One of the most important debates in business ethics revolves around the relationship of self-interest, competition, profit-maximizing, and human nature. The obverse question is the relationship of altruism inherent to human nature. What are the relative shares of altruism and self-interest in the fundamental nature of the human actors?

Some argue that examples of altruistic behavior abound in nature. Care for family members is a characteristic seen in a wide variety of species. The careful protection of eggs by penguin parents is a remarkable demonstration of willing self-sacrifice. Of course, biological urges are supplemented by cultural traits in human society; the balance of cooperation and competition in animal nature does not determine the balance in human nature.

The care shown by a parent for a child is often explained as selfish in that it helps preserve the parent’s genes. However, the wolf pack’s embodiment of extended family and the human concern for community and humankind (described in robust form in Kristin Monroe’s *Heart of Altruism*) cannot easily be construed as self-interest. It is noteworthy that neither narrow self-interest nor broad social solidarity, strictly defined, requiring either a developed personality or a science of politics, is present in the animal world.

Economists Samuel Bowles and Herbert Gintis posit that strong reciprocity and basic needs generosity are fundamental human motives. They contend that anthropological research and game theory suggest that people are not stingy, but that their generosity is conditional on context. By strong reciprocity, they mean a propensity to cooperate and share with others in a similar

position, even at personal cost. By basic needs generosity, they mean a virtually unconditional willingness to share with others and assure them some means of subsistence. Evolutionary biologists find evidence of reciprocal altruism as an evolved behavior. Anthropologists find altruism and self-interest embodied in varying combinations in existing and ancient cultures.

Some have argued that altruism is linked to a particular formulation of self-interest. Altruistic service to others requires a healthy self, without which one's service may lack consistency and effectiveness. Someone who fails to attend to his or her health and other needs cannot be reliably helpful to others. Sustainably altruistic behavior, whether for business leaders, philanthropists, community activists, or helping professionals, cannot involve self-destruction. Altruism may be linked to a conception of self-interest that is broadly construed so as to be consciously embedded in the social. The altruist judges the welfare of others to be intertwined with his or her own interests.

Despite the long tradition of writing and argument that humans are inherently social (supported by Plato and Aristotle and their Christian interpreters among others), individualistic conceptions of human nature have grown in influence in the United States and Western Europe since the 18th century. Social contract models like that of Thomas Hobbes and John Locke played a critical role in the revolt against monarchical absolutism and feudal privilege; individual rights and reason were key to this process. Both Hobbes and Locke hypothesized that humans were equal in the state of nature but endorsed a civil society of individualism and unequal property relations. Individualistic ideas were a potent solvent that shook the feudal order to its foundations. Canadian political theorist C. B. Macpherson identified a contradiction in the "possessive individualism" of Hobbes and Locke between the logic of individual liberty and exploitative property relations.

The 18th-century political economist Adam Smith was one of the great architects of the capitalist system. One of his important contributions was to link individualism to a self-regulating natural order. His best known work, *The Wealth of Nations*, introduced the concept of the "invisible hand" guiding the self-interested behavior of economic actors toward the public good. Modern individualists continue to pay tribute to Smith's conception of the invisible hand. Objectivists like Ayn Rand add to Smith's embrace of markets a belief in the moral superiority of capitalists.

Despite Smith's celebrated role as an exponent of laissez-faire capitalism, he did not argue that selfishness was a sufficient explanation of human behavior. He worried that self-interest often led businessmen to conspire against the

public and called attention to “sympathy” as a motive coexisting with selfishness. Indeed, he raised questions about the morality of individual capitalists.

Utilitarian philosopher Jeremy Bentham contributed much to the classical model of “economic man,” the individual as utility maximizer practicing a hedonistic calculus. In this analysis, market transactions generate the greatest happiness of the greatest number, and no other motives need constrain self-interest. However, even within utilitarianism more complex views of human nature have emerged. John Stuart Mill found happiness to be something more than the sensation of pleasure. Mill’s emphasis on the quality of happiness and his concern for workers’ conditions in free markets led him to contemplate means to introduce a measure of solidarity in economics, thereby adding to self-interest as the primary human motive. Smith and Mill considered together reveal a developing argument for social responsibility to restrain capitalist excess within the classical economic paradigm.

Capitalists and socialists, reformers, reactionaries, and revolutionaries of all stripes have posited views of human nature that validate their political analyses. Capitalists find self-interest everywhere. Socialists find altruism prominent in both “primitive” and civilized societies. Ayn Rand and modern objectivists continue to argue for an atomistic individualism and interpret human interaction as a form of rational contracting.

Good and Evil

War and violence have bedeviled humanity throughout recorded history. While Rousseau posited a noble savage and Marxian socialists have forecast human perfectibility, Saint Augustine and succeeding generations of Catholic and Protestant thinkers have asserted the principle of original sin.

Immanuel Kant thought the human mind capable of discerning moral duties or categorical imperatives through the application of reason. Because reason is an inherent human capacity, the perception of duty is embedded in human nature. This does not mean that humans will always do that which is good. Their capacity to reason provides the opportunity to make choices, and these choices may reflect selfish interests and violate duty.

The 20th-century Protestant theologian Reinhold Niebuhr elaborated a view of human nature in which good and evil coexist and define the arc of human practice, and democracy is justified as a constraint on evil and a means to develop the good. Niebuhr warned of the children of light and the children of darkness, both of whom do evil as they dwell in illusion. The children of light assume that human nature is perfectible and fail to recognize the damage

they do as they aggressively pursue what they regard as the good. The children of darkness know of no law apart from their own will and narrow interest. Niebuhr held that powerful corporations routinely abuse their power, both through the naïve optimism of the children of light and the manipulative cynicism of the children of darkness. Niebuhr's moderate pessimism about human nature led him to argue for extensive regulation of corporations, but he also warned of abuses in the exercise of governmental power.

Reason and Emotion

Philosophers from classical to modern times have cited reason as the faculty that distinguishes human beings from animals. It must be conceded that primates have the capacity for physical problem solving, but they lack the ability to consider abstractions and formulate principles. This gives humans the capacity to distinguish self-interest from group and societal interests and to choose rules for decision making.

While Plato and other dualists considered emotion to be inferior to reason, and others have linked emotions and the flesh to moral corruption, emotion plays a critical role in human behavior. It cannot be so easily distinguished from reason. Emotion provides information. When one experiences emotional pain, one recognizes a peril in the path of decision making. Pleasure reveals a favorable association. Emotions illuminate some of the personal and social consequences that derive from one's choices and situation. One is free to employ reason in the consideration of emotion. While Jeremy Bentham was probably a reductionist in his construction of a hedonistic calculus for human behavior, it is equally suspect to dismiss pleasure and pain as irrelevant to human action.

The Life Cycle

A challenge posed by human nature to the business world is the recognition of the life cycle. The utilitarian model premised on economic man fails to fully acknowledge the ways in which humans mature and develop distinct needs (rather than wants). Humans are distinguished from other mammals by their survival long past child-bearing years. Older humans have much to contribute to society based on their experience, and children have much to learn from society, but neither reality is fully reflected in any company bottom line. Industrialized societies now face difficult questions relating to the funding of private and public pensions given widespread employer pressure to attenuate historic commitments to retirees. The elderly face increased poverty and exclusion.

SOCIAL RESPONSIBILITY AND SOLIDARITY

Business leaders, scholars, and the public at large vigorously debate about whether corporations owe society anything more than profit-maximizing. The advocates of profit-maximizing and of social responsibility often turn to conceptions of human nature to explain their positions. If rational self-interest is a sufficient explanation of human behavior, then corporate social responsibility receives little reinforcement from human nature. Classical notions of the social contract and contemporary economic models reinforce the notion of the atomistic individual. If, on the other hand, altruism is sustainable at the individual and group levels, then there may be a variant that is appropriate to the business enterprise. A third possibility is that human nature leaves individuals and groups with a wide array of choices and in no way determines the configuration and practice of business enterprise.

Of the three propositions, the weakest appears to be monistic interpretation of human nature and business practice as self-interested. Certainly anthropologists' survey of human behavior and social institutions finds multiple patterns of self-interested and altruistic behavior. Individuals' loyalty to tribes, businesses, or movements cannot be fully explained by self-interest. It should be noted that profit-maximizing corporations depend on considerable self-sacrifice from employees.

Social psychologist Lawrence Kohlberg describes the process of ethical development according to which an individual learns to behave according to the dictates of successively broader communities, from the family to peer groups and ultimately global humanity. Parental approval and avoidance of punishment determines the behavior of the child, but abstract principles may guide the decisions of adults.

Underlying this process is an expanding social consciousness. Humans see the consequences of their actions and derive lessons from what they see. They easily perceive their dependence on immediate and extended families. As they mature, they may increasingly identify commonalities with other individuals and families. They observe an array of "experiments" in which individuals and families pursue varied options with respect to patterns of cooperation and conflict with relevant others. As a result, they forge bonds of identity linking the local, regional, national, and perhaps global networks.

Regardless of one's values and background, one has the potential to embrace a consciousness of kind with global dimensions. This is true of the

hard-nosed business conservative as well as the international unionist. What distinguishes the two is the choice of others with whom to identify. In neither case is the individual self-sufficient.

Social consequences may extend to considerations of the natural world. Humans cannot sever their relations with the natural world, but they can learn better how to evaluate the natural consequences of their actions. The human capacity to perceive consequences, experiment as to behaviors, identify with others, and invent ways of living and working together provide the intellectual and social context for conceptions of social responsibility.

Behavioristic psychologists like James McConnell and B. F. Skinner viewed human behavior as a set of responses to stimuli in which conscious choice is absent. This perspective recognizes few differences between rats and humans and omits culture as a significant element of human existence. On the other hand, if one accepts the notion of consciousness, one can see in cultural variety the multiplicity of social choices humans have made as well as the consequences. One might speak broadly of a “consciousness of kind” (following Giddings), ranging from familial (nuclear, extended) to group, nation, species, and nature. This “consciousness of kind” follows the contours of association and solidarity through which individuals and groups demonstrate their identity with and fidelity to others.

There is considerable opportunity for choice in the way in which business institutions reflect individual, group, and societal priorities. The multiple paths to corporate social responsibility depend on choices as to the institutionalization and reconciliation of the self-interests and altruistic concerns that coexist in human nature.

Consider Kant’s maxim that one should treat others as ends and never solely as means. This categorical imperative has been interpreted by some to require the overhaul of organizations. Labor cannot merely be a factor of production and thus a means but must become an end as well. Producer cooperatives, employee ownership, collective bargaining, and employee involvement may be more consistent with Kantian ethics and represent means to reconcile the self-interested and altruistic motives in human nature.

—David Carroll Jacobs

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