

Virtue Theory as a Dynamic Theory of Business

Surendra Arjoon

ABSTRACT. This paper develops a meta-theory of business based on virtue theory which links the concept of virtues, the common good, and the dynamic economy into a unifying and comprehensive theory of business. Traditional theories and models of business have outlived their usefulness as they are unable to adequately explain social reality. Virtue theory shows firms that pursue ethically-driven strategies can realise a greater profit potential than those firms who currently use profit-driven strategies. The theory expounds that the business of business is ethical business and that the crises that business and society face today are crises of leadership and ethics. The issues of leadership and corporate social responsibility are discussed in the context of the proposed theory.

KEY WORDS: common good, corporate social responsibility, dynamic economy, ethical leadership, sustainable competitive advantage, virtue theory

Introduction

We have seen, in recent times especially, that increasingly more firms have been giving ethics a prominent role in developing their organizational culture. More firms are adopting professional codes of ethics and corporate credos that focus on specific rules. As well, ethics committees, ethics officers, membership in the Ethics

Officers Association, and ethical training for executives have also been on the rise. There has also been a proliferation of articles, journals, books, courses, conferences and seminars on ethics, and internet sources.¹ Many centers and endowed chairs for the study of business ethics have been continually emerging. Business ethics is also well established and is highly recommended or required in most of the leading business schools in North America. This growing concern with ethics is a response by businesses to consumer pressure, the need to provide quality service, and changing social values. There are also the demands involving the pressing social and moral issues in business, particularly the controversial issue of corporate social responsibility, for the well being of society. In addition, over the last couple of decades, the business environment has been plagued with a proliferation of ethical issues and dilemmas (corruption, bribery, shareholders and management issues, the role and responsibilities of board of directors, product safety, just wages, whistle blowing, insider trading, monopolistic price schemes, child labor).

There is increasing evidence that shows there is a positive relationship between corporate social performance (CSP) and corporate financial performance (CFP).² For example, Roman et al. (1999) found that of 52 studies, 33 suggested a positive relationship between CSP and CFP, 14 were found to have no effect or were inconclusive, and only 5 studies found a negative CSP/CFP relationship. Preston and O'Bannon (1997) also analyzed the relationship between indicators of CSP and CFP within a comprehensive theoretical framework, which revealed a strong positive correlation. Their results were based on data for 67 large U.S. corporations for

Surendra Arjoon is a lecturer in Business Ethics and Managerial Economics in the Department of Management Studies, the University of the West Indies, Trinidad. He is currently serving as Deputy Dean in the Faculty of Social Sciences. He was a visiting Scholar at the University of Warwick, UK, and Concordia University, Montreal, Canada. His publications have appeared in such journals as Global Development Studies and Applied Financial Economics.



the period 1982–1992. From a study conducted in the early 1980s by Johnson & Johnson, the Business Roundtable's Task Force on Corporate Responsibility and the Ethics Resource Centre in Washington DC, fifteen companies with written codified set of principles were examined (Caccese, 1997). The study found that if you had invested \$30 000 in a composite of the Dow Jones 30 years ago, it would be worth \$134 000 today. With the same investment in these fifteen firms (\$2000 in each), it would be worth over \$1 million. A study by the Lincoln Center for Ethics at Arizona State University demonstrated that a list of the U.S. corporations that have paid dividends for the past 100 years coincides with the Center's list of companies that have a strong code of ethics focusing on values and commitment to customers, employees, and community (Caccese, 1997). In a real sense, we are now witnessing a reintegration of ethics into business. The Conference Board (1996) Report on "The Evolving Role Of Ethics In Business," concluded that companies will increasingly need to take a proactive ethical approach to thrive – perhaps even to survive – in the 21st century. But how effective or sustainable will these so called ethical-driven strategies be if they are misdirected or taken out of context? Can businesses do better in terms of increasing their bottom-line and meeting their obligations to all stakeholders at the same time?

Codes of conduct or ethics have been traditionally used by organizations to instill and to promote ethical behaviour. An institution's ethical code is not a minor matter in management and administration, it is like the ultimate nucleus of values around which all the institution's business revolves (de Garay, 1995, p. 88). However, many codes are best seen as warnings or threats since they tend to focus on the avoidance of wrongdoing. Betsy (1996) suggested that codes are generally framed from a defensive position and are designed to protect the organization from employees. Codes can also be used as some measure of protection against the government should the company be found guilty of criminal fraud via the new sentencing guidelines. Companies that rely on codes of conduct are focusing on minimalist measures, paying lip

service for public relations or compliance purposes, are for the most part unsuccessful, and are frequently not implemented (see for example Harris, 1995; Kennedy, 1996; and Lindsay et al., 1996). Generally, codes do not inspire employees to more worthwhile habits of behavior to achieve excellence. For example, if a young executive wants to be able to be generous or to be known as trustworthy but she has never learned either, what will happen? She won't be generous or trustworthy. In other words, if someone had no idea what it is to trust, to keep a confidence or to respect privacy, codes would simply become another procedure in the mountain of bureaucracy. Ethical codes are only as effective as the willingness of those who comply strictly with them, and without the appropriate preconditions, they tend to be regressive in so far as looking backwards to past errors. This is not to say the corporate ethical code should reveal "the ultimate principle of moral right and wrong," but, if properly designed, codes of ethics can be useful in specifying what kind of ethical behavior is expected of employees in their specific responsibilities, can clarify what the organization means by ethical conduct, and can be effective in encouraging ethical behavior (Buchholz and Rosenthal, 1998, p. 177).

Traditional approaches to ethics, including codes of conduct, focus on a set of prohibitive rules and principles which are concerned with telling people how they ought to behave. These approaches to ethics ask fundamental questions: What is one's moral obligation? What ought we to do? What is our duty? What is the ultimate principle of moral right and wrong? While these issues should not be de-emphasized in their importance, business executives and managers are usually not interested in the rhetoric's of do's and don'ts, rights and wrongs, goods and bads. Ethics in that case then becomes abstractionist and fosters the separation of ethics and business either as being oxymoron or the idea that there is good business practice and then there is ethics. This phenomenon, known as the separation thesis, is the view within which business and ethics are seen as conceptually distinct and separate (Freeman, 1994). Wicks (1996) showed that there is ample evidence that the separation thesis

is a commonly held view and management researchers are helping to reinforce this. Virtue theory, as discussed in this paper, attempts to overcome the separation thesis by showing that ethics is indeed an inherent part of business.

The theoretical framework

Traditional approaches to ethics then tend to focus on the minimalist or negative aspect, rights and duties. An approach which is concerned with how people should behave or what sort of person one must become in order to do the right thing, is more appealing and practical. Such an approach that focuses on a purpose, on individual and collective responsibilities, and on the cultivation of character, is that of virtue ethics or virtue theory. In fact, many management best sellers talk about virtue ethics under different contexts: Covey (1989), Chopra (1995), Collins and Porras (1994), Senge (1990) and Peters et al. (1988).

Drucker (1994) proposed that a theory of business should be based on three basic assumptions: assumptions about the environment, assumptions about the mission, and assumptions about the core competencies needed to accomplish the mission. Furthermore, these three categories of assumptions must fit reality and fit one another. Virtue theory as discussed in this paper is developed in a much broader or explicit context than traditionally used. It attempts to build a meta-theory of business that is grounded in these assumptions about the environment (the concept of the dynamic economy), about the mission (the concept of the common good), and about core competencies (the concept of virtues) that better fit reality than traditional assumptions on which organizations have been built and that have outlived their usefulness (Figure 1). These three concepts (the dynamic economy, the common good, and virtues) will also be shown to be intimately linked. Of course each of these concepts cannot be adequately discussed in the confines of a single paper, but the main purpose of this work is to develop a comprehensive theory of business.

The next section develops the virtues which

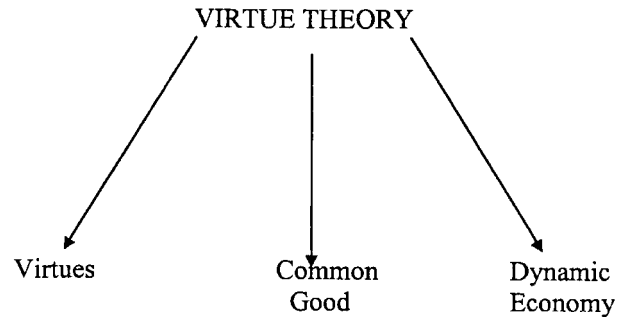


Figure 1.

are mainly based on Aristotle's *Nicomachean Ethics*. Section 3 discusses the notion of the common good, as well as the relationship between the virtues and the common good, and the common good as the goal of business. The concept of the dynamic economy is presented in Section 4. Section 5 addresses some implications and applications of virtue theory including issues of leadership and corporate social responsibility. Some final remarks and limitations are made in the concluding section.

The virtues

Virtue theory holds the view that the foundation of morality lies in the development of good character traits as virtues: a person is said to be good if he or she has virtues. Historically,² virtue theory is the oldest normative tradition in Western philosophy, having its roots in ancient Greek civilization, particularly in Aristotle's *Nicomachean Ethics* which is the earliest and most influential systematic account of virtue theory. The influence of virtue theory declined during the period of Renaissance, the Scientific Revolution, and Enlightenment (Age of Reason). The contemporary resurgence of virtue theory occurred in the late seventies and early eighties primarily through the works of British philosopher Philippa Foot (1978) and Alistair MacIntyre (1984). In the literature, virtue theory have been described by other synonyms – virtue ethics, virtue-based ethics, virtue-centered ethics, agent-based ethics, character ethics, Aristotelian ethics, and human nature

ethics.³ In recent years, there has been a proliferation of articles on virtue ethics (see for example Im, 1999; Glanzer, 1998; Yu, 1998; Keenan, 1997; Luckowski, 1997; O'Meara, 1997; Roochnik, 1997; van der Bossche and Mortier, 1997; Meara and Schmidt, 1996; Nesteruk, 1996; Payne, 1996; Punzo, 1996; Curd, 1995; Mintz, 1995; Putman, 1995; McCloskey, 1994; Woodward and Miller, 1994; Sommer, 1993; Spohn, 1992; Braybrooke, 1991; Perrett and Patterson, 1991; Sichel, 1991, and Woodruff, 1991). Specifically, this paper focuses on virtue theory as developed by Aristotle in his *Nicomachean Ethics* as translated by Library of Liberal Arts (1962).

One of the main criticisms of virtue theory is that there appears to be a lack of clear-cut rules and principles for use in ethical decision making. However, before rationalizing whether or not our actions are right or wrong based on the application of some general rules or principles, virtue theory implies that it is the cultivation of character or virtue that are preconditions, and in fact would preempt application and consideration of such rules in many cases. Attention to rights and duties are not the focus under virtue theory, rather, in addition to cultivation of character, emphasis is placed on individual and collective responsibility. This doesn't mean that virtue theory has nothing to say about rights and duties. For example, with regards to rights, Solomon (1992) suggested that emphasis should move away from having rights oneself to recognizing the rights of others, which is what a virtuous person would promote. With respect to duties, the organizational structures would define roles and responsibilities. In fact, it is the virtue of responsibility or justice that allows us to recognize and respect the rights of others, which is the source of our obligation and a sense of duty for the welfare and happiness of others. From the above, we can see that virtue theory in some sense is more basic than other moral principles and concepts since virtues are fundamental in that claims about other moral concepts are either reducible to underlying claims about virtues or justified on their basis (for further details on this line of argument see Audi, 1995, pp. 840–842). Thomas Aquinas wrote that every moral question

can be reduced to the consideration of the virtues (Keenan, 1997).

The word virtue is derived from the Greek word “arete” which is translated as excellence. Virtues are based on the idea that define good character and originally meant strength and superiority.⁴ According to Aristotle, virtue implies that there is a set of qualities which will make people fulfill their functions as people properly and well. Without virtue, people are unable to fulfill their task well. For Aristotle, it is not enough that a person have the know how of doing something, but virtue lies in the difference between doing something and doing it well or virtuously (excellently). In other words, we do not display virtue when we do something that happens to be good, but we must act with a deliberate desire to perform our function as human beings properly. Ethics, understood in the above context, would not be perceived as a constraining force on human behavior as traditional approaches⁵ (for example, deontological ethics) promote, but rather, it would now be a liberating or inspirational force since it depends on the individuals ability to pursue excellence through virtuous acts.

Virtues are acquired by habituation or repetitive practice. Practice is a critical component of many forms of virtue theory. MacIntyre (1984, p. 187) defined practice as “any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended. Liedtka (1998) identified that central to MacIntyre's definition of practice are four characteristics: cooperative human activity; intrinsic goods, or outcomes, related to the performance of the activity itself, beyond external goods like money, fame, and so forth; a striving toward excellence, both in product (the ends) and performance (the means); and a sense of ongoing extension and transformation of the goals of the practice.”⁶

In Book 2 of *Nicomachean Ethics*, Aristotle

remarked that virtue is concerned with passions (which sets the practical situation) and actions (which is how to respond to them). For Aristotle, in all passions and actions, there are two opposite vices (a defect and an excess) and the intermediate or virtue (which is relative to us). This concept of the intermediate or moderation is at the heart of virtue theory: we must respond to a particular situation in the right time, in the right way, in the right amount, and for the right reason. In his *Nicomachean Ethics*, Aristotle compared the concept of moderation with an artistic masterpiece which you could not take away from (defect – too little) or you could not add to it (excess – too much).⁷ Apart from justice, every other virtue has the two extreme vices: the defect which is usually easily identifiable as an opposite, and the excess which is a vice that closely resembles the virtue. For example, if we consider the virtue of order, its opposite is disorder, and the other extreme is working non-stop. For courage they are cowardice and foolhardy; for generosity, stinginess and extravagance, and so on.

At the end of Book 1 in his *Nicomachean Ethics*, Aristotle made the distinction between intellectual and moral virtues. Moral virtues are those that are concerned with the will and can be acquired through regular practice; intellectual virtues are acquired through learning. The moral virtues in fact have a significant influence on the intellectual virtues, so that the development of the moral virtues takes a priority. Among the virtues, those that are fundamental in the sense that all other virtues are closely tied with them, are the cardinal (from the Latin “cardo” which means hinge) virtues: prudence or practical wisdom, courage or fortitude, self-mastery or temperance, and justice or fairness. Courage is the ability to face and to overcome difficult situations. It is the power to act even when we are afraid. Temperance or self-mastery is the ability to have control over our tendencies to laziness, complacency, and reluctance to fulfill our responsibility. It is the virtue that relates to enjoying things in moderation. Justice describes a situation where one constantly give others what is their due so that they can fulfill their duties and exercise their rights, and at the same time,

one also tries to see that others do likewise. Prudence can be equated to good judgment and right reasoning about people. Among the cardinal virtues, Pieper (1966) reasoned that prudence is the most important since it is necessary in order to practice the other cardinal virtues. He argued that prudence is the first of the cardinal virtues since none but the prudent person can be just, brave, and temperate, and the good man is good in so far as he is prudent. Naughton et al. (1996) also supported this view in that prudence or practical wisdom is the central virtue since it is able to order the various organizational good together in one concrete act. The prudent person has a grasp of the complexity of the business environment and instantiates the various moral virtues in a particular situation. It is a key virtue since it both does the good and does well simultaneously. MacIntyre (1984, p. 155) also illustrated that prudence is a central (intellectual) virtue without which none of the moral virtues can be exercised (see also Woodward and Miller (1994), Hutchins (1995), and Putman (1995) for more on prudence as the central virtue).

MacIntyre (1984) also distinguished between internal and external goods or goals. Internal goals are unique, intangible, unlimited in supply, and have intrinsic value. Internal goals require an ability to recognize and to exercise virtues. Examples of internal goals are essentially the virtues: prudence, self-mastery, courage, justice. External goals, on the other hand, when achieved are always some individual's property. Examples of external goals are profits, honor, fame, prestige, and material wealth. Within a virtue theory framework, the pursuit of internal goals are the driving force for external goals (Figure 2). If a firm were to pursue an external goal of maximizing profit, they would be constraining themselves. However, if internal goals are pursued, then the level of profits that can be realized becomes unconstrained since internal goods are not limited in supply. So, if firms wish to maximize profits, they should be ethically-driven (that is, the pursuit of internal goals) as opposed to profit-driven (that is, the pursuit of external goals), since the former drives the latter.

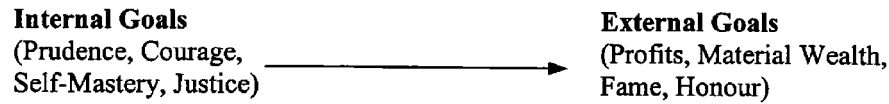


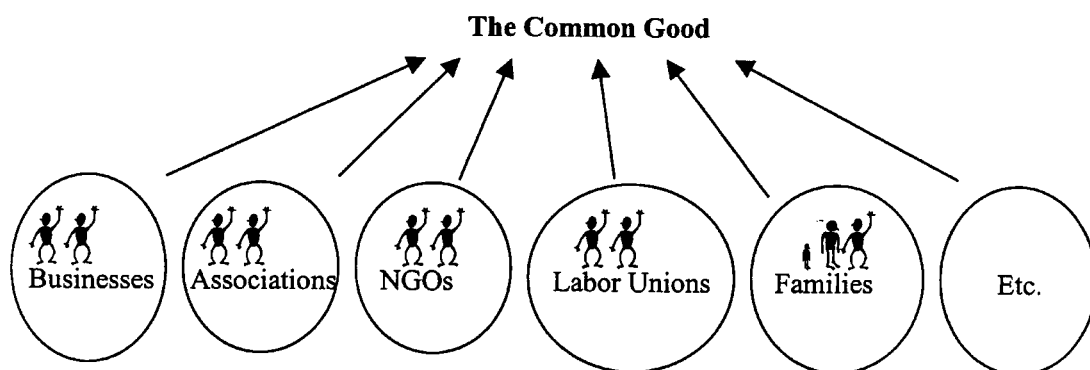
Figure 2. Virtues: Internal goals.

The common good

Society and culture are made up of heterogeneous groups and associations whose activities are organized by a system of institutions (familial, communicative, economic, judicial, political, administrative, educational, etc). Society can be thought of as an organism – the highest level of organization whose various functions are fulfilled by certain specific “organs” or institutions (Figure 3). If, as currently the case of social reality, these organs do not function properly or do not work in harmony, crises evolve. In other words, if these institutions or organs have different and self-interested goals that are not in line with a common goal or what is called the common good, then there are enormously negative consequences to society (unemployment, poverty, crime, economic exploitation, social dislocation, political domination, etc). But, all these institutions do have something in common – it is people that make up these institutions. This is precisely the reason the corporation can be considered a moral entity.

Although, along with its many synonyms (public good, public interest, common good,

general welfare, national interest, etc.), the common good is frequently used in many forums, few studies exist that define it an explicit way. The common good has been the central ethical task and one of the most controversial issues of every age, every nation, every business, and every individual. It has occupied our attention from the times of the Greek philosophers to the present times. Within the last decade, there has been renewed interest in the notion of the common good in the social sciences (see for example, Baston et al., 1999; Raeder, 1998; Bennett, 1997; Kangas, 1997; Martinson, 1997; McNellis, 1997; Murphy, 1997; Stebbin, 1997; Walford, 1997; Wesley, 1997; Kelly, 1995; Goodpaster and Atkinson, 1992; Mahon and Mc Gowan, 1991). The common good is a concept that is difficult to define, but it can be recognized when it is practiced and better still when it is not present.⁸ For example, companies that have adopted work/life strategies and programs (elder-care assistance, flexible scheduling, job-sharing, adoption benefits, on-site summer camp, fitness centers, removing many work rules, allowing people to set their own work goals and hours, providing technology to



Note: There should be overlap among institutions since each person may belong to several “organizations,” but the diagram is presented in this way for simplification and instructive purposes.

Figure 3. Society and culture.

allow work from home and other sites, etc.), promote the good of society.

How then can we define the common good? The common good is to advance the good of the individual human person and human family. It is an order of rights and duties based on justice, and a social situation such that the opportunities for every person in society to develop himself or herself to the full (materially, culturally, spiritually, etc.) are maximized (de Torre, 1984, p. 22). This notion of the common good is further elucidated by Finnis (1999, p. 155) definition of the common good as a set of conditions which enables the members of a community to attain for themselves reasonable objectives, or to realize for themselves the value(s) for the sake of which they have reason to collaborate with each other (positively and/or negatively) in a community. This definition neither asserts nor entails that the members of a community must all have the same beliefs, values or objectives. The common good is therefore achieved when each person contributes to the whole in accord with his or her abilities and with the awareness of the legitimate needs of others. It arises from the fact that we are all called to form a social community in which persons recognize the responsibility for themselves as well as for others. The development of any community, be it business or society, comes about through the contribution made by its members, and we would never be able to achieve our personal end if we did not contribute to the good of everyone else. The personal cooperation of each individual in the common good then takes on the character of an unavoidable ethical obligation.

Today, there is a tension that pits the premises of the Western notions of meritocratic individualism (the paradigm of post-Enlightenment democratic liberalism) against the communitarianism notion that attempts to retrieve the idea of community as a necessary foundation for modern social life (Donohue, 1996). Donohue further argued that the idea of the common good provides a conceptual organizing category for mediating the excesses of individualism or communitarianism. It serves as a way of construing the relationship of the individual to a society so

that the limits and possibilities of both individual and communal well-being are preserved, and in which the appropriate responsibilities and obligations that exist among individuals are clarified and articulated. He further noted that the common good shares with liberalism the impulse to affirm and extend the ideal of individual freedom to its appropriate limits; and with communitarianism it shares the conviction that only in the context of community can the fullest possibilities of the individual be realized. Raeder (1998) addressed these issues in her exposition of a Hayekian perspective on communitarianism. Solomon (1992) endorsed this position in stating that for Aristotle, life was supposed to fit together in a coherent whole (the holistic idea that individuals, families, and businesses are first of all part of a larger community). According to Aristotle, one has to think of oneself as a member of the larger community (the Polis), and strive to excel to bring out what is best in ourselves and our shared enterprise. Solomon (1992) further noted that what is best in us – our virtues – are in turn defined by that larger community, and there is therefore no ultimate split of antagonism between individual self-interest and the greater public good. Our individuality is socially constituted and socially situated. Raeder (1998), Bennett (1997), Giddy (1997), and Etzioni (1996) responded to some of the issues in the debate about the fundamental question of the proper balance between individual liberty and commitment to the common good.

From the above, we can see that the common good cannot be viewed as the mere sum of individual goods which is rooted in traditional thinking (e.g., utilitarianism, social contract theory, etc). Once the atomistic individual is taken as an isolatable unit, then the individual and the community become pitted against each other in an irreconcilable tension. Individuals, corporations, and society are not separate entities like atoms that collide with each other. They are part and parcel of an ontological whole. Rosenthal and Buchholz (1998, p. 56) viewed the self as inherently an aspect of an ongoing social process which is a radically different way of understanding the self that denies the atomistic view. According to this view, in the adjust-

ments and coordinations needed for cooperative action in a social context, human organisms take the perspective or the attitude of others in the development of their conduct. In this way, there develops the common content that provides a community of meaning, such that communication can take place because there is a common basis of understanding. Selfhood then comes about through a social context as it involves the ability to be aware of oneself as an acting agent within the context of other acting agents. The authors further argued that not only can selves exist only in relationship to other selves, but no absolute line can be drawn between our own selves and the selves of others since the origins and foundations of the self are social or inter-subjective.

Virtues and the common good

Someone once said that hard work without some purpose or ideal make life an endless drudgery. But, that same hard work carried out for some passionate ideal, turns life into a grand sporting adventure. Contrary to the popular saying that virtues are their own reward,⁹ one cannot properly talk about the theory of virtue without reference to some goal or good, in this case, the common good. After all, virtues are those qualities which enable people to direct their behavior toward some goal. In his *Nicomachean Ethics*, Aristotle remarked that the chief or ultimate good for human beings is “eudaimonia” which is translated as “happiness,” but is better understood as human flourishings or potentialities (living and doing well) which are achieved by promoting the common good. MacIntyre (1984), in his chapter on “Aristotle’s Account of the Virtues,” also noted that the virtues are precisely those qualities the possession of which will enable an individual to achieve “eudaimonia” (and the lack of which will frustrate his movement toward the “teleo” or goal) and which would contribute to the realization of the common good. A flourishing life then consists in virtue or excellence in human activity. In a *Newsweek* cover story, Woodward and Miller (1994), in talking about the politics of virtue,

remarked that it is the cultivation of virtue which makes individuals happy; the result is a good person, a responsible citizen and parent, a trusted leader and possibly even a saint. They concluded that without a virtuous people, society cannot function well, and without a virtuous society, individuals cannot realize their own or the common good. The former president of the University of Chicago, Robert Hutchins (1899–1977), in making a case for the aim of general or liberal education in 1938, stated that virtue is that which makes a man good and his work good too; as virtue makes a man and his work good, so also it makes him happy, so also it makes him a good citizen (Hutchins, 1995).

The intimate link between virtues and the common good is that both have the underlying philosophy that people are social by nature and cannot be understood apart from the larger community in which they participate. Naughton et al. (1996, p. 210) underscored this point when they noted that people desire a community of work where they can develop skills and talents that contribute both to the organization as well as to society. For such a community to exist, businesses must create conditions that provide broad base participation, distribute burdens and benefits, and contribute to the larger community. To create such conditions, people must be virtuous, otherwise they will not trust each other and therefore prevent the possibility of a true community of work. MacIntyre (1984, p. 151) further remarked that an individual member of a community could falter in his or her role as a member of that community by simply failing to be good enough (deficient in the virtues) to such an extent as to render his or her contribution negligible to the common good. It is through the virtues that people are able to develop and to acquire self-control, and direct their efforts toward the realization of the common good (Figure 4). Therefore, by developing a person’s natural potentialities through fostering an environment that would provide such opportunities (i.e., promoting the common good), and through the rational control of one’s desires (i.e., the virtues) will help to make one a good member of society and therefore promote the good of society.

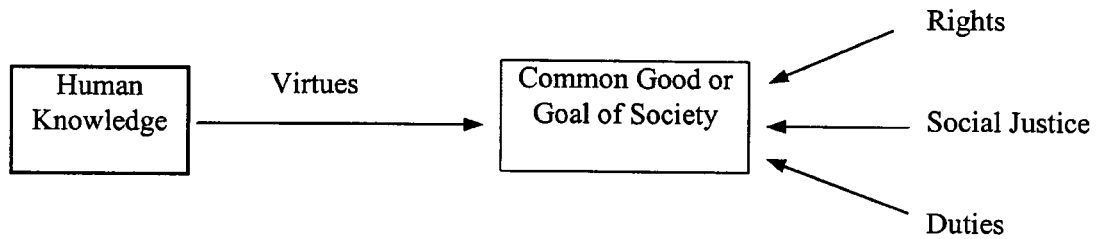


Figure 4. Virtues and the common good.

The common good as the goal of business

Basically, there are two competing visions for the purpose of business.¹⁰ At one end of the spectrum, there is liberalism which focuses on shareholders wealth maximization (the so-called profit maximization model)¹¹ and at the other end, the communitarianism model which focuses on the common good. With respect to the former, the following are some comments from some top American CEOs in response to the issue of whether an organization can operate successfully if its sole quest is for profits (see Watson, 1991, for further details): “Profits are like breathing. If you can’t breathe, you can forget everything else that you’re doing because you’re not going to be around much longer” (Robert Mercer, Chairman and CEO of Goodyear Tyre and Rubber). “It’s hard for me even to think about what we do that’s purely for profit, because the concept at J&J is so outmoded” (David Collins, former Vice Chairman of Johnson & Johnson). “Profits are one effective way to measure past performance, but they don’t drive the enterprise. I think it’s a great way to keep score, but I don’t think it’s the principal motivation” (Phillip Lippincott, Chairman and CEO of Scott Paper). “Profits are not the reason for the existence of a business. This is not to say that profits are unimportant or can be neglected” (John Bryan, Jr., Chairman and CEO of Sara Lee). Buccholz and Rosenthal (1998, p. 168) also argued that profits, in the best sense of the word, are the reward for having efficiently produced something useful; profits are the lifeblood of the corporation and without it, corporations would not survive. The above suggests that profits are no more the purpose of a business than eating is the purpose of life. Profits are a

requirement of any business that has to be met, and in fact, it is part of the operational definition of a business as a going concern. Many business schools, however, still focus on training their students on neo-classical models that maximize profits or shareholder value of the firm without much emphasis on the material well being of society or the more profound dimension of our existence.

Naughton et al. (1996) also argued that the end of the organization is neither the particular good of a stakeholder nor the aggregate of individual stakeholders but the good of the community in which people develop. They pointed out that what is critically missing is an idea of a “community of work” where employees within the organization inspire a common life of desire and action directed toward human development. This “community of work” brings us together to serve a common good that includes, yet goes beyond our own, particular goods. It is not a liberation to autonomy and independence, but to community and interdependence that sets the conditions for human development; this flows out of the social nature of the human person. The authors also developed the idea of a common good model which leaves behind the liberal tradition that has formed the purpose question for organizations since the enlightenment, and draws on the communitarian tradition. They pointed out that both the shareholder wealth maximization and stakeholder models, which are both rooted in philosophical liberalism and express important insights into running an organization, fail to serve as an adequate basis for explaining the purpose of an organization as it does not capture a fuller meaning of living in an organizational community. This line of reasoning is also developed by Stebbins (1997).

In defining what kind of organizational purpose is desired, some underlying idea of life and business is desired in order to understand the purpose of human work, action, and dignity. Watson (1991, p. 103) commented that in Western culture we have inherited an ethic that has steadily elevated the value placed on the worth and dignity of each human life in which humans are not to be used for the service of things but things are to be used for the service of humans. According to this, we have witnessed a transformation¹² which has resulted in the inversion of values in which people (workers) have become the subject of business and economics, whereas they are supposed to be the object of work. This inversion of goals or values (profit before people) that resulted from the transformation of businesses, can be linked directly to the gradual break with the universal common (moral) sense in which early societies were more conscious of community rather than of individuality. This issue lies at the heart of ethics. Watson (1991) also added that behind the many abstractions in business, we are human beings and so we need to make the workplace a dignifying human experience. The following, which in essence promote human dignity and therefore the common good, expresses this sentiment (see Watson, 1991): "Human beings are entitled to some meaning in their lives and management has an obligation to provide that within . . . the work environment" (Charles Moritz, Chairman and CEO of Dun & Bradstreet). ". . . when a poor man enters the bank, he must always receive the same courtesy and consideration a rich man would get" (AP Giannini, Bank of America, over a century ago). Watson (1991) further added that in an ideal society, the decent treatment of people supersedes all other concerns. When a person mistreats or is mistreated by another, his humanity is diminished. Interestingly, the principles of the Caux Round Table, which was founded in 1986 and consists of business leaders from Europe, Japan and the United States, are based on two basic concepts: respect for human dignity and *kyosie* – living and working for the common good (Tarantino, 1996 and Carlson and Blodgett (1997).

It is ultimately the dignity of the human being

that is the major criterion by which to judge the real progress of business and society since the value of the person is above that of economic and social development. People's dignity are expressed by the whole of their personal and social activities, particularly in the field of work. Since we spend a large part of our lives working for corporations, then, in the first place, business is one of the main vehicles for expression of work, which reflects the dignity of people. Business is essentially a social organization where people are organized to achieve a common purpose – promoting the common good. By their innermost nature, people are social beings and if they do not enter into relations with others, they can neither live as human beings nor develop their talents. Business then is a natural mean that people can and should use to fulfill themselves in order to reach their ultimate goal. From the above argument, we can conclude that business is, above all, a natural mean by which employees may satisfy their needs and achieve their development as people. The ultimate goal of business then is to provide an environment that would allow and would encourage people to achieve their goals which at the same time promotes and realizes business and societal goals (in other words, to promote the common good). Business then has an ethical obligation to support employees' right to fulfill their self-defined potential. Empirical results show that firms that create such types of environments, have avoided losses due to employee theft, expense account padding, employee sabotage, and litigations. Results also show that it has helped to develop trustful relationships and helped minimize risks of scandals that can destroy companies and careers. Many companies are now realizing that ethically-driven strategies are resulting in a sustainable competitive advantage. Companies that have provided leadership and have benefited from adopting these strategies include Dupont, Hewlett-Packard, Merrill Lynch, Motorola, Unum Life Insurance, MBNA American Bank, First Tennessee Bank, and Eddie Bauer. Companies that have seriously adopted ethically-driven or people-centered strategies have seen clear gains in productivity, sales and profits, customer service, retention rates, reduction

in absenteeism, positive impact on employee morale, increased and timely launching of products (for further details see *Business Week*, 1996; Teal, 1996; and Redder, 1994).¹³

From an ethical standpoint, a hierarchy of goods or values is essential in that ethics try to discover which goods are “real” and which are “apparent” or instrumental, in other words, one needs to look beyond appearances to discover the causes, the reasons, and the bases for goods (de Garay, 1995). In this sense, profits are an apparent or instrumental good, and the problem resides in knowing the place of profits within the set of goods. Naughton et al. (1996) also noted that if organizational goods are properly ordered, they can provide a source of help that set the conditions necessary for human development within an organizational context where the good of the person is recognized to be intrinsically connected to the good of the community. Profits then are not the most important good, but without profits (and other instrumental goods), there can be no other goods and a workplace where people develop has little relevance as the organization would cease to exist. Reell Precision Manufacturing expressed this point as, “we do not define profits as the purpose of the company, but we do recognize that reasonable profitability is necessary to continue in business and to reach our full potential. We see profits in much the same way that you could view food in your personal life. You probably do not define food or eating as the purpose of your life, but recognize that it is essential to maintain your health and strength so you can realize your real purpose (Naughton et al., 1996, p. 211).” When profits become the end of an organization something is radically missing to what it means to be a human organization; an inordinate attachment to the more fundamental good (the common good) prevents an organization from considering or pursuing the more excellent goods of community.

The dynamic economy

Joseph A. Schumpeter is the most illustrious 20th century economist to promote the idea that the

economy is dynamic. Central to Schumpeter’s vision of the capitalist economy is the notion of the dynamics of the market process which he regarded as something more than a signaling device for the allocation of scarce resources that serve to guarantee a state of equilibrium. Rather, the market is a sphere of radical change that pushes firms and agents to innovate and the economy to grow and change structurally (Magnusson, 1994). The Schumpeter process starts with entrepreneurs who destroy the static economic circular flow by introducing new combinations or innovations. This process involves disruption of the existing productive framework through the concept of “creative destruction” in which innovative private entrepreneurs impart a dynamism to the economy, a dynamism that is at the same time disruptive or disorderly, and creative or leading to progress (Thanawala, 1994). Schumpeter formulated a theory of “punctuated equilibrium” in which the economy seem to be in an essentially static equilibrium until it is punctuated by some innovation(s) radically changing the nature of production (Langlois and Everett, 1994). This view of the role of the competitive process can be traced back to Adam Smith in both his works “*An Inquiry into the Nature and Causes of Wealth of Nations*” and “*Theory of Moral Sentiments*” (Langlois, 1989, p. 10). These works revealed that the main source of wealth is human work or “industry”, which is the work of the mind or human ingenuity through his theory of spontaneous orders which explains how complex social patterns arise and function.

Revolutionary changes that introduce Schumpeterian innovations require the development of core competencies. A firm is said to have core competency if it has an advantage in producing goods and developing new products (Acs and Gerlowski, 1996, p. 10). It is in this sense that the virtues can be considered the firm’s fundamental core competencies (or what Solomon, 1992, termed the “best” in us). Core competency essentially refers to the organizational strength of the firm that allows it to perform more efficiently and effectively. Firms are more likely to be successful by identifying the deficiencies in relevant (entrepreneurial) virtues and

investing to build those virtues to give them a sustainable competitive advantage. Novak (1999) discussed the relevant virtues of creativity and risk-taking and pointed out that entrepreneurship is the only long-term way to help the poor, to bring them employment, and to give opportunities to people to develop entirely new economic activities. The author warned that corporate leaders should take care that new schemes for corporate governance do not jeopardize their achievements nor distort their one main purpose: to create a new wealth for the whole society, thereby promoting the common good. In fact, a strategy of developing scale and scope translates first and foremost into one of building the appropriate virtues (core competencies). Schumpeter in fact treats innovational activity as an internal factor in economic change (Langlois, 1994, p. 2). The pursuit of internal goods encourages the creative use of human intelligence and ingenuity (the so-called “wealth of nations”) – an unlimited and often an untapped resource in organizations which leads to innovation and consequently the notion of unconstrained profits. It’s innovative and creative thinkers that have formed and build many top companies. Managers, in particular, should therefore be paid for their work effort and creative ingenuity rather than paper-work exercises.

We can view the traditional neo-classical model of the firm as a zero-sum game that is based on a constrained maximization model – maximize profits subject to production and other resource constraints. Profits under this regime are restricted and this model is static. This model is also based on the assumption of the atomistic view of the individual as the basic building block of society, in other words, society can simply be regarded as no more than the sum of its individuals. This model results in zero-sum outcomes and reflects a distorted reality as it represents situations of pure conflict and describes the outcome of competition simply in terms of winners and losers. Solomon (1992) noted that the concept of competition presumes and replaces an underlying assumption of mutual interest and cooperation. An appropriate model that represents the range of potential reality is a non-zero sum game which is consistent with the

notion of the dynamic economy. Non-zero sum games represent competitive situations where there are opportunities for mutual gain for all competitors. Under the model of the dynamic economy, although no rigorous mathematical relationship can be formulated, profit potential are greater since we are now dealing with an unconstrained maximization problem – a situation in which resources are unlimited since human creativity and ingenuity can be used for innovation, resulting in higher productivity and profit (Figure 5).

Many of the present day efforts in evolutionary and neo-Schumpeterian economics are based on Nelson and Winter (1982) paper which pointed out that the economy is dynamic in character, and dynamic processes are inherently uncertain with regard to their outcomes, which makes it impossible for a firm to approach decision making with the intention of maximising some static function. Drucker’s (1998) work on “Innovation and Entrepreneurship,” as well as Hamel and Prahalad (1994) paradigm on “Competing For the Future,” are examples of the dynamism of the economy. For a review on evolutionary economics, see Atkinson (1995).

Application and implications of virtue theory

Leadership

Our knowledge of the phenomenon of leadership has improved significantly, particularly over the last decade, as contributions from different disciplines have furthered our understanding of the dynamics of leadership.¹⁴ Ted (1995), for example, explained why ethical leadership is a vital part of doing business and the reasons why rejection of ethical leadership on the grounds that it is merely a transient fad is dangerous. Bryson and Crosby (1992) addressed how public leaders can inspire and mobilize others in a shared-power world to undertake collective action in pursuit of the common good. The authors sought to move beyond organization-based thinking to collaborative action that transcends agency boundaries for the common good. Many of the traditional

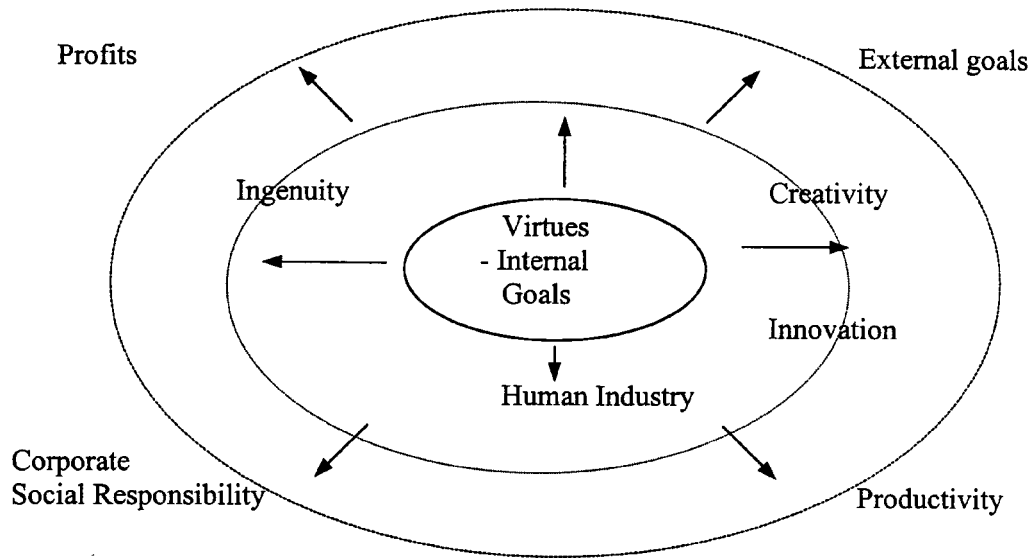


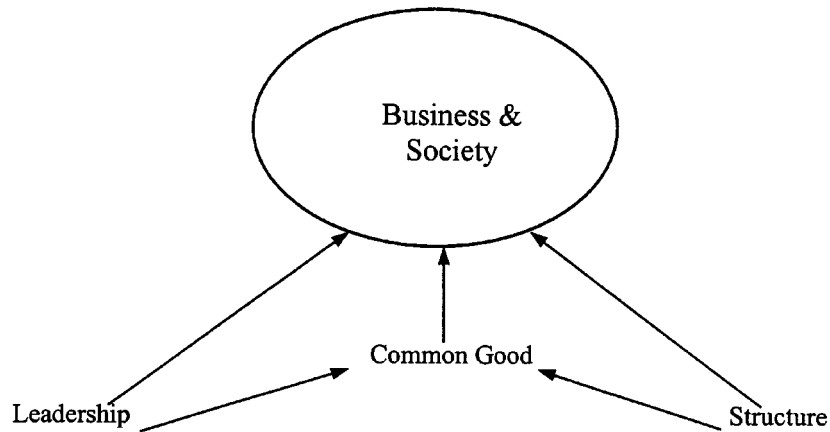
Figure 5. Virtue theory and the dynamic economy.

theories and models, however, have been built on assumptions of human behavior that no longer fit reality. For example, there is now ample evidence that shows the “profit-maximizing” firm acting on the behavioral assumption of individual rationality, may benefit in the short-term, but in the long-term the consequences can be disastrous for society. This paper argues when firms promote the common good through collective rationality, more favorable outcomes for each individual firm results. In other words, all are better off. It is in behavioral assumptions that the crisis of leadership lies. Fortunately, leadership can also re-create or reconstruct organizations and societies.

True leaders, whether in business, government, education or whatever sector, should have a clear vision of the common good and the means to promote it. After all, leaders are supposed to lead people to attain some goal or objective. Under a virtue theory framework, this objective is the common good. Essentially, there is only one type of leadership – “good” leadership. Leadership therefore falls into the realm of ethics. Ethics then is the central task of leadership, in fact, true leadership is ethical leadership. The idea of ethical leadership can be examined and grounded within a virtue theory framework. In such a case, the nature of leadership is a dynamic interaction among members of the

group or organization. Because the person is intrinsically related to the common good and the common good in turn relates to the person, under a virtue theory framework, the leader is also changed. Reconstruction or transformation occurs through the creative use of intelligence which constitutes the essence of the dynamism of the economy. As well, there is no opposition between leader and community as many traditional theories advocate (this is consistent with the theory of social self as advocated by Buchholz and Rosenthal, 1998). The organization or society is regenerated in such a way that ongoing traditional values and structures are preserved.

In a highly simplified model, we can view the essential elements of business and society as a tripod comprising a mission (the common good), leadership, and structure as its “legs” (Figure 6). If any one of those elements is missing, the entire system would collapse. Structures¹⁵ are standards of behavior guided by objective rules and principles so that all members of society understand what is expected of them. In many societies, these structures are increasingly being replaced by subjectivist or relativist ideas. This mission of society or common good, also seems to be a forgotten concept as there is little time for reflection on it. In essence, our leaders and societies have become “vagabonds” as we continue to abandon our traditional values and we have lost



Note: The stronger the elements (leadership, structure and the common good) are, the more successful is the society.

Figure 6. Essential elements of business & society.

sight of the common good. What is then required is ethical leadership from professionals and business people at all levels to lead us back to a vision of the common good. In summary, what distinguishes a “good” leader is that he or she is relatively more developed in the virtues and that person has a clear vision of the common good and the means to promote it.

Corporate social responsibility

We can recast the corporate social responsibility (CSR) debate¹⁶ in a virtue theory framework. Corporations practice “justice” when it gives to society what is due to it (that is, to produce goods and services that contribute to the material well-being of society, to provide meaningful life experiences for its employees, to pay dividends to shareholders, to develop new products and technologies, etc.). CSR can be equated to the practice of the virtue of “mercy”. The Latin word for mercy is “*miserericordia*” which signifies that which flows from one who is “sorrowful at heart”. Mercy is, as we can see from its etymology, a disposition of the heart (*cordia*) that leads us to commiserate with the misfortunes of others as though they were our own. Mercy therefore demands true compassion, and an effective sharing in the misfortunes of others. It is

aimed at relieving the sorrowful of their sorrow. The CSR debate essentially tends to pit mercy against justice. This is certainly a mistaken view for it makes mercy unjust, as though the one meant laying aside the demands of the other, while in fact mercy can be considered the fullness of justice. For example, if someone gives two hundred dollars to an employee to whom he owes only one hundred, he does not act against justice, but, as well as satisfying what is just, he behaves with mercy. It is not unjust to hold a person to a standard of justice, but it may be inhumane to withhold mercy when a person fails to meet that standard (see De Marco, 1996, p. 156, for a fuller discussion). According to C. S. Lewis (1984, p. 266), mercy will flower only when it grows in the crannies of the rock of justice.

We can therefore view CSR as corporate mercy which is aimed at promoting the common good. There is, of course, a distinction between justice and mercy. Justice is rational and measured, mercy is immeasurable. Justice can be commanded, mercy must be freely given. Spohn (1992) made a distinction between “perfect” and “imperfect” virtues; perfect virtues are those that specify precisely one’s moral obligation (in this case “justice”) and imperfect virtues are those that allow one to choose to whom and when to perform duties (in this case “mercy”). Mercy,

therefore, can temper justice without violating it since the former has greater latitude in conferring benefits. Without the practice of the virtue of mercy, we come in the end to a system of oppression of the weakest by the strongest, or to an arena of permanent struggle of some against others. From an ethical perspective, corporations have a strict obligation to live and to practice justice fully (that is, the practice of both justice along with corporate “mercy” or CSR), and therefore, where possible, to help society solve some of its most pressing social problems. Andrew (1998) gave a detailed discussion of mercy and justice and concluded that mercy ought to be encouraged as it reminds each of us that we are vulnerable to the power of others, and it sensitizes us to the vulnerability of others who stand within our own power. He further argued that the virtue of mercy brings into the world those sorts of actions that break the cycle of revenge and retribution; it promotes harmony in the community, reconciliation, and flourishing; and encourages the resolution of problems.

Conclusion

Virtue theory offers a more appealing, practical, unified and comprehensive theory of ethics in business than traditional approaches. It grounds morality in facts about human nature, concentrates on habits and long-term goals, extends beyond actions to comprise wants, goals, likes and dislikes, and, in general what sort of person one is and aims to be. Traditional theories on business ethics attempt to ground morality in subjective preference or in abstract principles of reasons and focus in decision making directed by principles and rules. Virtue theory provides the sensitivity and appreciation of circumstances and opportunities which are not emphasized in traditional approaches, under which agents cannot properly apply the rules and principles. In any case, agents will tend not to follow those rules unless their virtues offer sufficient clarity of purpose. The pursuit of internal goods corresponds with a state of “being,” while external goods corresponds to a state of “having”. At the

basis of the interior good or virtues is the fundamental question of “how should I be”. It is only under the former state that we can fulfill our true potentialities that cannot be accomplished or satisfied by a state of “having”. Virtue theory provides us with a framework in which one leads a fulfilled life.

The virtues demand the repetition of acts in order to grow. For example, if people got up on time every morning (the so called “heroic minute”), they will overcome their laziness from the very first moment of the day. They would also find it easier to be diligent in going about their other duties. Managers, in particular, who habitually act well, will continue to do so when they are confronted with the difficulties and challenges they encounter each day. Human growth and development consist precisely in the exercise of and increase in the virtues as these provide us with the constant encouragement to behave in a more truly human way. However, it is not sufficient merely to want to have virtues, we have to learn how to practise them in order to learn to achieve our goals. Virtues then must be put into practice everyday and in all circumstances in order to acquire authentic habits, and not only the appearance of virtue. Particular situations will bring about a growth in courage, others on increasing trust. The more we practice virtues, the easier we will find them to do next time. Without the necessary virtues, many managers would not know how to stand their ground or take a position especially when they are confronted with ethical dilemmas at work.

Which virtue to pursue would depend on your position in the organization as well as on the type of organization. For instance, prudence is a virtue essential to financial managers because they have to offer opportunities of placing funds with the appropriate risk. A prudent manager, in his work and in dealings with other people, gathers information which is assessed in the light of right standards. The prudent manager weighs the favourable and unfavourable consequences for himself or herself and others prior to taking a decision, and then he or she acts or refrains from acting, in keeping with the decision made. Prudence implies that you do not lose sight of the common good. Virtue theory has wide

applicability and strategic implications not only in business, but in education, sports and almost every other sphere of living. For example, in the case of education, instead of focusing on achieving the highest grades or levels (which is an exterior good or goal), focus should be on the relevant internal goals (industriousness, discipline, etc.). For sports, the focus again should be on the appropriate internal goals rather than on winning, which is an exterior goal. This shed light on a wise and old saying, "it's not about winning, but its about how you play the game." By pursuing exterior goals, one limits his or her performance level, while the pursuit of interior goals through the development of virtues, is the pursuit for excellence and would result in superior outcomes. The implications for business and society for developing strategies (in business, education, sports, etc.) have far reaching consequences in that the primary focus should not be on exterior goals but on developing the necessary interior goods.

The common good needs to become the focal point of the mission of business in a world that is divided and beset by every type of conflict. There is a growing conviction that as business and societies become more interdependent through globalization policies, the common good needs to be emphasized. If individual virtues and integrity are developed, issues such as corporate social responsibility, adverse selection, moral hazard, the principal-agent problems, and the like, will at least take on a diminished role. Donahue (1996) noted that although there is no univocal interpretation of the exact meaning of the idea of the common good, and that it offers no quick remedies for the maladies of contemporary society, it does provide a framework for a very rich and challenging understanding of the possibilities for modern social life in both theory and practice. Richard (1997) concluded that successful organizations in the 21st century will be those that complete their transformation and live out values that support the common good. Corporations that cannot move beyond self-interest will find themselves struggling to survive since an organization's performance is directly related to its ability to tap into its human potential. Naughton et al. (1996) also noted that the

idea of the common good does not provide a micro-blueprint, but rather an orientation or moral compass that directs organizational activity toward human development. Simply stated, the common good for business are those organizational conditions ordered toward human development.

Virtue theory constitutes a comprehensive theory of business and a context in which strategies can be developed to attain the ultimate sustainable competitive advantage. It provides a powerful philosophical and theoretical foundation for the study of leadership. It also develops a theory of (unconstrained) profits, in the sense that if firms pursued internal goals, the profits that can be realized are greater than under the traditional neoclassical profit or wealth maximizing models. We can then conclude that Milton Friedman was correct in saying: the social responsibility of business is to increase its profits, but under a virtue theory framework, of course. In fact, firms do have an ethical obligation to maximise their profits. Therefore, under the neo-classical paradigm, firms are not behaving ethically in so far as they can realize greater profits by adopting a virtue theory philosophy.

There is one "clear and present danger" of the application of virtue theory to business. As a consequence of higher profit potential under virtue theory, it would be tempting to re-focus on the bottom line in the short-term and subsequently return to the traditional profit-maximizing theory which limits profits. Naughton et al. (1996, p. 213) also recognized that there is a danger that legitimate focus on productivity and profitability may habituate businesses to focus only on these goods, and in order to prevent this they should keep in view that their organizations are ordered toward higher ends (the common good), then the focus on gaining profits and productivity can only be seen as means. If virtue theory is put into practice properly, then the greatest revolution would take place in business and society. Virtue theory can revolutionize the way in which business conduct business in that the theory constitutes the ultimate sustainable competitive advantage.

Acknowledgements

Many thanks to two anonymous referees whose comments resulted in a substantial revision of this paper. Thanks also to the Faculty of Social Sciences, The University of the West Indies, for providing funding for this research.

Notes

¹ Some useful internet sites include DePaul University-Chicago (<http://www.depaul.edu/ethics>), Business Ethics Teaching Society (<http://www.usi.edu/bets/>), European Business Ethics Network (<http://www.nijenrode.nl/research/ecbe/eben/index.html>), International Society of Business, Economics and Ethics (<http://www.nd.edu:80/isbee/>), Applied Ethics Web Site (<http://www.ethics.ubc.ca>).

² For further details of historical and contemporary issues of virtue theory, see the internet encyclopedia of philosophy – <http://www.utm/research/iep/v/virtue.htm>.

³ An excellent survey of selected philosophical literature on virtue theory is provided on the website – <http://ethics.acusd.edu/aristotle.html>.

⁴ Confucius referred to the virtuous person as the “superior man”. See Rosenstand (1994, p. 197) for further details.

⁵ I am certainly not contemptuously dismissing “traditional approaches” to ethics which have a significant role to play. Some approaches can be used in tandem with virtue theory since they are not both mutually exclusive. For example, Kennedy (1996, p. 12) prefers to speak about the “theory of virtue” rather than “virtue ethics” because he thinks that the impression has been commonly created that “virtue ethics” should be understood as an alternative to, say, utilitarianism. Braybrooke (1991) elaborated on the issue that both rules and virtues have a place in ethics. Keefer (1996) also discussed the inseparability of these two aspects.

⁶ To illustrate the concept of practice, MacIntyre (1984, p. 188) argued the critical importance of “practice” in determining the relevance of particular virtues and/or the goodness of particular actions by considering the example of a highly intelligent seven-year-old child with whom he wishes to play chess. Although the child has no particular desire to learn the game, he or she does however have a very strong desire for candy (but with little chance of obtaining it). If the child plays chess with him once a week,

the child will get 50 cents worth of candy. Furthermore, if the child wins (which will be difficult, but not impossible), he or she will receive an extra 50 cents worth of candy. This motivates the child to play and to play to win. So long as it is the candy alone which provides the child with a good reason for playing chess, the child has no reason not to cheat (provided he or she can get away with it). However, there will come a time (hopefully), when the child will find in these goods that are specific to chess (the achievement of analytical skills, strategic imagination, competitive intensity, and new reasons for trying to excel and not just for winning on a particular occasion, etc.). However, if the child cheats, he or she will be defeating himself or herself. Of course, the relevance of different virtues will come into play.

⁷ Rosenstand (1994, p. 187) related an anecdote to illustrate this concept of moderation: “How many artists does it take to make a great painting? Two – one to paint it, and the other to hit the painter over the head when the painting is done because there comes a time, if the work is good enough, when more paint would be too much, and the artist may not recognize this moment which will be recognized by the virtuous artist.”

⁸ Mahon and McGowan (1991) noted that what constitutes the common good has proven to be an extremely elusive endeavour for both practitioners and academician alike. They further pointed out that definitions of the common good strike us as closely resembling the definition of pornography offered by one of the Justices of the U.S. Supreme Court – “I know it when I see it.”

⁹ Of course, this is not to deny the merit of this statement. Lepper and Green (1973) in their study of competence in children found that children intrinsically enjoyed gaining competence in a task while, when external rewards were introduced into the situation, the children enjoyed the task less than they did without rewards. In other words, internal goods (virtues in this case) are uniquely satisfying (MacIntyre, 1984, p. 190).

¹⁰ A distinction is to be noted between the purpose(s) of a particular business and the purpose(s) of the institution of business as a whole. For example, the first might (or might not) make profit central while the latter should work to enhance the common good. A reviewer pointed out that Friedman seems to believe that business as an institution will benefit society if and only if individual businesses do not try to benefit society (although not many business ethicists may believe that). Although individual businesses

may not have the common good as an explicit goal priority, their practice should be congruent with the common good.

¹¹ For the purpose of this paper, we are more concerned with long-term profits and profitability.

¹² Buchholz and Rosenthal (1998, p. 69) attributed this transformation in which the real purpose is lost precisely because of the unending quest for profits, as businesses are encouraged to maximise profits or earn the highest rate of return they can for the shareholders rather than enhancing the material well-being of society and provide meaningful opportunities for a major part of the workforce. In other words, its like putting the cart before the horse, and perhaps this is inevitable given the function of the nature of the economic value system in which business operates.

¹³ Positive economic results are based on the intermediate to long term. Of course, in the short run there are no guarantees. Companies that are ethically-driven and people centered have fallen on hard economic times because of changes in the environment in which they do business are generally short-run phenomena.

¹⁴ For an excellent review of the leadership literature and models, see Bass (1990) *Handbook of Leadership and Business & Society* 37(1), 1998.

¹⁵ There is a distinction to be made between traditional approaches to ethics (which was described earlier in the paper as a set of prohibitive rules and principles) and structure as standards of behavior guided by objective rules and principles. Traditional approaches to ethics are used for the purpose of moral evaluation (which would include intentions, circumstances, consequences, actions, etc.) of human acts. Structures are derived, for example, from the natural moral laws or cultural norms.

¹⁶ See *Business & Society* 37(1), 1998, and Epstein (1998) for a review of the developments in this area.

References

- Acs, Z. and D. Gerlowski: 1996, *Managerial Economics and Organization* (Prentice Hall).
- Andrew, B.: 1998, 'Mercy Within Legal Justice', *Social Theory & Practice* 24(1), 83–99.
- Atkinson, G.: 1995, 'Views on Economic Order and Evolution', *Journal of Economic Issues* 29(4), 1231–1240.
- Audi, R.: 1995, *The Cambridge Dictionary of Philosophy* (Cambridge University Press).
- Bass, B.: 1990, *Bass and Stogdill's Handbooks of Leadership: Theory, Research & Managerial Applications*, 3rd edition (The Free Press).
- Batson, D., N. Ahmed, J. Yin, S. Bedell, J. Johnson, C. Templin and A. Wiltshire: 1999 'Two Threats to the Common Good: Self-Interested Egoism and Empathy-Induced Altruism', *Personality and Social Psychology Bulletin* 25(1), 3–16.
- Bennett, J.: 1997, 'The Academy, Individualism, and the Common Good', *Liberal Education* 83(4), 16–23.
- Betsy, S.: 1996, 'Using The Competing Values Framework to Assess Corporate Ethical Codes', *Journal of Business Communication* 33(1), 71–84.
- Braybrooke, D.: 1991, 'No Rules Without Virtues: No Virtues Without Rules', *Social Theory & Practice* 17(2), 139–156.
- Bryson, J. and B. Crosby: 1992, *Leadership for the Common Good: Tackling Public Problems in a Shared-Power World* (Jossey-Bass, San Francisco).
- Buchholz, R. and S. Rosenthal: 1998, *Business Ethics: The Pragmatic Path Beyond Principles to Process* (Prentice Hall, New Jersey).
- Business Week*: 1996, 'Balancing Work and Family', September 16, 74–80.
- Caccese, M.: 1997, 'Ethics and the Financial Analyst', *Financial Analysts Journal* (January/February), 1–14.
- Carlson, P. and M. Blodgett: 1997, 'International Ethics Standards for Business: Nafta, Caux Principles and Corporate Codes of Ethics', *Review of Business* 18(3), 20–23.
- Chopra, D.: 1995, *The Seven Spiritual Laws of Success: A Practical Guide to Fulfillment of Your Dreams* (Amber-Ayen).
- Collins, J. and J. Porras: 1994, *Built To Last: Successful Habits of Visionary Companies* (Hapercollins).
- Covey, S.: 1989, *The Seven Habits of Highly Effective People: Powerful Lessons in Personal Change* (Simon & Schuster).
- Curd, P.: 1995, 'Aristotelian Visions of Moral Character in Virginia Woolf's Mrs. Dalloway', *English Language Notes* 33(1), 40–57.
- de Garay, J.: 1995, 'Ethics in the Management of Financial Institutions', in A. Argandoña (ed.), *Ethical Dimension of Financial Institutions and Markets* (Springer-Verlag), pp. 83–112.
- De Marco, D.: 1996, *The Heart of Virtue: Lessons from Life and Literature Illustrating the Beauty and Value of Moral Character* (Ignatius Press, San Francisco).
- deTorre, J.: 1984, *The Roots of Society: The Metaphysical Ground of Social Ethics*, 2nd edition (Sinag-Tala Publishers, Philippines).
- Donahue, J.: 1996, 'Introduction: Situating the Common Good in Contemporary Moral

- Discourse', in J. Donahue and M. Theresa Moser (eds.), *Religion, Ethics and the Common Good* (College Theology Society and Twenty-Third Publication), pp. ix–xvii.
- Drucker, P.: 1994, 'The Theory of the Business', *Harvard Business Review* (September–October), 95–104.
- Drucker, P.: 1993, *Innovation and Entrepreneurship: Practice and Principles* (Harperbusiness)
- Epstein, E.: 1998, 'Business Ethics and Corporate Social Policy', *Business & Society* 37(1), 7–39.
- Etzioni, A.: 1996, 'Positive Aspects of Community and the Dangers of Fragmentation', *Development and Change* 27(2), 301–314.
- Finnis, J.: 1999, *Natural Law and Natural Rights* (Clarendon Press, Oxford).
- Foot, P.: 1978, *Virtues and Vices and Other Essays in Moral Philosophy* (University of California Press, Berkeley and Los Angeles).
- Freeman, E.: 1994, 'The Politics of Stakeholder Theory: Some Future Directions', *Business Ethics Quarterly* 4, 409–422.
- Giddy, P.: 1997, 'A Communitarian Framework for Understanding Liberal Social Practices?', *South African Journal of Philosophy* 16(4), 150–157.
- Glanzer, P.: 1998, 'The Character To Seek Justice', *Phi Delta Kappa* 79(6), 434–440.
- Goodpaster, K. and G. Atkinson: 1992, 'Stakeholders, Individual Rights, and the Common Good', *National Forum* 72(1), 14–17.
- Hamel, G. and C. Prahalad: 1994, *Competing for the Future* (Harvard Business School Press).
- Harris, P.: 1995, 'Accounting for Ethics', *Management Accounting* 73(10), 38.
- Hutchins, R.: 1995, 'Make It A Habit', *Commonweal* 122(8), 14–16.
- Im, M.: 1999, 'Emotional Control and Virtue in the Mencius', *Philosophy East & West* 49(1), 1–26.
- Kangas, O.: 1997, 'Self Interest and the Common Good: The Impact of Norms, Selfishness and Context in Social Policy Opinions', *Journal of Socio-Economics* 26(5), 475–494.
- Keefer, M.: 1996, 'The Inseparability of Morality and Well-Being: The Duty/Virtue Debate Revisited', *Journal of Moral Education* 25(3), 277–290.
- Keenan, J.: 1997, 'How Catholic are Virtues', *America* 76(20) 16–22.
- Kelly, M.: 1995, 'Vincentian Dynamics: Common Ground for the Common Good', *Review of Business* 17(2), 4–9.
- Kennedy, R.: 1996, 'Virtue and Corporate Culture: The Ethical Formation of Baby Wolverines', *Review of Business* 17(2), 10–15.
- Lepper, M. and D. Greene: 1973, 'Undermining Children's Intrinsic Rewards: A Test of the Overjustification Hypothesis', *Journal of Personality and Social Psychology* 28, 129–137.
- Lewis, C. S.: 1984, 'Punishment and Responsibility', in J. Sterba (ed.), *Morality in Practice* (Wadsworth Publishing, Belmont, California).
- Liedtka, J.: 1998, 'Constructing an Ethic for Business Practice', *Business & Society* 37(3), 254–280.
- Lindsay, M., L. Lindsay and B. Irvine: 1996, 'Instilling Ethical Behaviour in Organizations: A Survey of Canadian Companies', *Journal of Business Ethics* 15(4), 393–407.
- Luckowski, J.: 1997, 'A Virtue-Centered Approach To Ethics Education', *Journal of Education* 48(4), 264–270.
- MacIntyre, A.: 1984, *After Virtue: A Study in Moral Theory*, 2nd edition (University of Notre Dame Press).
- Mahon, J. and R. McGowan: 1991, 'Searching for the Common Good: A Process-Oriented Approach', *Business Horizons* 34(4), 79–86.
- Martinson, D.: 1997, 'The Public Interest/Common Good: An Ignored Topic in High School Social Studies Courses?', *Contemporary Education* 68(4), 256–259.
- McCloskey, D.: 1994, 'Bourgeois Virtue', *American Scholar* 63(2), 177–191.
- McNellis, P.: 1997, 'Rights vs Common Good', *Human Life Review* 23(1), 79–90.
- Meara, N. and L. Schmidt: 1996, 'Principles and Virtues: A Foundation for Ethical Decisions, Policies, and Character', *Counseling Psychologist* 24(1), 4–77.
- Minz, S.: 1995, 'Virtue Ethics and Accounting Education', *Issues in Accounting Education* 10(2), 247–267.
- Murphy, M.: 1997, 'Consent, Custom, and the Common Good in Aquinas' Account of Political Authority', *Review of Politics* 59(2), 323–350.
- Naughton, M., H. Alford and B. Brady: 1996, 'The Common Good and the Purpose of the Firm', in J. Donahue and M. Theresa Moser (eds.), *Religion, Ethics and The Common Good* (College Theology Society and Twenty-Third Publication), pp. 206–235.
- Nesteruk, J.: 1996, 'Law, Virtue and the Corporation', *American Business Law Journal* 33(3), 473–485.
- Novak, M.: 1999, *The Fire of Invention: Civil Society and the Future of the Corporation* (Rowman & Littlefield).
- O'Meara, T.: 1997, 'Virtues in the Theology of

- Thomas Aquinas', *Theological Studies* **58**(2), 254–281.
- Payne, H.: 1996, 'Can or Should A College Teach Virtue?', *Liberal Education* **82**(4), 18–25.
- Perrett, R. and J. Patterson: 1991, 'Virtue Ethics and Maori Ethics', *Philosophy East & West* **42**(2), 185–202.
- Peters, T. and R. Waterman: 1988, *In Search of Excellence: Lessons from America's Best-Run Companies* (Warner Books).
- Pieper, J.: 1966, *The Four Cardinal Virtues* (University of Notre Dame Press).
- Punzo, V.: 1996, 'After Kohlberg: Virtue Ethics and the Recovery of the Moral Self', *Philosophical Psychology* **9**(1), 7–23.
- Putman, D.: 1995, 'The Primacy of Virtue in Children's Moral Development', *Journal of Moral Education* **24**(2), 175–183.
- Raeder, L.: 1998, 'Liberalism and the Common Good', *Independent Review* **2**(4), 519–535.
- Redder, A.: 1994, *In Pursuit of Principle and Profit: Business Success Through Social Responsibility* (Putnam's Sons, New York).
- Richard, B.: 1997, 'Liberating the Corporate Soul', *HR Focus* **74**(4), 1059–6038.
- Roman, R., S. Hayibor and B. Agle: 1999 'The Relationship Between Social and Financial Performance', *Business and Society* **38**(1), 109–125.
- Roochnik, D.: 1997, 'Teaching Virtue: The Contrasting Arguments (Dissoi Logoi) of Antiquity', *Journal of Education* **179**(1), 1–12.
- Rosenstand, N.: 1994, *The Moral of the Story* (Mayfield Publishing Company).
- Senge, P.: 1990, *The Fifth Discipline: The Art and Practice of the Learning Organization* (Currency/Doubleday).
- Sichel, B.: 1991, 'Virtue and Character: Moral Languages and Moral Education', *Clearing House*, **64**(5), 297–300.
- Solomon, R.: 1992, 'Corporate Roles, Personal Virtues: An Aristotelian Approach to Business Ethics', *Business Ethics Quarterly* **2**, 217–319.
- Sommers, C.: 1993, 'Teaching the Virtues', *Public Interest* **111**, 3–10.
- Spohn, W.: 1992, 'The Return of Virtue Ethics', *Theological Studies* **53**(1), 60–65.
- Stebbins, M.: 1997, 'Business, Faith and the Common Good', *Review of Business* **19**(1), 5–8.
- Tarantino, D.: 1996, 'Taming the Global Frontier: An Emerging Role for Business', *PW Review*, pp. 41–57.
- Teal, T.: 1996, 'The Human Side of Management', *Harvard Business Review* (November–December), 35–44.
- Ted, J.: 1995, 'Don't Be Afraid of the Moral Maze', *People Management* **1**(20), 32–34.
- The Conference Board: 1996, *The Evolving Role of Ethics in Business*, Report Number 1141-96-CH.
- van der Bossche, F. and F. Mortier: 1997, 'The Vajjaloggam: A Study in Indian Virtue Theory', *Asian Philosophy* **7**(2), 85–108.
- Walford, G.: 1997, 'School Choice and the Common Good: A Reply to Brighouse', *Oxford Review of Education* **23**(4), 517–521.
- Watson, C.: 1991, 'Managing With Integrity: Social Responsibilities of Business as Seen by America's CEOs', *Business Horizon* (July–August), 99–109.
- Wesley, C.: 1996, 'Social Work and End-of-Life Decisions: Self-Determination and the Common Good', *Health and Social Work* **21**(2), 115–121.
- Wicks, A.: 1996, 'Overcoming the Separation Thesis: The Need for a Reconsideration of Business and Society Research', *Business & Society* **35**(1), 89–118.
- Woodruff, P.: 1991, 'Virtue Ethics and the Appeal to Human Nature', *Social Theory & Practice* **17**(2), 307–226.
- Woodward, K. and S. Miller: 1994, 'What is Virtue?', *Newsweek* **123**(24), 38–39.
- Yu, J.: 1998, 'Virtue: Confucius and Aristotle', *Philosophy East & West* **48**(2), 323–347.

Department of Management Studies,
The University of the West Indies,
St. Augustine, Trinidad
E-mail: ccbpe@hotmail.com