CORPORATE ETHICS
FOR TURBULENT MARKETS

Executive Response to Market Challenges

OSWALD
MASCARENHAS

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BOOK

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CORPORATE ETHICS FOR TURBULENT MARKETS: EXECUTIVE RESPONSE TO MARKET CHALLENGES

BY

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Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2019

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British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN: 978-1-78756-192-2 (Print)
ISBN: 978-1-78756-191-5 (Online)
ISBN: 978-1-78756-193-9 (Epub)

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INVESTOR IN PEOPLE

*This book is dedicated to my younger sister **Rita** who departed to the Kingdom of God on September 4, 2017, but who still continues to be the ethical, moral, and spiritual empowerment of my life.*

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About the Author

Fr. Oswald A. J. Mascarenhas, S. J. a Jesuit Priest, obtained LPh in Philosophy (1962) and LTh in Theology (1967), MA in Philosophy (University of Darwad, India) (1967), MA in Mathematical Economics (University of Detroit, 1971), MBA & PhD (Wharton School of Business, 1974, 1976). He served as Professor of Marketing and Director of Public Systems Research at XLRI (1977–1983), as Charles H. Kellstadt Professor of Marketing and Ethics at the University of Detroit Mercy, Detroit, Michigan (1983–2010), Chairman: MBA Programs, St. Aloysius College (Autonomous), Mangalore (2010–2013), and since December 2013, he holds the prestigious JRD Tata Chair Professorship in Business Ethics at XLRI, Jamshedpur. He has published seven professional books and over 75 articles in domestic and international journals. Fr. Mascarenhas was honored with the Best Teacher Award (1992) and Distinguished Faculty Scholar Award (2008) at the University of Detroit Mercy, Michigan, USA. He also conducts Management Development Programs (MDPs) at XLRI in fields related to corporate ethics, as also in-company programs in Corporate Ethical Leadership and Moral Responsibility, LEMS (Legality, Ethicality, Morality, and Spirituality) and applications of LEMS to corporate decisions and strategies, and this in relation to Bank of Baroda, Mahanadi Coalfields, Indian Oil, NHPC, Sipradi Trading Pvt. Ltd., Kathmandu, Tata Steel, Tata Power SED, to name a few. He also teaches PhD courses in Research Methodology at XLRI and currently directs PhD research of three Doctoral Students of XLRI.

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Acknowledgments

During my over 60 years of learning, teaching, and research experience, several professors have molded me. I am especially indebted to Russell Ackoff, Paul Green, Len Laddish, and Howard Perl Mutter of the Wharton School of Business, Philadelphia, Pennsylvania, where I obtained MBA and PhD (1971–1975), Professors Michael Bernacchi and Ram Kesavan, my colleagues in the marketing department of the College of Business Administration, University of Detroit Mercy, Detroit, Michigan; during the 27 years (1983–2010), I taught there and had over a dozen refereed journal publications with me and who have always supported and stimulated my intellectual efforts and research ventures. I regularly use our joint publications in my books, and I am grateful for their friendship and demanding scholarship.

This book represents my latest research and thinking in the critical domain of corporate ethics and morals for governance and business transformation management. This work has taken several years from conception to execution. The plan and contents of this book have been presented and discussed while conducting several graduate courses in Corporate Ethics or Managerial Ethics at various Schools of Business Administration such as XLRI, India (1977–1983), University of Detroit Mercy, Detroit, Michigan, (1983–2010), St. Aloysius (Autonomous) College, Beeri Campus, Mangalore (2010–2013), and XLRI: Xavier School of Management, Jamshedpur (2013–). I am grateful for the incisive comments of these students and colleagues.

Particularly, during the last four to five years, I have had the privilege of teaching "Managerial Ethics" at the premium school of Management, XLRI, Jamshedpur, Jharkhand, India, to more than 500 postgraduate business management students each year, covering all programs such as Human Resources Management (HRM), Business Management (BM), General Management Program (GMP), and the Part-time three-year BM Executive (BME) Weekend Program. Their encouragement and critical feedback on chapters, take-home group assignments, and cases have helped me rethink and redesign this book to higher levels of readability and learning, for which I am beholden to them.

Fr E. Abraham SJ, PhD, Director of XLRI, Xavier School of Management, Jamshedpur, India, has been my major support and inspiration in undertaking this writing. Sr Doris D'Souza, AC, PhD who teaches Business Ethics with me at XLRI in the JRD Tata Center of Business Ethics has painstakingly gone through every chapter with meticulous proofreading coupled with unforgiving exactitude, and I am very grateful to her. Miss Roshan Dastur who has been part of XLRI for over 45 years has also helped me in adding her scholarly meticulous touch to the text and presentation. Benjamin Bara, FPM (XLRI), my recent doctoral student, and Neha Upadhyay and Jay Rupani, my Research Associates, have generously given endless hours of quality time for text-formatting,

reference-checking, indexing, and illustrating the text. Professor Payal Kumar (FPM, XLRI), previously Senior Chief Editor of Sage India, Delhi, and a dear friend, has been guiding me in designing and audience-positioning this book for Emerald. I am inspired by her positive mentoring. The Emerald editorial staff and production crew in Bingley, UK, have consistently provided professional advice and expert service that have made this book a reality – I am deeply beholden to them.

This book is dedicated to my younger sister Rita who departed to the Kingdom of God on September 4, 2017, but who still continues to be the ethical, moral and spiritual empowerment of my life.

Prologue: Corporate Ethical Response to Turbulent Markets

More than at any other period in human history, humankind is currently at the crossroads of war or peace, growth or decline, progress or regress, life or death, and hell or heaven. We cannot leave these opposite polarities and possibilities to politicians and bureaucrats, to chance and expediency. These are expressions of turbulent markets. We must design and invent, plan and predict, and monitor and control our future and that of our posterity. In this regard, the concept of human personhood cum human dignity and responsibility is a fundamental part of this new self-understanding and undertaking. Ethics and morality are critical components on this creative journey to destiny. Corporate ethics, in particular, requires the development of a clear understanding of the existential situation of turbulent markets – that is, the relationship between executive autonomy and freedom, between human creativity and innovation, and between human culture and corporate social responsibility. Other critical concepts such as accountability and moral responsibility, the ethics of rights and duties, the executive virtue of moral and ethical reasoning, the building of trusting and caring relationships, and the like will be discussed in subsequent chapters.

Big technology firms are dominating global markets today, especially the big FAANG group of five: Facebook, Amazon, Apple, Netflix, and Google. These five are more than the whole of FTSE 100.[1] Without them, America's stock market would have fallen this year (*The Economist*, June 30, 2018, p. 9). At the same time, however, the tech digital giants have also been entangled with controversial deals from data abuse and anticompetitive behavior to tax avoidance and smartphone addiction, soaring share prices, and suspicion.

Nevertheless, Netflix is a clear exception. Since its humble founding in 1997, the company has morphed from a DVD-rental service to a streaming video upstart to the world's first global TV powerhouse. Its entertainment output this year will far exceed that of any TV network; its production of over 80 feature films has exceeded that of any Hollywood studio in recent years. Netflix will spend around US$12.5 billion on content this year, around US$3.5 billion more than last year. It currently serves more than 125 million households, twice those it had

in 2014, who watch at an average more than two hours a day, exceeding a fifth of the world's downstream Internet bandwidth. Netflix has transformed without triggering a public or regulatory backlash. Its share price has more than doubled since the start of 2018. Netflix is as popular with investors as it is with consumers – it uses the Internet to offer consumers lower price and more quality choice.

It enjoys more subscribers outside America than inside it. It makes expert use of data and categorizes individual preferences into about 2000 "taste clusters" to offer different shows to different target audiences. It represents a great combination of scale and data science in consumer video services. It is unmistakably global – making TV shows in 21 countries and dubbing and subtitling them into multiple languages. It uses data with care; it respects local markets; it has steered clear of news and mostly offers entertainment, thus protecting it from the scandals of fake news, paid news, electoral manipulation, and political tribalism. Unlike ad-based platforms, its source of revenue is monthly user-fee in return for quality TV shows users want to watch (see *The Economist*, June 30, 2018).

Netflix is a success of global conscious capitalism – a triumph of corporate ethics thus far. Will it continue that forever? Can it go on keeping everyone happy? Such are the ethical and moral challenges this book seeks to explore.

Ethics is fundamentally a science of social and collective responsibility. Ethics concerns human behavior as responsible or accountable. Because of the nature of social interaction, certain members of the society will bear greater authority and, hence, greater individual and social responsibility than others. In our world, personal responsibility and social responsibility are hardly separable. Personal responsibility becomes responsibility for the world because the person and the world are inseparable. In this book, we use the term responsibility from a legal, ethical, moral and spiritual (LEMS) standpoint as some promise, commitment, obligation, sanctioned by self, morals, law or society, to do good and avoid evil, and if inevitably harm results, to repair harm done on another. Hence, responsibility in this sense is trustworthiness and dependability, moral worthiness, and striving of goodness of corporate executives in any enterprise.

Fundamental Questions of Corporate Ethics

Our common ground, regardless of our religion and religious beliefs, ethnic and national composition or persuasion, is our recognition of the value of the human person and human personhood. The centrality of the question of human personhood is common to theology and philosophy, religion, morals and ethics, and even laws and values. Our first Chapter, accordingly, deals with the fundamental human dignity of all people. Corporate ethics and morals deal not only with executive decisions and actions, but also even raise the more fundamental questions:

- **What ought I to do as a corporate executive?**
- **What kind of executive person do I want to become?**
- **What kind of corporate executive ought I to be?**

These questions deal with the fundamental operations that define us as humans: *doing, becoming, and being.* Even those who consider basing ethics on a set of universal and absolute values presuppose the necessity of the human personhood. We can never predicate moral goodness or moral badness of beings that are not human persons (Haring, 1978, p. 85; Hildebrand, 1953, p. 167).

Before we become educated executives, managers and bosses, brothers and sisters, lovers, husbands and fathers, and beloved wives and mothers, we are first and foremost a person, a human person, one who needs to be acknowledged and affirmed by all of us. We are human persons every moment of our being (this is the eternal valuable nature of human personhood); yet, human personhood means that we go beyond or transcend what we are at a given moment (this is the dynamic nature of human personhood). Both aspects of human personhood are necessary; they make us what we are – human, personal, ethical, moral, accountable and responsible, and spiritual persons and personalities.

The metaphysics of modern-day business can be described by the following statements: (1) being or "to be" is to be a marketable resource; (2) being or "to be" involves being either an object available for productive activity on the market, or else a subject who makes use of such objects; and (3) the only mode of thinking is calculative thinking: the consideration and measurement of every being as a marketable resource (Young, 2002). Such metaphysics destroys human personhood. Hence, we need ethics of human personhood to counteract the modern-day metaphysics. Such market metaphysics – what George Soros (1998) rightly calls "market fundamentalism" – necessarily leads to the violation of natural and human beings. In many cases, violent business practices result in "essential" harms such as the exploitation of forests for timber or the commoditization of women as mere sex objects (Zsolnai, 2015).

The capitalist world is advancing every day in its research and technology capabilities. It can technically produce almost anything. The moral and ethical questions now are as follows: Is it permissible to make everything we are capable of making? Is it moral, for instance, to genetically enhance the human embryo to enhance the subsequent offspring? Is it thereby morally justifiable to alter human nature? Are we playing God with human nature in doing so? Is it permissible to market everything (e.g., growth hormones, human reproductive technologies, pornographic products) we are capable of marketing?

These questions are very much similar, yet have different practical implications. Currently, several theories influence our attitudes toward these questions:

(1) ***Breakthrough theory***: Mankind will always achieve a technical breakthrough into all the problems that arise in its technical environment.
(2) ***Balance of nature theory***: Human life and the life of our environment will always adjust to each other.
(3) ***Neutrality theory***: Science and technology in themselves are neutral (a-moral or trans-ethical) and must be freed from any ethical and moral impositions of a few, lest humanity's progress be impeded.

(4) ***Self-limitation theory***: Our commitment to quality life and moral values imposes limits on human inquiry, on the one hand, and on technological progress, on the other hand.
(5) ***Creation theory***: Our universe and the world of humankind are created realities. The world and its nature should be left as God created it. Nature has been given a fixed form, and man and woman have their place in it. Humankind should not play God, nor displace or dispense God, nor try to take control of nature and thus author or alter its own destiny. We ought not to create a new humanity that intends to solve all the problems of nature.
(6) ***Anthropocentric theory***: Humankind is the center of the universe; it has been given the task of shaping the world to its own ends. Manipulation of the world and its resources (which includes man himself) for the betterment and survival of mankind is not only a human right and duty, but also essential for a better understanding and realization of human destiny.

The first four theories are primarily philosophical, and the last two are theological. The best way to approach these problems is through a holistic approach such as "integral humanism." Integral humanism stands to better the whole human system, body and spirit, mind and matter, individual and society, present and future, all human beings, and the cosmos we live in. Integral humanism as applied to capitalist business implies a basic shift in ethical and moral values such as:

- From "big is better" to "small is beautiful";
- From unscrupulous profiteering to equitable profit-sharing;
- From limitless possessions of the few to prosperity of the many;
- From industrial concentration to wholesome competition to unraveling new markets;
- From uncontrolled free trade to managing global trade;
- From total mastery over nature to harmony with nature;
- From the primacy of productivity to the primacy of human dignity;
- From work as bondage and duty to work as freedom and right;
- From unbridled individualism to a generous form of community;
- From limitless consumption to resourceful conservation;
- From total independence to healthy cosmic interdependence;
- From exaggerated individualism to cooperative and shared cosmic partnership and harmony.

Doing the Right Thing Rightly

What is the "right thing" we must do? What should be the standard for the right thing? How can we tell if we are doing the right thing? For example, the 12 ethical and moral mind-shifts listed previously indicate domains and examples of *doing the right thing rightly*. Doing the right thing is beyond going green, beyond reducing carbon footprints, beyond fair labor practices, beyond strong corporate

governance, beyond CSR, beyond sponsoring an inner-city mentoring program, beyond giving charity, and beyond compassionate commerce – doing the right thing is all these and much more. All these humanitarian and beneficial programs or practices do not themselves constitute the higher purpose of life. Without a philosophy and committed corporate leadership, all these social activities are reduced to ticks on a wish-to-do list.

Doing humanitarian good and living a good corporate ethical life mean following the Golden Rule, expressed by all the religions of the world as *Do unto others what you would like others to do unto you*. But interpreting and doing the Golden Rule may be complex and nuanced that we need to find a simpler and more effective way of thinking and acting and talking about it. Defining what is "doing the right thing" is difficult, especially across the world's diverse cultures. We cannot prescribe new rules for doing the right thing. Instead, we must rethink the process by which we make choices in business, by reinterpreting some ancient moral concepts that boil down to a simple profound truth: better outcomes result from asking the right questions than from having the right answers.

Hasty blinded decisions, quick-fix decisions and values, greed for instant wealth, and heedless of bad outcomes on the innocent stakeholders – all these marked some 17 giant global investment banks that were part of the Global Financial Crisis of September–October 2008. The crisis stunned and impoverished the world, and we are still reeling from its evil consequences. But what can stop these very mega banks from conspiring the same crisis or scam again? – Only genuine, ready to understand and convince, ready to motivate and empower, ethical, moral, and spiritual theories and principles, rules and moral standards – that this book is about to explore. All these banks confused short-term profits and excess wealth with the higher purpose of life. Ethical, moral, and spiritual theories and principles deal with the higher purpose of life for humanity and for our planet home.

"Selfishness as the basis for happiness has been debunked and the soul of capitalism is in the process of being redefined," says Nitesh Gor (2012) in his *Dharma of Capitalism* (p. 9).[2] People, nations, and businesses today feel the pressure and the imperative to "do the right thing." "The movement toward compassionate commerce and individual integrity has been a global social revolution bubbling up from below in thousands of places in thousands of forms" (Nitesh Gor, 2012, p. 11). The Dharma of Capitalism believes in the "universal truth that all people and cultures are connected by money and commerce and that there is a higher purpose to economic activity than the short-terms goals of profit, wealth-creation, and personal gratification" (p. 6).

The Core of Dharma

Dharma, individually or socially, is an oriental moral imperative to do the right thing – it evolves as we journey through life.[3] Its common usage implies righteousness, justice, wisdom, rightful or correct action, behavior codes, ethics, and so on. Dharma relates to a sense of higher purpose. It is a fluid concept,

dependent on the context. There is material dharma as opposed to spiritual dharma. There are different dharmic expectations depending on whether one is young, single, male or female, married, older, and so on. All these different dharmas share a common purpose – to help people remain mindful of the motivations and consequences of every decision they make, no matter how minor (Gor, 2012, p. 17). Every choice we make has a motive and an outcome, and the two are often at odds. Understanding our true motivations and owning responsibility for outcomes is at the core of the Dharma of Capitalism. When we allow our choices to be driven by motivation or passion and thereby ignore to foresee or investigate outcomes, the results are too often flawed or unintended.

Humans are myth-makers and meaning-seekers, constantly giving and receiving codes through cultural practices. A real approach to business should be gaze-based (and not goal-based), highly individualized, and personalized. It should celebrate my truth and your truth, and the human capability to expand the mind, thanks to imagination, and not sacrifice both for the so-called objective truth. Yet, modern business practices that are goal-based reveal that the corporation is divorced from the cultural. Very few managers see culture as a lever. This explains why industry is increasingly at odds with society. It is because professionalism and business processes are aimed at domesticating people and so would never directly inspire entrepreneurship, ethics, inclusiveness, or social responsibility (Pattanaik, 2013).

"While morality deals with the right course of action, ethics is concerned with character. One could be moral and do the right thing, yet be a person of poor character and ethically lacking" (Gor, 2012, pp. 16–17). Hence, we need a new construct to combine character and motive, ethics with morality. That is, it is not enough to do just the right thing; we must do it for the right reasons and intentions (motivation) and do it rightly with proper moral and spiritual dispositions (character). We do not do the right thing or shun from violating rules and laws to avoid guilt, shame, or punishment (a negative approach), but in order to do good, be good, and become good (a positive approach). *This is intrinsic motivation*. We must remain mindful of the motivations and consequences of every decision we make, no matter how minor. Our worst instincts are not sins but our natural tendencies to be acknowledged and tamed in the service of wise, compassionate thinking, and behavior. Rather than the concept of evil, the Hindu and Buddhist scriptures speak of our struggle to be consistently good.[4]

The dharmic concept of higher purpose transcends short-term quick-fixes and profits, regional and national boundaries – Dharma as a philosophy looks at every decision from both ends – what our real motivations are behind these decisions, and how conscious and caring are we regarding outcomes (as opposed to outputs).[5]

The Content and Challenge of a Previous Book

In a morally perplexed world wrought with market turbulence, economic chaos, global financial crisis, corporate fraud, organized lobby and bribery, and gross

income inequalities, my previous book on ***Corporate Ethics for Turbulent Markets: The Market Context of Corporate Ethical Decisions and Choices*** sought to explore and analyze current turbulent markets as the context of corporate ethics and ethical imperatives of business management. Specifically, the first book characterized market turbulence today as a source of market opportunity (Chapter 01), introduced major concepts, directions, theories, and challenges of ethics (Chapter 02), outlined a systems-thinking approach to understand the challenge of corporate ethics in the turbulent markets of today (Chapter 03), described the success of the free enterprise capitalist system (FECS) when designed and deployed rightly (Chapter 04), and depicted its scandals and abuses when infected by fraud, corruption, and bribery (Chapter 05). The book then addressed particular turbulent context of modern debt-overleveraged and promoter-dominated corporations (Chapter 06), portrayed artificial intelligence and its new challenges to corporate ethics today (Chapter 07), and explored the ethics of reinventing the morally embattled corporation to face turbulent markets (Chapter 08). The concluding epilogue introduced the LEMS concept and challenge of corporate governance today.

The Structure of This Book

In this sequel, ***Corporate Ethics for Turbulent Markets: Executive Response to Market Challenges***, we cover *Strategies of Corporate Ethics*, in terms of moral *agencies* as processes of corporate deliberations, moral reasoning, moral judgment calls and their justification, moral choices, decisions and implementation, and moral consequences as *outputs.* Global and domestic business cases of current ethical market problems, challenges, and moral imperatives are proposed and discussed throughout the book in each chapter. Concretely, this book provides a brief *Prologue* that situates the discussion in the eight chapters that follows:

- Chapter 1: The Ethics of Dignity of the Human Person.
- Chapter 2: The Ethics of Corporate Executive Virtues.
- Chapter 3: The Ethics of Corporate Trusting Relations.
- Chapter 4: The Ethics of Corporate Ethical and Moral Charismatic Leadership.
- Chapter 5: The Ethics of Corporate Critical Thinking.
- Chapter 6: The Ethics of Corporate Stakeholder Rights and Duties.
- Chapter 7: The Ethics of Corporate Moral Reasoning, Moral Judgment, and Moral Justification.
- Chapter 8: The Ethics of Corporate LEMS Responsibility
- A closing *Epilogue* explores Corporate Cosmic Executive Spirituality for Today.

The Target Audience

Organized thus, this book is uniquely designed for corporate executive leaders and boards of directors, business scholars and business practitioners alike, and

high potential business students. We strive to enable and empower corporate executives and business entrepreneurs to engage in corporate-wide decisions and strategies that demand creative, imaginative, intuitive, and innovative business management skills that are optimally economic and legal, and at the same time highly ethical, moral, and spiritual. In the typical MBA program, this book could be useful for courses in Corporate Ethics, Business Ethics, Managerial Ethics, Executive Ethics, and Ethics of Strategy, particularly at the graduate level.

The Uniqueness of This Book

There are several books on ethics, on business ethics, on managerial ethics, presumably on executive ethics, but hardly any on *corporate ethics*. A significant percentage of current business students will very soon be corporate executives who will make decisions that will impact the whole company and the industry, its stakeholders, its divisions, peoples, products, brands, and services. Such corporate-wide, industry-wide, and nation-wide decisions need to be preceded by proper training in moral reasoning, explanation and justification, ethical scanning and understanding of competition and markets, moral deliberation and choices, and prediction and control of high-profit products and markets such that corporate decision makers can foresee the consequences and assume responsibility for their intended and unintended consequences.

To make the content of each chapter relevant and exciting, each chapter is energized by several contemporary business cases that reflect global, international, national, and local real-time market problems and cases as the latter emerge and develop, capitalize, or exploit current market opportunities. Each case follows by a set of pertinent ethical questions and moral challenges, and the ethical concepts, theories, paradigms, and models that follow are designed to empower the reader to address these questions with ethical and moral solutions.

There is no closure to any book on corporate ethics. The content of each chapter is continuously evolving and emerging reflecting turbulent markets. Particularly, a book that captures real-time ethical and moral process of forming strategic leaders of corporate transformation experience and accomplishment must be a "work in progress" that needs constant updates, upgrades, revisions, and restatements. In other words, this book is not about immutable and frozen conceptualizations and theories, paradigms, models, and strategies of past centuries. While using them freely, it also feeds and expands on the real, day-to-day corporate world of ethical and moral business management.

We hope this book will continue to challenge corporate executives, managers, entrepreneurs, professors and students, thinkers, and innovators alike to this great world of strategic ethical, moral, and spiritual world of management and leadership and organizational learning and business transformation management (Mascarenhas, 2011).

NOTES

1. Financial Times Stock Exchange 100 Index (FTSE 100 Index) is maintained by FTSE Group and now wholly owned subsidiary of the London Stock Exchange which originated as a joint venture between the *Financial Times* and the London Stock Exchange in 1984.

2. Nitesh Gor, BA from the University of London and an MBA from London Business School, is the author of *The Dharma of Capitalism*: A Guide to Mindful Decision-making in the business of life (First published in Great Britain in 2012 by Kogan Page Limited). He has served in executive, leadership, and consulting roles in asset management, investment banking, and the natural resource exploration industry. As cofounder and CEO of Dharma Investments, Nitesh oversaw the development of the Dow Jones Dharma Index, a global stock market index that tracks companies which maintain high standards of ethical behavior. He is the chairman of the I-Foundation, a charity establishing the first state-funded schools in the UK based upon Dharma principles. Nitesh Gor is also a regular columnist for Forbes. He lives in London with his family.

3. The word "Dharma" has been used in ancient scriptures from time immemorial. Many people have tried to understand and explain the word Dharma from their perspective. Some consider it a law, others as guidelines and some consider as a way to worship, and to be closer to God. But defining it in this way underdetermines its meaning. Dharma is all of it and beyond. And, the best explanation is provided in Bhagavad Gita in the form of a dialogue between Lord Krishna and Arjuna. As per Lord Krishna, Dharma is a righteous way of living a life. He explains that every organism is born to serve a purpose. Understanding the purpose and living accordingly is Dharma. But that is the most difficult thing to do. To differentiate between right and wrong is sometimes the most difficult thing to do. (We will try to understand how Dharma makes it easy to differentiate between right and wrong while trying to answer our second question – importance of Dharma.)

4. The East can teach the West. By some estimates, one in 10 professors of the top MBA schools of USA is Indian in heritage. In 2010, Harvard University named Mumbai-born Nitin Nohria to become the 10th dean of the prestigious Harvard Business School. Indian-born businessmen and business consultants are playing a growing role in shaping best practices in the West, teaching corporate executives to take a more holistic approach that puts purpose before goals and stakeholders before stockholders (Gor, 2012, p. 24).

5. Dharma is not the same as Karma, another concept common to Buddhist and Hindu traditions and belief systems. Karma describes the good and bad qualities in every act or deed as defined by the consequences, unseen, foreseen, or unintended. Karma can be reckoned as life's running subtotal of actions and outcomes, and Dharma explains why it matters (Gor, 2012, p.6).

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Chapter 1

The Ethics of Dignity of the Human Person

Executive Summary

This first chapter explores the basic foundation of corporate ethics: the human person in all its dignity and mystery, its corporeality and emotionality, and its cognitive and volitive capacities of moral development. Four fundamental characteristics of the human person, namely individuality, sociality, immanence, and transcendence, will be examined for their potential to understand, live, experience, and witness corporate ethics and morals. We explore the profound meaning and mystery of human personhood invoking several philosophies of the good and human dignity as exposed by Aristotle and Thomas Aquinas in the West, by the doctrine of Dharma in the East as expounded by Gautama Buddha, Mahabharata, and Bhagavad Gita, and by Prophets Confucius and Tao, in the East. Several contemporary cases of great human personhood are analyzed: for example, Peace Nobel Laureate Nelson Mandela from South Africa (1993) and Peace Nobel Laureate Liu Xiaobo from China (2017) – cases of human abuse that turned into triumphs of human dignity.

> We are not human beings having a spiritual experience. We are spiritual beings having a human experience. We are not physical beings having a spiritual experience; we are spiritual beings having a physical experience.
>
> Pierre Teilhard de Chardin[1]

1.1. Introduction

The completion of the Human Genome Project at the beginning of the new millennium has generated a great deal of knowledge about human DNA and about the correlation between certain gene sequences and certain phenotypic traits. This advance holds promise for making genetic human enhancement (HE) customized to people's specific needs and desires. For instance, currently,

biomedicine in the form of drug therapies and medical procedures can enhance some of our mental and physical capacities above normal upper limits of the human species. While this biomedical advance is very interesting and a big business market, several moral concerns arise:

- **Is it morally justifiable to alter human nature by tinkering with the genetic code?**
- **Are we playing God with human nature in doing so?**
- **Is it a symptom of our hubris – to improve upon God's gift of sacred human nature?**
- **Can we morally seek "mastery" over ourselves and others?**
- **Do technologies enhancing human nature have unforeseeable and irreversible evil consequences?**
- **Are these concerns similar to those raised against human reproductive technologies?**
- **Or, are these moral concerns just cognitive biases that interfere with our moral reasoning?**

These are also concerns of corporate ethics of HE. These concerns question our traditional doctrine of absolute human dignity which stems from the claim that God created man and woman in his own likeness unto immortality and eternity – the subject of this chapter. We need philosophically and morally to justify our concerns or psychologically explain away current resistance to HE. We must look carefully at arguments resisting HE as also arguments supporting it. We do this toward the end of this chapter.

Recent advances in the physical, social, biological, neurological, and anthropological sciences have not only spawned radical technological and market breakthroughs, but, more importantly, unearthed tremendous human potentiality for design, creativity and innovation, for invention, discovery, venture and entrepreneurship, for capital accumulation and wealth creation, for individual self-actualization and collective common good. We are experiencing a growing consciousness of the increased power that human beings have over nature and over the future development of the human race. This power can be both a blessing and a curse: it is a blessing if harnessed to do good, to preserve and respect human dignity, to bring about justice, and to promote peace and human solidarity; it can be a curse if the same power is abused to do evil, destroy human worth, generate unjust structures, and provoke war and terrorism, global destruction, and disintegration. We can make or mar our destiny.

What is man? What is being human? What is human personhood? What is corporate human personhood? A related philosophical and more fundamental question is: *what is human*? And what is being good? Aristotle's balanced formula for man was: *man is a rational animal*.

Within ancient Greek philosophical thought and categorization this definition meant that the human being is endowed with the highest of three types of souls:

(1) As a vegetative soul, the human is capable of nutrition, growth, and reproduction.
(2) As an animal soul, the human is capable of movement, sensations, emotions, and experiences.
(3) As a rational soul that unites the other two, the human is capable of knowledge and choice. That is, this rational soul expresses itself in the twofold activity of thinking and willing.

We are even more: our knowledge is *reflective* (i.e., we know that we know) and our choices are informed and reflective (i.e., we know what we are choosing, and we know why we are choosing it). Our skills and potential for knowledge and choice empower us to be "causes" or "authors" of our own actions, and hence, to be accountable and responsible for the consequences of our actions. Thus, being and action are intrinsically linked in the rational and voluntary nature of our human being.

On the surface, human behavior is basically a set of actions that are governed by one's feelings, emotions, attitudes, and beliefs regarding proposed ends, ideals, goals, and objectives. In general, most decisions and actions stem from and are affected by our personality or character. To the extent that these decisions and actions are human, they are usually assessed by several dyadic qualifications such as right or wrong, good or bad, ethical or unethical, moral or immoral, just or unjust, and fair or unfair. In general, actions are praiseworthy if good, and blameworthy, if bad. If good, one should be credited for them; if bad, one must accept blame and responsibility for the intended and unintended consequences.

Ethics is concerned with responsible human behavior. Corporate ethics is concerned with responsible corporate governance in relation to decisions, actions, and their outcomes that affect the company as a whole. Good business executives execute good decisions and actions that generate good outcomes and avoid bad decisions and actions that result in bad or harmful consequences.

1.2. Why Ethics of Human Personhood?

Psychology as a science started with two distinct approaches: (1) one emerged as the study of human internal processes that are often difficult to observe directly and (2) single-minded focus on observable behaviors. The former began with the psychoanalytic tradition of Sigmund Freud who believed that the reasons why people act and feel as they do are deep within them; hence, change can be promoted only when people probe their psychic depths and bring to surface and awareness those inner, often unconscious, dynamics. The second approach (2) began with the empirical tradition of B. F. Skinner, its best exponent, called behaviorism, and assumed that the causes of people's actions are the rewards or punishments, they called reinforcements, they have received; hence, a person's life can be dramatically changed by precise adjustments in the administration of reinforcements.

From the psychoanalytic tradition of Sigmund Freud emerged two other approaches: (1) humanistic person-centered psychology that included the work of Carl Rogers who pioneered client-centered therapy and (2) humanistic projective psychology that includes the work of Fritz Perls, who pioneered Gestalt therapy. Both psychoanalytic and humanistic traditions, even though much different, understand human behavior in terms of motivational and emotional dynamics, both focus on promoting awareness as the basis for change, and both build theory using observations and direct experience. Both build their theories on clinical experience.

On the other hand, behaviorism focused on observable behaviors and the environmental conditions or contingencies that reinforce them. Citing the rules of science, behaviorism argued that before a phenomenon is accepted as a fact, it must be independently investigated by other scientists and replicated by them. This empirical tradition has evolved through many decades now. During the last five decades or so, the empirical tradition has employed statistical analysis of data collected from scientific experiments to analyze observable behaviors.

Many so-called *cognitive theorists* now focused on individual's thoughts and emotions rather than just observable behaviors via environmental reinforcements. They explain behaviors in terms of people's thoughts, attitudes, expectations, and interpretations about reinforcements. The cognitive psychology theorist seemed to have moved "inside the person" to search for the causes of behavior. Other *volitional psychology theorists* (e.g., Harry Farlow, Abraham Maslow, Douglas McGregor, and Fredrick Herzberg) have gone deeper to probe into human "motivations."

Many so-called *deterministic psychology theorists* (e.g., Frederick Taylor, B. F. Skinner) have continued to view the person in observable mechanistic terms. The latter asserts that humans are information-processing machines that work like computers to solve problems, make decisions, and behave accordingly. By this view, human beings are machines waiting to be programmed by society through homes and schools, colleges and universities, workplaces, and worship places. Sociologist Talcott Parsons proposed yet another view. He portrayed the birth of each infant as the invasion of a barbarian; children are savages who need to be tamed. This infant-as-barbarian view is not too dissimilar to the view of the human person as a passive information-processing machine waiting to be programmed and tamed by society. Both views assert that society must shape and mold the person; both suggest that socializing agents and agencies like parents, home, teachers, school, and managers and the workplace should create the human self. Both view human development as something done by the social world to children, adolescents, and adults at various stages of their life.

Another approach considers humans as vital *organisms*, who, by their nature, explore, develop, and take challenges, and thus develop themselves, of course, supported by parents, teachers, and workplace superiors. Alfred Kohn (1999), Edward Deci and Richard Ryan (1985, 1990), and Pink (2009), to name a few, follow this approach in understanding intrinsic motivation. Their central thesis is that people develop through the process of organismic integration as they proactively engage their world. They believe that there is a basic tendency within

people to move toward greater coherence and integrity in the organization of their inner world. Inherent in the nature of human development is the intrinsic tendency toward greater consistency and harmony within; that is, people are intrinsically motivated to integration and harmony (Deci, 1975, p. 80).

Even other psychologists have hinted at human organismic integration. Freud spoke of the synthetic function of the ego that suggested that throughout life people work to bring coherence to their experience and thus to the development of their own personality. Child psychologist Jean Piaget hypothesized a similar organizational principle in children, whereby they imbued everything with life. Carl Rogers and fellow humanistic psychologist Abraham Maslow spoke of the self-actualization principle within people leading them toward greater internal harmony and integrity. In a similar way, argue Deci and Ryan, people's perceived sense of competence and perceived sense of autonomy enhance intrinsic motivation that empowers organismic integration. The development of integration in personality reveals who you truly are and indicates becoming all you are capable of – these ground and empower the concept of human authenticity.

A further and deeper question is: what grounds intrinsic motivation and organismic integration in us whereby we discover, develop, and enjoy ourselves as a human integrated personality that is truly individual and social, immanent and transcendent at the same time? When Deci (1975, p. 82) rightfully asserts "that intrinsic motivation and the inherent integrative tendency are natural," my question is what makes them natural and what grounds this nature? The answers to these questions are beyond psychology and empirical measurement, as empirical methods or cognitive theories cannot stretch their horizons too far and deep. Hence, we have recourse to philosophy. Table 1.1 summarizes the taxonomy of research methodologies in psychology, arguing for the necessary complement of a philosophical approach to the human person.

1.3. Philosophy of the Human Person

It is in the philosophy of the human person we discuss transempirical concepts like human nature, human dignity, fundamental human rights, the human soul, and human destiny. We examine such concepts in this chapter so as to enrich our understanding of intrinsic motivation and the inherent integrative tendency that are so natural to us but one that are least lived and experienced. It is the human person (richly created and even more designed and engineered by God) that grounds our unique human nature, human personality, human dignity and authenticity, and human development and potential.

Martin Heidegger claimed that modern technology, with its violent metaphysics, destroys being (Heidegger, 1978). It is not modern technology itself, however, that is dangerous but its wanton and wide-scale implementation by modern-day un-eco-sensitive businesses. With its exclusive focus on profitability bottom line, businesses today tend to violate the integrity and diversity of natural ecosystems, human systems, the autonomy and culture of local communities, and the chance that future generations will lead a decent life (Zsolnai, 2015, p. 3).

Table 1.1: A Taxonomy of Psychological Investigations into Human Identity.

Investigation Domain	Method of Investigation	Methodology of Investigation	Data Analysis	Criteria for Truth	Major Truths about Man
Observable behaviors	Empirical observation and measurement (Skinner et al. behaviorism)	Experimentation and replication of reinforced behaviors (Thorndike, Pavlov, Wolfgang)	Statistical analysis: ANOVA	Independent scientific investigation and replication of findings	Man is a repertoire of behaviors that can be conditioned and programmed
	Speculative deductions on deterministic human behavior (David Hume, Karl Marx)	Deterministic hypothesis of mechanistic behaviors (Frederick Taylor)	Inductive analysis; from semi-deterministic behaviors to the theory of total mechanism	Long-standing tradition of deterministic behaviorism	Man is a machine programmed by the factors of production, history, and society
Non-observable behaviors	Theoretical understanding of non-observable behaviors (e.g., psychoanalysis of unconscious behaviors ruled by ego, superego, and Id (Sigmund Freud)	Humanistic person-centered or personality-centered psychology—client-centered therapy (Moritime Adler; Carl Rogers)	Cognitive psychology theories to understand thoughts, expectations, and interpretations	Multiple scholars within the school of thought confirm or improve findings	Man is an outcome of his thoughts and expectations and interpretations (Jeremy Bentham, JS Mill)
			Cognitive psychology theories to understand inner organismic motivations of behavior (Deci, Ryan)	Multiple scholars within the school of thought confirm or improve findings	Man is organically motivated by a hierarchy of needs, wants, and desires (Farlow, Maslow, McGregor, Herzberg)

	Humanistic projective analysis: structural psychology of Carl Jung; Gestalt therapy (Fritz Perls)	Individual and social structures or Gestalt psychology: man's inner life is unraveled via pictures and their interpretations	Multiple scholars within the school of thought confirm or improve findings	Man is a reflection of individual and social structures expressed in architectures and civilizations; or one's gestalt projections
Philosophical deductions of the human spirit, nature, dignity, and destiny (Plato, Aristotle, Aquinas)	Transcendentalism is a philosophy that seeks to discover the nature of reality by investigating the process of thought rather than the objects of sense experience (Kant, Hegel, and Fichte)	Metaphysical deductions of human understanding and pursuit of truth (Descartes; Spinoza); a search for reality through spiritual intuition (Emerson)	Principle of universalizability (what is truth for me should be truth for all); principle of reversibility (what is truth for all others should be truth for me)	Man is made unto the likeness of God, endowed with sensitive, appetitive, cognitive, and volitive faculties that empower human nature, dignity, intrinsic motivation, and human behavior

Case 1.1: Nelson Mandela Fights for Human Dignity

Nelson Mandela, the freedom fighter who led the emancipation of South Africa from white minority rule, who emerged from 27 years in prison to become South Africa's first elected black president and a global symbol of reconciliation, died, age 95, on Thursday, December 5, 2013, at 8:50 p.m. at his home in Houghton, Johannesburg, South Africa, after a protracted illness. As flags flew at half-mast across South Africa, a sense of loss, blended with memories of inspiration, spread from President Obama in Washington, DC, to the members of the British Royal Family and on to those who saw Mandela as an exemplar of a broader struggle for peace, harmony, and equality.

Pope Francis praised "the steadfast commitment shown by Mandela in promoting human dignity of all the nation's citizens and in forging a new South Africa." President Barack Obama eulogized: "He achieved more than could be expected of any man. I am one of the countless millions who drew inspiration from Nelson Mandela's life. My very first political action, the first thing I ever did that involved an issue or a policy or politics, was a protest against apartheid." Manmohan Singh, then Prime Minister of India, said, "A giant among men has passed away. This is as much India's loss as South Africa's. He was a true Gandhian. His life and work will remain a source of eternal inspiration for generations to come." British Prime Minister David Cameron declared in London: "A great light has gone out in the world." Russian President Vladimir V. Putin added: Mandela was "committed to the end of his days to the ideals of humanism and justice." The French mourned differently: they bathed the Eiffel Tower in Paris in green, red, yellow, and blue – the colors of the South African flag. This is a testimony to the immense love, admiration, respect, and inspiration Mandela evoked across continents.

Nelson Mandela was born on July 18, 1918, in a royal family of the Xhosa-speaking Thembu tribe in the South African village of Mvezo. Mvezo was a remote hilltop village, a tiny hamlet of cows, corn, and mud huts in the rolling hills of the Transkei that still is snaked around by Mbashe River in the southeast of South Africa. His mother spent most of her working day drawing and hauling gallons of freshwater using a pair of donkeys to the white master she worked for in the nearest town. His father, Gadia Henry Mphakanyiswa, was a chief of the Thembu people, a subdivision of the Xhosa nation. Mandela was named Rolihlahla, meaning "troublemaker," until his first day at school, when at age 7 his teacher, Miss Mdingane, unceremoniously renamed him Nelson to conform to the British bias in education.

Mandela was drawn to politics in his teens while listening to elders talk about the freedom they had before white rule. Educated at a Methodist missionary school and the University College of Fort Hare, then the only residential college for blacks in South Africa, where two years later he was expelled for leading a student protest. Thereafter, Nelson got arrested several times for treason. He was arrested again in 1962 on the charges of leaving

the country illegally and incitement to strike – sentenced to five years in prison. In 1963, the police raided a farm in Rivonia where the ANC had set up its headquarters. The raiding police found a few documents disclosing that Mandela and his members were planning a conspiracy to overthrow the government. Consequently, the South African white rulers were determined to put Mandela and his comrades out of action. That same year in 1963, Mandela and eight other ANC leaders were charged with sabotage and conspiracy to overthrow the state capital. It was called the Rivonia Trial – named after the farm the defendants had conspired.

At Mandela's suggestion, his comrades, certain of conviction, set out to turn the trial into a moral drama that would vindicate them in the court of world opinion. They admitted they had engaged in sabotage and tried to spell out its political justification. The four-hour speech Mandela opened the defense's case was one of the most eloquent of his life. Conducting his own defense in 1963, Mandela spelt out a dream of racial equality. Mandela said in court: "I have fought against white domination, and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons will live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to see realized. But, my lord, if it needs be, it is an ideal for which I am prepared to die" (The Guardian, 2001; Keller, 2013, p. 11). The Rivonia trial seemingly established Mr Mandela's central role in the struggle against apartheid. He was sentenced to life in prison in 1964.

Under considerable pressure from liberals at home and abroad, including a nearly unanimous vote of the United Nations General Assembly to spare the defendants, the judge acquitted one and sentenced Mandela and the others to life in prison. P. W. Botha, then South Africa's president, refused pardon. He offered to release Mr Mandela if he renounced violence. Mr Mandela refused saying that government should abandon apartheid first. Mandela was 44 when he was escorted on a ferry to the Robben Island prison in July 1963. Robben Island was shark-infected watershed seven miles off Cape Town. Over the centuries, the island was a naval garrison, a mental hospital, and a leper colony. But for Mandela and his comrades, the Island was a university. Mandela honed his skills as a leader, negotiator, and a proselytizer. Both black and white prison administrators found his charm and iron will irresistible. Perhaps because Mandela was so much revered, he was singled out for gratuitous cruelties by the authorities. Still, Mandela asserted that the prison had tempered any desire for vengeance by exposing him to sympathetic white guards.

He left the Victor Verster Prison, on Robben Island, near Cape Town, on February 11, 1990, after spending 27 years in apartheid jails. Nelson was now 71. He walked to an inevitable moral and political victory cheered by much of the then world. Mandela called it the "Long Walk to Freedom" in his 1994 Autobiography.

In 1990, when released from prison, Mandela persuaded the ANC to renounce violence in favor of peaceful negotiation. He won the trust of Frederick Willem de Klerk, the last president of South Africa in a

Whites-only election, in their first meeting. This relationship helped to keep the negotiation on course for the next four years as violence raged on the streets of South Africa's townships. Aside from de Klerk, Mandela won most white South Africans, who were reassured by his words of reconciliation. Mandela and de Klerk shared Nobel Prize for peace in 1993. The ANC won a majority in the election – Mandela assumed the role of the president of South Africa in 1994.

Mandela even established a Truth and Reconciliation Commission (TRC) that granted amnesty to soldiers, policemen, and even assassins, provided they confessed to what they had done. "Our goal was general amnesty in exchange for the truth," said Bishop Desmond Tutu (who chaired the TRC) to *Bloomberg News* in a 1999 interview. The level of endurance, persistence, and altruism displayed by Nelson Mandela was exceptional and brought a major change in human thinking that all men and women are equal in each respect and all persons should live together in harmony and with equal opportunities.

Nelson Mandela embodies the spirit of ethics of human personhood. Bearing no grudge even after being imprisoned unfairly for 27 years, he championed the Gandhian way of fighting for freedom. Mandela's humanity, leadership, commitment, and forgiveness are a source of learning for the entire world. He inspired millions of people, from school students to world leaders, to adopt a more peaceful approach, and to practice forbearance and forgiveness. He fought against not only white domination but also black domination, a champion of gender equality.

Ethical Questions

(1) Nelson explained why he changed his nonviolence stance so abruptly to an armed one: "Forswearing nonviolence was not a moral principle but a strategy; there is no moral goodness in using an ineffective weapon." Do you agree with this ethic, and why?
(2) Before he would be sentenced for life imprisonment in 1963, Mandela said in court closing a four-hour-long speech, the best of his life: "I have fought against white domination, and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons will live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to see realized. But, my lord, if it needs be, it is an ideal for which I am prepared to die." How do you view the depth of Mandela's human personhood from this statement?
(3) In 2007, when Bill Keller asked Mandela, "After such barbarous torment, how do you keep hatred in check?" Mandela answered: "Hating clouds the mind. It gets in the way of strategy. Leaders cannot afford to hate." How would you deduce Mandela's compassionate human personhood from this statement?

Case 1.2: Nobel Peace Prize Laureate Liu Xiaobo (2017)

Liu Xiaobo died Thursday, July 13, 2017, age 61, fighting liver cancer for more than a month after he was transferred from prison (where he was in the eighth year serving a 11-year term for "subversion") to a civil hospital in northeast China. Born in December 1955, Liu was the son of a professor who remained a loyal communist party member, while his son was actively disobeying the party line. Liu was an academician and author specializing in literature and philosophy. China's most famous political activist and prisoner, he was treated for terminal liver cancer in a heavily guarded hospital in northeastern China. Liu was the unsung hero along with other big name dissidents of the twentieth century.

A human rights activist, Liu took active part in the 1989 pro-democracy Tiananmen Square demonstrations and was arrested in 2008, after writing a pro-democracy manifesto titled charter 08 in which he demanded an end to one-party rule and called for improvements in human rights. Liu's aim was not to trigger upheaval, but to encourage peaceful discussion. Charter 08 was signed by thousands of people in China. After a year in detention and a two-hour trial, he was sentenced in December 2009 for 11 years' imprisonment for "inciting subversion of state power." He was held incommunicado since, in an attempt to do away with any memory of him. Liu was awarded the Nobel Peace Prize in December 2010 while in prison, and not even his family was allowed to travel to Norway to accept the award. The award was bestowed to an empty chair, which later became a symbol of China's repression.

In the weeks before his death, Liu's case got increasing international attention when world leaders such as German Chancellor, Angela Merkel, and Taiwan's President, Tsai Ing-Wen, called upon China to permit Liu to travel abroad to receive palliative care that could extend his life. The government refused Liu and his family when they asked if Liu could be allowed to seek treatment abroad. Instead, the Government posted guards around his ward, deployed its army of Internet censors to rub out any expression of sympathy for him. The Chinese police kept Liu's wife, Liu Xia, under house arrest and heavy surveillance. She was barred from speaking about Liu's death and his cancer treatment.

Along with countless others, Amnesty International paid tribute to Liu: "Today we grieve the loss of a giant of human rights. Liu Xiaobo was a man of fierce intellect, principle, wit and above all, humanity" said Salil Shetty, Secretary-General to Amnesty International, in a statement (see *The Statesman*, Kolkata, Friday, July 14, 2017, pp. 1, 10).[2] Liu Xiaobo represents the best kind of dissent in China. He was China's conscience. His suffering, death, and repression hold a message for China and the West.

There are good reasons why Western leaders should speak out loudly for China's dissidents. China cannot retaliate too much as it depends upon the West for trade. Western silence may seem complicity, and Mr Xi may believe that jailing peaceful dissidents is normal. Our silence may encourage him to

lock up yet more dissidents and activists. Moreover, those who risk everything in pursuit of democracy in China may feel discouraged that the West has abandoned them in their struggle for peace. Further, a vital principle is at stake. In recent years, there has been much debate in China about whether values are universal or culturally specific. Keeping quiet about Liu Xiaobo signals that the West tacitly agrees with Mr Xi, and what is worse, that there are no overarching ethical or moral values. China, like Western countries, is a signatory to the UN's Universal Declaration, which says: "All human beings are born free and equal in dignity and rights." If the West is too selfish and cynical to fight for these universal values when China openly flouts them, it risks eroding such values across the world and in its own countries too (See "Liu Xiaobo, China's Conscience," *The Economist*, July 15−21, 2017, *Cover Page* and page 9).[3]

Ethical Reflections

(1) Amnesty International paid tribute to Liu Xiaobo: "Today we grieve the loss of a giant of human rights. He was a man of fierce intellect, principle, wit and above all, humanity." Explain.
(2) "Liu Xiaobo represents the best kind of dissent in China. He was China's conscience. His suffering, death and repression hold a message for China and the West." Reflect.
(3) Western silence about inhumanities to Liu Xiaobo may seem complicity, and Mr Xi might have believed that jailing peaceful dissidents is normal. Western silence may encourage China to lock up yet more dissidents and activists. What is your moral obligation in this regard?
(4) "In recent years there has been much debate in China whether values are universal or culturally specific. Keeping quiet about Liu Xiaobo signals that the West tacitly agrees with this, and what is worse, there are no overarching ethical or moral values." How would you counter this trend?

1.4. The Great Humanity of Nelson Mandela

"Mandela was no ordinary leader; he was a leader of leaders. His life was remarkable for its achievements. […] During his 27 years in jail, Mandela attained renown for his uncompromising commitment to fighting injustice. This made him an icon of the oppressed. His fight against apartheid was all the more laudable in that he engaged in principled negotiations with the white rulers to end it. […] When he walked out of jail in 1990, many believed that long decades in jail would have made him bitter and angry with his oppressors and that he would seek retribution. He showed the world there was another way to reach

out and forgive one's tormentors," thus said the Deccan Herald Editorial (Saturday, December 7, 2013, p. 10). During the brutal years of his imprisonment on Robben Island, thanks to his own patience, humor, and capacity for forgiveness, he seemed freer behind bars than those who kept him there, locked up in their own self-demeaning prejudices (*The Financial Express*, Editorial, Saturday, December 7, 2013, p. 7).

Mandela founded the TRC aimed at providing victims of the apartheid years with closure. The TRC did help uncover the truth about violence unleashed by the apartheid regime as well as its opponents, but it was only partially helpful in healing wounds or ending racial hatred. Mandela never hesitated to speak truth to power. He was uncompromising in expressing his anguish, even anger, over injustice. In 2003, Mandela lashed the United States for committing "unspeakable atrocities" and for risking a "holocaust" by invading Iraq. His words were prophetic and appealed to the conscience of millions, compelling even warring groups to lay down their guns to build peace. It will not be easy for the post-Mandela world to accept the challenge of his death – his moral authority will be sorely missed (*Deccan Herald* editorial, Saturday, December 7, 2013, p. 10). Ever since Mandela voluntarily left the presidency of South Africa in 1999, he has brought his moral stature to bear elsewhere around the continents of the world – he was a broker of peace.

The question most often asked about Mandela was how, after South African whites had systematically crushed and humiliated his people, tortured and murdered many of his friends, and incarcerated him into prison for 27 long years, he could be so evidently free of spite and retribution. When preparing for the Mandela obituary in 2007, Bill Keller, columnist of International New York Times, asked Mandela, "After such barbarous torment, how do you keep hatred in check?" Mandela's answer was almost dismissive: "Hating clouds the mind. It gets in the way of strategy. Leaders cannot afford to hate."[4] He was an apostle against apartheid – a word that literally means "apartness" in the African language, but in reality means a system of racial gerrymandering that stripped blacks of their citizenship in the country of their origin and relegated them to USA-template "reservation" of so-called homelands and townships, a system that denied 80% of South Africans any voice in their own affairs.

Among Mandela's many achievements, two stand out: (1) he was the world's most inspiring example of fortitude, magnanimity, and human dignity in the face of oppression and opposition, serving over 27 years in prison for his belief that all men and women are equal. (2) Little short of the miraculous was the way he engineered and oversaw South Africa's transformation from a byword for nastiness and narrowness into, at least in intent, a rainbow nation in which people, regardless of caste or color, were entitled to be treated with respect and human dignity. Nelson Mandela was awarded the Bharat Ratna, the highest Indian civilian award, in the year 1990.

His charisma was evident from his youth. He was a born leader who feared nobody, debased himself before no one, and never lost his sense of humor. He was handsome and comfortable in his own skin. In a country in which the myth of racial superiority was enshrined in law, he never for a moment doubted his

right to equal treatment, and that of all his compatriots. For all the humiliation he suffered at the hands of white racists before he was released in 1990, he was never animated by feelings of revenge. He was himself utterly without prejudice, which is why he became a symbol of tolerance and justice across the globe. He was quite simply, a wonderful man (*The Financial Express*, Editorial, Saturday, December 7, 2013, p. 7).

His persistent struggle against apartheid teaches us that if we are determined to achieve something, if we have true willingness to change something for humanity, it is never impossible to strike hard and win the battle. A right path could be difficult, long, and full of obstacles but it will definitely lead to success. His message of reconciliation, not vengeance, reaffirmed Mahatma Gandhi's philosophy that fighting violence with violence is never a good idea. The way he handled South Africa's affairs after he assumed the presidential powers demonstrates the highest human values with regard to forgiveness, truth and altruism and social justice.

1.5. The Value and Function of Executive Personhood

Human behavior, however, cannot be reduced to a set of decisions and actions. There is a profound unity and interrelatedness that affects four basic characteristics of what it means to be human:

(1) We are uniquely *sensitive* or *sense human beings* fed by our five senses that are nuanced by observation, perception, internalization, and pleasure.
(2) We are *affective* and *feeling human beings* also fed by our five senses, empowered and reinforced by our attitudes, beliefs, instincts and drives, needs and wants, desires and aspirations, and ambitions and dreams.
(3) We are *cognitive* or *knowing human beings* with unique capacities for thinking, reasoning, explanation, experimentation, creativity and innovation, imagination and intuition, hindsight and foresight, and judgment and decisions.
(4) We are *volitive, voluntary,* and *intentional human beings* who can deliberate, determine, use free will, choose, select, or "elect" among competing courses of alternative actions, subjects, objects, properties, and events.

The unity of these activities (i.e., sensitive, cognitive, affective, and volitive) has been identified by many scientists as the *nexus of human personhood*, the fundamental unity of us as persons. Contemporary science insists on the transcending unity of the human being brought about by different powers. Our thinking is an activity that is highly dependent upon choice and intimately affected by our emotional state (Strawson, 1959). According to Lopez Ibor (1964, p. 157ff), feeling is the bridge which enables biological data of sensory perception to reach the mind of evaluation, classification, and choice of a response. I choose to accept or reject ideas based upon how I feel about them, about their source, and about their relationship to my experience and manner

of thinking. That is, I feel something, I quickly interpret my feelings intellectually, and react to both by choosing a course of action. We are publicly identified by the possession of a cluster of different attributes, some bodily, some behavioral, and some mental and some volitional, and we call them our "character" or our "personality."

In the Greek classic tradition, this human personhood is represented by the "soul" that unifies the body and spirit, the physical and the mental, the understanding and the will, the voluntary and the involuntary, and human instincts and human drives (Harré & Shorter, 1983; Strawson, 1959). Whether one holds with Socrates that all knowledge is innate ready to be drawn out through education (*e-ducere* in Latin), or with Plato that all knowledge is fundamentally remembering, or with Aristotle that all knowledge begins with sensation, in any case, the raw data for our reasoning are given through our sensory organs of the body working in harmony with the soul (Thomas Aquinas, *Summa Theologiae*, Ia, pp. 77–78, 84–85). The unifying principle and power is the human person.

While on the one hand, our human personhood is fed and molded by the *internal stimuli* of our sensitive, cognitive, affective, and volitive lives, on the other, it is also influenced by *external stimuli* such as:

- **Our *family and school stimuli*: Our childhood experiences of our parents, nursery school, siblings, grandparents, and relatives; our adolescent experiences of peers and teachers at middle and high schools, colleges, and universities.**
- **Our *ergonomic stimuli*: Experiences of the workplace in relation to gainful work, meaningful work, co-workers and labor unions, native talent perfected, new skills picked up, new sources of income and rewards merited, and the like.**
- **Our *market stimuli*: The whole world of supply and demand, consumer buying power and shopping, an expanding world of thousands of brands, products, services, newspapers, magazines, radio, television, movies, music, stores, malls, supermarkets, transportation, logistics, brick-and-mortar markets, Internet markets, www, blogs, e-bulletins, and Facebook.**
- **Our *ideological stimuli*: Our unique value-experiences derived from our society, art and poetry, language and literature, science and fiction, textbooks and novels, libraries and art galleries, local, national and global governments, law and order systems, religion and religious institutions, politics and political agenda, history and culture, and philosophy and theology.**

Our human personhood receives, internalizes, filters, sorts, unifies, blends, lives, and relives all the internal and external stimuli in a mysterious, transcending synthesis and unity that really defines us. Given the internal and external stimuli, that is, our physical, spatial, and temporal worlds, our human personhood develops certain personality characteristics, behavior patterns, cultivates certain virtues (or vices), capacities or limitations, needs and wants, desires and dreams, habits and passions of heart, ethics and morals, and transforms us into responsible (or irresponsible) persons. These phenomena of internal and external stimuli

make and mold us as "human resources" ready for contributing back to society and the world.

How this mysterious unity or self-attribution is done is still debated. Various religions attribute this to a superior power in us that some call the soul, the spirit, the mind, the atman, the transcendent, the immanent, or the divine in us. Others trace this power to our genes and chromosomes, or the mysterious neural-physical body that we are endowed and engineered with. It is because of this unity that we say: I feel, I speak, I did this, and not that our body feels, our body speaks or that our body does something. More importantly, we say: I own certain actions and their consequences, and hence we assert: I did this, I chose this, I am accountable for this choice and the deed that follows, and I am responsible for the effects or outcomes. It is because of this superior power in us that we can formulate a mission (personal, corporate, social, or political) for ourselves that is beyond ourselves, a vision to realize this mission, and accordingly, we can spell ideals, ends, goals, objectives, and the means to achieve this mission. It is because of this body-spirit, matter-mind unity, the body becomes the home of the soul, the home of our intelligence, the home of our virtue or vice, the home of ethics and morals, and the home of our responsibility. Hence, the body becomes human, is humanized, and is sacred.

Figure 1.1 is a rudimentary attempt to sketch this great phenomenon of human personhood formed by the internal (organic) and external (environmental) stimuli or influences of our daily life. As indicated by the two-way arrows linking all the stimuli, the internal and external stimuli influence and reinforce each other circularly (not necessarily linearly), and systematically impact and mold our human personhood. Ethics and morals, and therefore, corporate ethics and corporate morals, deal with both internal and external stimuli that affect the human person.

1.6. What Constitutes Our Human Personhood?

Obviously, the human person is not a simple or random by-product of the internal and external stimuli, such as those depicted in Figure 1.1. Our human personhood is a unique combination of four internal–external forces that unify, interpret, internalize, and respond to the internal–external stimuli: *our immanence, individuality, sociality*, and *transcendence.* We explore each of these four human vectors from the viewpoint of corporate executive ethical decisions, actions, and duties.

1.6.1. Our Unique Immanence

Etymologically, immanence (in + *manere* in Latin) means to remain in, or to be operating and living within something. We are living within our state that is within our country that is within this earth, which is within the solar system that is within the universe. We are immanent in the world and in the universe. The human person dwells in immanence. That is, we are incarnated in a world that is physical; both humans and the world are characterized as dwelling in the

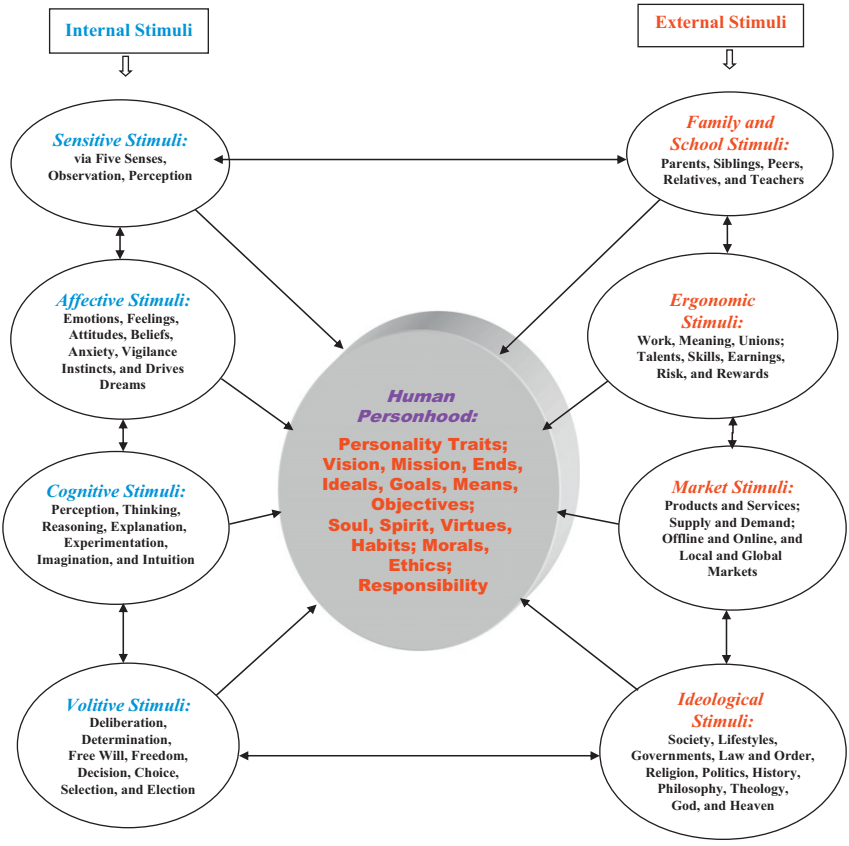

Figure 1.1: The Human Personhood as the Foundation for Executive Ethics.

universe that is in a unique intersection of time, space, motion, and gravitation. Our immanence is unique and irrevocable: we were birthed into this world at the unique interaction of the sun, moon and the seasons, galaxies and constellations, stars and zodiacs, earth and planets, time, space, gravitation, and motion. Oriental philosophers and astronomers (e.g., China, India) have explored this aspect of our unique geo-cosmic immanence. We are uniquely individualized and personalized by the unique intersection of hundreds of celestial bodies listed above. Hence, we are unique, non-imitable, non-substitutable, non-replaceable, non-replicable, non-repeatable, and non-transferable. Each of us has a unique role and responsibility for the universe that only we can fulfill.

Our immanence has two aspects: (1) we are corporeal-material in nature; (2) we are living physical organisms made up of flesh and blood. Because of our immanence, we have needs, wants, and desires; we have also, thereby, capacities and limitations. Our needs and limitations are sourced in the interactions and unity that exist between each human being and its environment. We are bound

by the physical laws of the universe, and we are limited by the physical capabilities of our muscular and skeletal structure and physical fitness. Accordingly, our needs, wants, desires, dreams, skills, and limitations change depending upon our age, gender, education, occupation, culture, religion, and where we are at any given moment.

Needs and limitations, however, do not define us. There is a unity between our corporeality and the flesh and blood living organism that we are. The body is the way in which the person is; it is the source of our being in the world. The body is the foundation for feeling and the place where feelings are experienced. It is the home of the intelligence. Without the body, there cannot be a human person. On the other hand, our body cannot be the sole source and locus of our human personhood. There is a unity between the human person and the body, but also a distinction. The body needs a principle to vivify it and provide a source of unity for the body with its corporeal function, activities, and processes of human nature. The Greeks and several religions call this principle of unity the soul (*atman* in Sanskrit, *pneuma* in Greek, *anima* in Latin). Without the soul or spirit as the unifying principle, we cannot be human persons, and without the body, we cannot be human persons either; we need and are a unique combination of the two. Only human beings composed of spirit and body, mind and matter can be human persons; to be human beings is to be both spiritual and corporeal.[5]

This is systems thinking applied to the human person: we are more than the efficiency of the body or the spirit, taken individually; we are an interactive whole that has energy, direction, drive, power, and passion far beyond the power of the body and soul taken individually. Ethics must see the human person not only in our universal aspects but in our unique combination of mind and matter, body and soul, time and eternity, and unique immanence.

1.7. Our Unique Individuality

The soul when joined to the body becomes the unifying principle of all activities and becomes the seat of intelligence and will. Because of this soul or spirit, we are immanent in the world in a unique way: we can sense the world, feel the world, love the world, explore, study and know the world, experiment, change and manipulate the world, and control, forecast and predict the world. It is precisely this interconnectedness between the spiritual principle of the soul and the unique corporeality of our body that gives rise to the unique "individuality" by which we identify the presence of the human person, and that we own our actions as not performed by the body or by the soul in isolation, but as an unity and immanent combination of the body and the soul whereby we say "I did it" or "we did it." In the unique joining of the soul and the body, something new comes into being that is greater than the mere sum of the parts (soul and body) added together – this is the unique human person.

Writing about his deep personal convictions that he picked up from many years of client-centered therapy, its great founder Carl R. Rogers in his best-

seller *On Becoming a Person* (1961/1989, p. 21) wrote, "It has come to me that the separateness of individuals, the right of each individual to utilize his experience in his own way and discover his meanings in it, – this is one of the most priceless potentialities of life. Each person is an island unto himself, in a very real sense; and he can only build bridges to other islands if he is first of all willing to be himself and permitted to be himself."

We are a unique combination of body and soul, mind and matter, faculties and powers, the conscious and the unconscious, the physical and the emotional, the intellectual and the spiritual, the individual and the social, and the ethical and moral parts of our human personality. Such a unique combination makes knowledge, thought, talent and skills, choice and freedom possible. Such a unique process of individuation is not a simple or random by-product of our body and genes, or a victim of biological and economic exigencies of our human world. All these (including our genes and genetic compositions) will not determine and control who we are and what we become. Nor will our talents and skills, knowledge and thoughts, and willed actions and behaviors totally determine the outcome of our individual development. They all contribute to our specific personality and uniqueness.

Our unique, non-repeatable, irreducible, and irreplaceable individuality cannot be fully understood and explained unless we accept that our uniqueness comes from being uniquely shaped and molded into the image of God (or some such superior being) who crafted us into this unique and historical composition of the body and soul, mind and matter, family, social and historical environments. We are a unique meeting point between soul and body, the corporeal and the spiritual, the physical and the social that we call the human personality or individuality. Each of us, accordingly, is born with a unique destiny that forges and converges each one of us into a unique transcendent openness of possibility that translates (from a near infinite number of possibilities) into a unique combination of talents and skills, knowledge and ideologies, thoughts and actions, moral qualities and events, virtues and values. That is, we are a limited but immanent and transcendent expression of unique human personhood we claim as our personal mission, vision, character, and self-identity. This particular course of our growth and change, consciously or unconsciously, leads to the development of our personality and within the structure of this personality will eventually emerge a certain "character" by which we designate ourselves as "I," "Ego,""Me" and experience consciously, express and project externally in society as "self."

1.8. Our Unique Sociality

We do not live, move, and have our being in isolation. Because of our unique immanence and individuality, we are social creatures, members of a common human species. We can sense, feel, and manipulate the world around as animals do. But far more than animals, we have "knowledge," because the activity of knowing is dependent upon a deeper reality, that of sharing. *Knowledge by its*

very essence is relational. Psychologists, philosophers, and sociologists are all in agreement that our immanence and individuality are inseparable from our sociality. That is, *unless there is another who is like me yet distinct from me, I can never come to a full understanding of who I am and what I am*. Our very existence is dependent upon this social quality of human personhood. This principle can be the foundation for human resources management, especially as recruitment, development and retention, and as teamwork and spirit.

Even at the biological level, the physical structure of our body or corporeality is fundamentally social. Thus, our genes exist in strands of DNA that form pairs of chromosomes; our birth is conditioned on two individuals coming together; the basic genetic material of our corporeality comes to us from others. Human reproduction, unlike animal reproduction, is not merely instinctual, but a profound social experience of courting, conceiving, nesting, birthing, parenting, nurturing, and other family activities, each of which contributes to our sociality of nurturance and dependence. *From the first moment of human existence until the last, human life is profoundly social* (Rehrauer, 1996, pp. 37–38).

We are individuals precisely because we are social beings. By our very nature, we are gregarious beings. We need contact with other beings like ourselves in order to understand that we are human and what this means. *Without sociality there is no individuality. We are born and inserted into society. We cannot be personalized human persons in isolation. It is through our social contacts that we activate and develop the ability to be individual and social, to be ethical and moral.* The child becomes aware as a person, as a human being of a particular individuality, as a function of its relations with other human beings. Social action precedes the self and provides the materials for it (Asch, 1987, p. 286; Flanagan, 1991, p. 122). In this sense, *our sociality precedes and grounds our individuality.*

Human personhood is more than our personality. We primarily develop our human personalities precisely because all human beings share a common social being. Our fundamental nature of human personhood (expressed as being sensitive, affective, cognitive, and volitive) becomes alive through our sociality. The nature and development of our individuality are a social product of both the social nature of our genetic heritage and the quality of our social interactions with others and with our cultural heritage as a whole. We carry in our bones and in our minds, in our genetic and cultural sources, something of all of those who have gone ahead of us and those who have been part of our lives. Our basic sociality takes us from the nuclear family we are born into broader groups such as ethnic, cultural, linguistic, national, religious, ergonomic, political, and other group affiliations. We learn to be a member of a given society by coming to know and practice the norms, rules, conventions and mores of that society. *Societies and social regulations develop, pattern, and shape our thinking, action, and behavior.* We not only learn about social regulations, but also learn to live within the framework and under the guidance of these social regulations (Heller, 1988, p. 19).

This is the metaphysical and transcendent foundation of our individuality, immanence, parenthood, and sociality. Our family and society, our history and culture, our values and religion, and our interpersonal networking with others

around us all of these contribute to the makeup of who we are, what we are, and who we are becoming, of how ethical and moral we are and can become (Flanagan, 1991). In particular, social systems of language, tradition, technology and communication, signs and symbols, leaders, values and history, culture and civilization, morals, and mores form an important part of our social and individual world. It is within the context of this specific community that our individuality, sociality, immanence, and transcendence are situated and contextualized.

1.9. Our Unique Transcendence

Etymologically (from Latin *ascendere* = to climb; *transcendere* = to go beyond, to surpass), transcendence implies going beyond one's sense and experience, emotions and feelings, knowledge and skills, capacities, and limitations, in order to achieve excellence, moral integrity, and extraordinary heights of self-actualization. In Kantian philosophy, transcendence means going beyond sense data and hypothetical imperatives to categorical moral imperatives inherent in the organizing function of the mind and the will, and which are necessary conditions for human knowledge.[6]

Human transcendence is founded on our nature as human beings, the inherent nature of our self-awareness as "I am" and as distinct from others, the transpersonal nature of human personhood, the externalizing expression of underlying personhood through the process of character formation, and with a world in which we are immersed yet which is totally other than us – all these reveal the foundational reality or human transcendence. Our self-understanding is not purely individualistic; it is relational; that is, in contact with other persons and with the world of other human beings do I begin to understand myself (Fuchs, 1983, p. 177). As Erich Fromm (1955, p. 62) notes, it is only after we have conceived of the outer world as being separate and different from ourselves that we come to self-awareness as a distinct being from others.

Our self-awareness and self-identity are beyond the sum total of our experiences. We do not identify ourselves with our experiences, even though they may be engaging and memorable; neither do we define ourselves by what we see since we see, understand, and identify ourselves beyond and beneath our day-to-day experiences. That is, we transcend our experiences; our self-awareness and self-identity are beyond the totality of our experiences of sensing, feeling, perceiving, observing, believing, choosing, acting, and accomplishing. This is because our human being-ness and our human personhood underlie our experiences and unify them. This underlying personal being is transcendence even of our own personal identity. *Our personhood as personhood is often inaccessible even to us because it is a creative reality with continuous possibility for change.* But our immanence and transcendence unify all our changes and experiences into a meaningful whole which we call our character or personality or self-identity.

Our transcendence also grounds our ability to hope, to dream, to design, to create, to invent, to innovate, to discover, and to venture – all these we do for what is not yet accomplished. Our transcendence also empowers us to plan our

future, to make plans not only for what we will do, but for what we will not do, and for what we want to become and not become. We are transcendent because we are temporal beings who are aware of our temporality. Our very nature as temporal beings leads us to define and plan our lives in terms of meaningful past, present, and future. Our capacity for the future is the recognition of the reality of our transcendence. It is because of our transcendence we have a future, or better, we are a future, or that we can reinvent our future. In our actions, we extend ourselves over a span of time from past into the future. But in our moral act and behavior, we transcend even the mere span of time, as we touch on the divine and eternal in us. All the above statements apply to organizations and corporations: our organizational transcendence makes us surpass ourselves, our constraints, and our competition and drives us to seek the impossible dream.

We can also think of "the transcendent" in the theological sense as God or in the philosophical (specifically, Kantian) sense as that which is beyond the limits of all possible experience and knowledge (i.e., that which is a priori and a necessary condition of human experience as determined by the constitution of the mind). Likewise, "the immanent" may refer to either the theological indwelling presence of God in the world and each individual (God among us) or that which operates within the subject (our life force). Finally, "vital agent" may refer to either the Holy Spirit (the divine life-giver) or that which gives the agent his or her conscious functions (the animating source of the independent conscience (Moberg & Calkins, 2001, fn. iv, p. 267).

All human acts and actions, activities, and planned actions are stemming from our human person as individuality, sociality, immanence, and transcendence. How do our individuality, sociality, immanence, and transcendence ground corporate ethical and moral decisions actions?

- Our human *individuality* as corporate executives makes our actions (decisions and strategies) personal, with obligations of due ownership of the choices of inputs, processes, and outputs we make.
- Our human *sociality* as corporate executives makes our acts and actions (decisions and strategies) social and society oriented or common-good oriented, with summons for *social due diligence* of the choices of inputs, processes, and outputs we make.
- Our human *immanence* as corporate executives makes our decisions and strategies, acts, actions and activities concrete, historical, geographical, contextual, bounded by concrete space (spatiality) and time (temporality), and hence, uniquely situational, irreversible, existential, and accountable for their consequences.
- Our human *transcendence* as corporate executives makes our decisions and strategies, actions, activities, acts and planned actions, meta-individual, trans-social, and trans-organizational in relation to the choices of inputs, processes, and outputs we make, such that transcendent organizations are empowered to surpass themselves, their goals, and objectives.

As temporal beings, we are capable of many actions and choose many alternatives; we have within our grasp an enormous range of events with their specific inputs, processes, and outputs. We choose some of these and reject other competing alternatives. *In the search, deliberation, choice, and subsequent actions lies our transcendence – the power to bring unity, consistency and continuity in our thoughts, desires and actions, to bring forth order in otherwise chaotic choices and environments, and correspondingly, into our relationships with others* (Asch, 1987, pp. 122–123). As subjects who are temporal, we transcend our activity, and this demands of us that we actively integrate every moment of our existence into a broader pattern of self-conscious awareness (Rehrauer, 1996, pp. 45–47).

The discussion on our unique and essential experience of transcendence, in conjunction with our immanence, individuality, and sociality, can be applied, *mutatis mutandis*, to the corporation as a whole, since it is composed of real human persons, all of whom are radically individual, immanent, and social in being and becoming. Transcendence can be experienced and incorporated into our otherwise mundane and materialistic, competitive, and aggressive corporate personality and strategy. This is the foundation for corporate executive transcendent spirituality. Thus, we can understand, interpret, and apply the construct of our unique and necessary transcendence to define and live our *corporate spiritual individuality and immanence, individuality, and sociality*.

The concept of unique human personhood can be applied for Nelson Mandela:

- **Unique individuality**: Being born in a royal family, Nelson Mandela had the required confidence and leadership abilities.
- **Unique sociality**: Mandela was affected by social oppression; he fought not only for racial equality but also for gender equality.
- **Unique immanence**: The objective of non-discrimination was achieved, and Mandela was unanimously elected as the president of the nation. He took care of his country, his people, and his followers.
- **Unique transcendence**: Mandela rose above hatred and vengeance, even after being cruelly oppressed in prison. He included colored and non-colored, men and women in his dream of a perfect apartheid free nation. He mentioned that hatred clouds the mind and a leader cannot afford to hate.

Given our individuality, sociality, immanence, and transcendence, several rights and duties, obligations, and responsibilities follow, such as:

- As corporate executives, we are responsible to our *unique individuality* of talents and skills, passions and drives, attitudes and perceptions, feelings and emotions, and that is specifically individuated about us. While we expect others to respect our individuality, we must also learn to respect the unique individuality of our employees, customers, distributors, creditors, suppliers, local and national communities, and even our competitors.
- As corporate executives, we are responsible to our *unique sociality*, our social talents and skills, and our unique capacity to interact, network, bargain,

negotiate, argue, persuade, and lead people. While we expect others to respect our sociality, we must also learn to respect the unique sociality of our subjects and reports, customers and partners, competitors and regulators, and shareholders and all stakeholders alike.

- Lastly, as corporate executives, we are responsible to our *unique transcendence*, our unique mystique and philosophy, our unique vision and mission, our unique ideals and ideologies, our unique values and virtues, our unique brand of inspiring and moral leadership, and our unique ministry of servant leadership. While we expect others to respect our unique transcendence, we must also learn to respect the unique and inaccessible transcendence of others, our subjects and reports, our customers and partners, our employees and their families, and our local and global stakeholders alike.

Figure 1.2 captures this dynamic quadric-directional moral responsibility of our human personhood. The challenge of Figure 1.1 is Figure 1.2 – given our lives influenced by multiple internal and external stimuli, how do we humanize and divinize ourselves for others? All five major constituents of executive human personhood and responsibility have starry borders or boundaries to indicate ever-widening scope, scale, and domain of responsibilities under individuality, sociality, immanence, and transcendence, and therefore, under executive human personhood.

Martin Heidegger once wrote that caring for things demands immanence in God (Heidegger, 1985). The ethics of human personhood suggests that we too may try to see the *world* as the *face of God* and organize our business accordingly (Heidegger, 1985).

1.10. Current Controversy of Human Dignity vs Human Enhancement

In bioethics, the term "human enhancement" refers to any kind of genetic, biomedical, or pharmaceutical intervention aimed at improving human dispositions, capacities, and well-being, even though there is no pathology to be treated (Giubilini & Sanyal, 2015). For instance, such interventions include selecting embryos before implantation during in vitro fertilization (IVF) procedures, inserting or deleting gene sequences, taking enhancing drugs for better physical or mental performance, pursuing life extension through stem cell applications, and other regenerative medical procedures (Giubilini & Sanyal, 2016).

1.11. Arguments for Human Enhancement

- People should be free to enhance themselves (and their offspring) through various means mentioned above (including genetic engineering embryos) – this position is usually dubbed as *bio-liberal*.
- HE may actually promote human dignity by improving those qualities and virtues that confer a special worth on human beings (Bostrom, 2008, p. 175).

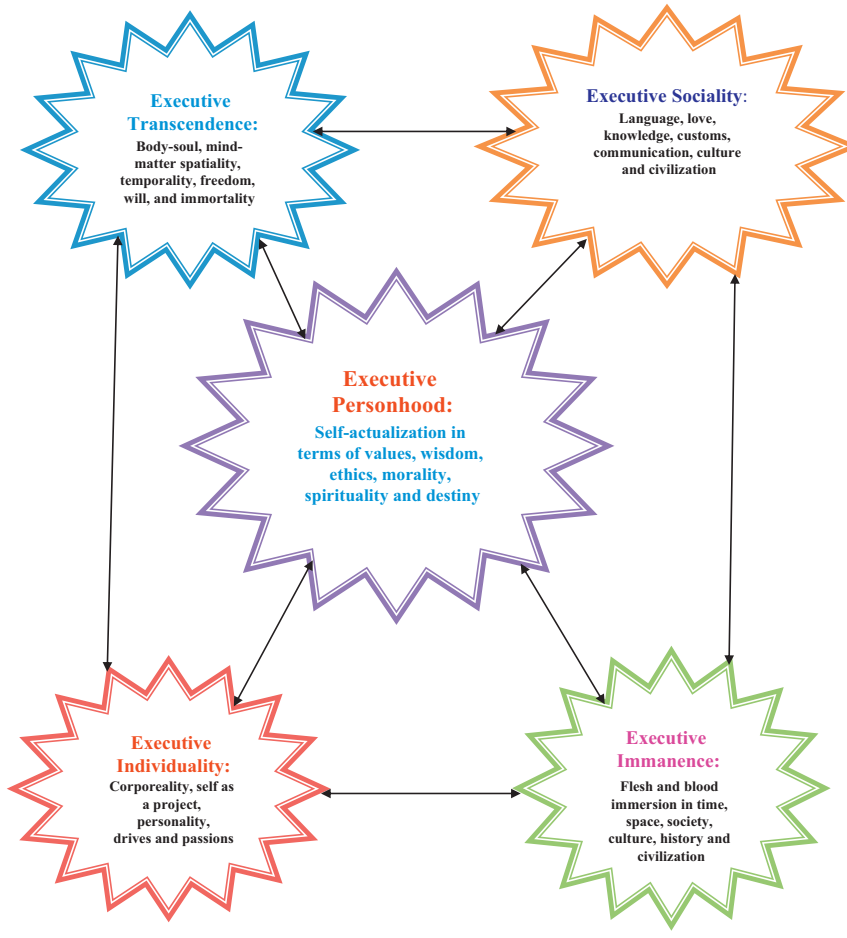

Figure 1.2: The Quadri-directional Responsibility of Human Personhood: The Challenge of Executive Ethics. *Source*: Rehrauer (1996, p. 57).

- Opposition to enhancement as violations of human dignity is based on a notion of human dignity that is too vague or that it adds nothing to bioethical discussion (Macklin, 2003). In fact, the notion of human dignity is a stupid concept that is relative, fungible, and even potentially harmful and deceptive (Pinker, 2008).
- Far from being opposed to equality, HE can be used to make up for the unfairness of "genetic lottery" by bringing the least fortunate up to a decent minimum of capacity and well-being (Savulescu, 2006). In this view, one could even institute a policy whereby enhancements are subsidized for those who cannot afford them – this could level the playing field (Buchanan, 2011; Mehlman, 2009).

- Other utilitarian considerations in favor of HE take into account the cost to society (rather than to the individual) of failing to enhance the individual (Levy, 2013).
- While indiscriminate HE may be irresponsible, some enhancements are highly positive with low negative externalities.
- HEs, however, should not be imposed or subsidized by the state for certain groups of people.

1.12. Arguments Restricting Human Enhancement

- While HE in principle may be defensible, there are certain objectionable forms of enhancements such as the wealthy having access to enhancement that is not accessible to the poor, thus exacerbating and increasing the already marked inequalities between the rich and the poor (McKibben, 2004; Mehlman, 2003; Mehlman & Botkin, 1998) – this position is usually dubbed as *bio-conservative*.
- Enhancement carried out over several generations may create two separate human species, one of which will have the power to dominate the other (Silver, 1997).
- HE is in principle (i.e., per se) objectionable, as it violates the intrinsic sanctity of nature and human dignity of life; it is "playing God" to improve upon human nature.
- It is human hubris to be dissatisfied with what God has endowed humans and exploit biotechnology of HE to make up for God. Enhancing human nature while disregarding the potential and unknown risk itself reveals certain hubris. Humans are neither omniscient nor benevolent and might therefore overlook the risks of tampering with genes.
- In the process of improving upon God, we may create human "monsters" (Krauthammer, 2002, p. 202) that might violate human nature, human dignity, God's gift of being human (Cohen, 2006; Fukuyama, 2002; Kass, 1997; Levin, 2003; Sandel, 2004, 2007).
- A major limitation of the drive to "mastery" is its failure to appreciate the "giftedness of human life" or its "openness to the unbidden" (Sandel, 2007). This failure not only jeopardizes humility but also human solidarity as some HE advocates would assume upon themselves the hyper agency in determining exactly what kinds of people should exist and be left as a legacy.
- More than social or political issues, HE raises moral issues regarding the meaning and value of life and death, the notion of personhood, the extent to which human life can be used as a commodity or as a means to one's ends.
- Francis Fukuyama (2002, pp. 74–75, 92–93) argues that HE is dangerous because the interactions between single genes and phenotypic gene or genetic sequence to obtain a desirable trait might have bad unintended consequences for the expression of other desirable traits.
- With certain HE technologies, we may get more easily what we asked for only to realize it is vastly less than what we really wanted and at a big cost to

humanity (Kass, 2008, p. 303) – this is also called the "perversity thesis" (*President's Council on Bioethics, 2002*, p. 287). That is, there is a "precisely balanced" human nature such that any HE intervention to alter it could have disastrous consequences.

Some people generally in favor of HE may oppose specific types of enhancement such as certain radical and impermissible forms of HE that may lead to a new species (e.g., post-humans – see Fukuyama, 2002) or a new state of what is normal humanity (Agar, 2013) or may need a new rule to define a given activity (e.g., doping in sport). Others oppose certain specific methods of HE that are problematic (e.g., genetic manipulation of embryos changing genetic identity of individuals may be more problematic that selecting a certain embryo in IVF procedures).

According to Eric Cohen (2006), there is a "moral anthropology" by which we recognize a special dignity in all human beings, which is an essential feature of human nature rather than something based on contingent properties (e.g., rationality or self-awareness). Human anthropology calls for a recognition of human experience as something beyond our comprehension that gives a special meaning to our morality as the sign of the mystery surrounding our transcendent yet authentic human experience, something we cannot fully "master" (Cohen, 2006, p. 49) via human cloning, gamete engineering, creating man-animal hybrids that exert novel parental control over genetic makeup of new life, creation of human-animal chimera embryos or eugenic projects, and the manufacturing and selling of human body parts. In Chapter 5, we will revisit the problem of HE and apply moral reasoning methods to assess their justification.

1.13. What is Human Nature or Dignity and Why and How Sacrosanct Is It?

Bio-conservatives frequently invoke human dignity to argue against HE.[7]There is no single definition of human dignity as the term itself is abstract and highly ambiguous (Fukuyama, 2002, p. 148; Kass, 2008, p. 306). Hence, authors propose different and often conflicting interpretations of human dignity based on varied concepts of allied constructs such as being human, human personhood, human life, human nature, human equality, rationality, autonomy, freedom, moral worth, basic human goals and values, and human destiny.

An important distinction between conceptions of human dignity is the exclusive, comparative, or aristocratic–elitist notion as opposed to the inclusive, non-comparative, egalitarian, and universal notion. The former is the presumptive notion of full dignity of being human predicated by a sense of worthiness and nobility that is found not in every human being but only in those with certain excellences, virtues, or capacities – this is close to the divine monarchical right of kings or the "blueblood" or "Brahmin" concept of exclusive dignity. The second is non-comparative egalitarian notion that "basic dignity of being human" is shared by all forms of human life. Both concepts considered

separately are problematic and with shortcomings. The former is exclusive and monarchical and seems to have had some historical roots, while the latter, according to Kass (2008, pp. 316–320), cannot be justified on any ontological or theological grounds.

Accordingly, Kass (2008, pp. 323–324) proposes an in-between position of human dignity, half-way between other animals and God. Humans are god-like and have aspirations toward what is higher and thus, are more than an animal. But they are dependent on their embodied nature for everything high about human life – the latter trait of dependence, according to Kass (2008, pp. 321–322), seemingly reconciles the comparative exclusive and non-comparative inclusive notions of human dignity. "The fullest dignity of the god-like animal is realized in its acknowledgment and celebration of the divine" (Kass, 2008, p. 329). That is, both concepts cannot be reconciled or defended unless from the context of religious beliefs that formed it (Meilaender, 2008, pp. 262–263). In the final analysis, following Emmanuel Kant, our exclusive distinction from the animals based on human dignity should have to be based on our rationality (Lee & George, 2008, p. 410).

The most significant threat posed by HE is that it may alter human nature and thereby usher us into a "post-human" stage of history (Fukuyama, 2002, p. 7); or that it may jeopardize the idea of a natural quality among human beings. By sharing the same human nature, humans, qua humans, have equal dignity. Altering human nature via HE (say, by embryo or gene selection) would violate the God-given gift of being "begotten" and replace it by being made or manufactured via HE (President's Council of Bioethics, 2002, p. 112).

Liberals, however, oppose this normative concept of human nature as alternatives to a monolithic concept of human nature have characterized our species (Lewens, 2012). Human nature cannot have normative value un-problematically because it contains both good and bad aspects. Our concept of the good is independent of, and indeed is used to evaluate, human nature (Buchanan, 2009).

There is a general fear that genetic manipulation technologies might blur existing species boundaries – that genetic manipulation and engineering could create a new human species (Annas, Andrews, & Isasi, 2002). However, as Eric Juengst (2009, p. 50) notes, we cannot literally preserve the species against all genetic change. In the history of evolution, genetic profiles associated with a species do change, as existing individuals pass away and new ones are born. Without much exogenous intervention in the process, the typical genome of a given species is likely to vary both over time and across populations that are geographically separated with little interaction. If we must choose the current human species-typical genome as sacrosanct, then it may indicate certain arbitrariness to take a snapshot at a particular point in time and space to be the general and final definition of human species.

This argument makes the current theory of the inviolability of the sacrosanctity and dignity of our human species less plausible. It also asks what specific psychobiological features of our human species make us specifically human and bestow a moral status to us (see Annas et al., 2002). Also, what human rights attach to individual humans as specific human species with a moral status? A

subspecies of humans created by genetic interventions or by HE might come to possess relevant human characteristics to such a heightened degree that it no longer makes sense to assign ordinary humans as much moral status as the new subspecies. This argument turns the current "hubris" argument against HE in the favor of HE (see Douglas, 2013).

1.14. Concluding Remarks: Executive Freedom and Transcendence

An important aspect of our transcendence and our nature as executive human persons is our free will or the realm of our freedom. Our executive freedom is twofold: (1) we are free to make choices; (2) we are thereby free to determine the direction and meaning of our existence. When we categorically exercise this twofold freedom, we exercise the basic transcendental freedom, which is the freedom to create ourselves. Freedom of choice is largely dependent upon the domain and situation of choices – it is situational. Our transcendental freedom whereby we determine the meaning and direction of our existence is the autonomy of character which expresses the person behind the character. My choices may be limited, but I can still be free in the autonomy of personhood that makes the choices. As Agnes Heller (1988, p. 54) puts it: the referent of liberty is action; the referent of autonomy is character. *A completely autonomous person may have no choices whatever owing to circumstances, but still be totally autonomous.* Often, there might be no external (e.g., market or economic or political) choices whatsoever, but there are real choices from within: to do or not to do, to become or not to become, to be or not to be. This is autonomy at its best.

Personal executive autonomy is our transcendence over situations; it is mind over matter, soul over body, the absolute over relative, the eternal over temporal, and life over death. We cannot choose our birth, our genetics, our parents, our gender, our race, our nationality, and our culture – they are the "givens" of our immanence. *But still our transcendence enables us to go beyond these constraints to exercise our autonomous freedom to create a meaningful existence and personal history. Human transcendence may not be absolute transcendence, but it is transcendence nevertheless* (John Paul II: *Veritatis Splendor*, pp. 35–53). Nelson Mandela exercised his transcendent freedom while he was jailed for 27 years; he used all his apartheid prison years to learn, form, and transform himself. He was more free and transforming than the people who imprisoned him.

All these are aspects or dimensions of our individuality, sociality, transcendence, and immanence. But, in the final analysis, human transcendence is grounded primarily in its openness to the absolute transcendence of God. The human person possesses a dignity precisely in that it is a created reality which is able to open itself to the One who creates. That is, *our human transcendence is properly understood only in relationship to God's absolute transcendence* (John Paul II: *Veritatis Splendor*, pp. 28, 67, 72, 73, and 87). Thus, our human personhood as a reality is individual and social, immanent and transcendent. This is the theology of executive spirituality.

Hence, given our individuality, sociality, immanence, and transcendence, major values and responsibilities accrue. There is a multidirectional responsibility involved in being human. There is, additionally, a multidirectional responsibility involved in being an executive. *We are responsible not only for what we are (immanence), but who we are (individuality), what we do (sociality), and what we have become (transcendence)*. That is, we are responsible for our individuality, sociality, immanence, and transcendence, individually and collectively; that is, we are responsible to ourselves (individuality), to others, our community, society and culture (sociality), to the world and the universe we are immersed and living in (immanence), and to God who created us and whose absolute transcendence we share, and to something beyond ourselves, society, and the universe (transcendence).

NOTES

1. Cited in Stephen Covey (2000).
2. Retrieved from Nobel Laureate Liu dies at 61. *The Statesman*, Kolkata, Friday, July, 14, 2017, pp. 1, 10. Retrieved from http://epaper.thestatesman.com/1281145/Kolkata-The-Statesman/14th-July-2017#page/1/2
3. Retrieved from Liu Xiaobo, China's Conscience. *Cover Page* and p. 9 of *The Economist*, July 15–21, 2017. Retrieved from https://www.economist.com/leaders/2017/07/15/liu-xiaobos-death-holds-a-message-for-china
4. Keller (2013).
5. Over against the quantitative theory that held all economic actions were driven by mathematical expectations of benefits, John Maynard Keynes, the famed economist, coined and introduced the term "animal spirits" into economics, with which he meant our souls that animate us, or consequently, our spontaneous urges that give meaning and energy to our acts. "Most of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as a result of animal spirits – of a spontaneous urge to action rather than inaction, and not the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities. An enterprise only pretends to itself to be mainly actuated by the statements of its own prospectus, however candid and sincere. Only a little more than an expedition to the South Pole could be based on an exact calculation of benefits to come. Thus, if the animal spirits are dimmed and the spontaneous optimism falters, leaving us to depend on nothing but a mathematical expectation, enterprise will fade and die" (Keynes, 1936, pp. 161–162). Similar was the position of Ackerlof and Schiller (2009).
6. Accordingly, transcendentalism is a philosophy (attributed to eighteenth century German philosophers Kant, Hegel and Fichte) that proposes to discover the nature of reality by investigating the process of thought rather than the objects of sense experience. By extension, Emerson and other nineteenth century New England philosophers, defined transcendentalism as a search for reality through spiritual intuition.
7. President's Council on Bioethics (2008) provides a collection of essays on Human Dignity and Bioethics, commissioned in 2008, written by prominent modern representative conservatives and non-conservatives. The collection does not provide a single definition of human dignity as the term itself is abstract and highly ambiguous (Kass, 2008, p. 306). Fukuyama (2002, p. 148) maintains a similar position. Hence, authors propose different and often conflicting interpretations of human dignity. A working definition of

human dignity is that of Lee and George (2008, p. 410), "The dignity of a person is that whereby a person excels other beings, especially other animals, and merits respect and considerations from other persons." This definition bears the risk of being circular. Different definitions arise based on different definitions of the person, human excellence and respect, different understanding of human nature and of the foundations of human dignity (see Giubilini & Sanyal, 2016).

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Chapter 2

The Ethics of Corporate Executive Virtues

Executive Summary

In the wake of the extraordinary financial scandals that both preceded and followed the September–October Financial Crises of 2008, discussions about the executive virtues of honesty and integrity are no longer academic or esoteric, but critically urgent and challenging. As representatives of the corporation, its products and services, corporate executives in general, and production, accounting, finance, and marketing executives in particular, must be the frontline public relations and goodwill ambassadors for their firms, products, and services. As academicians of business education, we must also analyze these corporate wrongdoings as objectively and ethically as possible. What is wrong must be declared and condemned as wrong, what is right must be affirmed and acknowledged as right. We owe it to our students, our profession, our stakeholders, and to the business world. Contemporary American philosopher Alasdair MacIntyre (1981) proposes the issue of morality in a threefold question: Who am I? Who ought I to become? How ought I to get there? The answer to every question refers to the virtues, especially to corporate executive virtues. This chapter explores corporate executive virtues, especially the classical cardinal virtues of prudence, temperance, fortitude, and justice as defining and enhancing corporate executive life.

2.1. Introduction

In the wake of the extraordinary corporate scandals in the turbulent markets of today, discussions about the executive virtues of honesty and integrity are no longer academic or esoteric, but critically urgent and challenging. As representatives of the corporation, its products and services, corporate executives in general, and production, accounting, finance, and marketing executives in particular, must be the frontline public relations and goodwill ambassadors for their firms, products, and services. As academicians of business education, we must analyze these corporate wrongdoings as objectively and ethically as possible. What is wrong must be declared and condemned as wrong, what is right must be affirmed and acknowledged as right. We owe it to our students, our profession, and to the business world.

Contemporary American philosopher Alasdair MacIntyre, in his publication *After Virtue* (1981), has ignited new enthusiasm for virtue theory and its

attendant concerns with issues of character. MacIntyre proposes the issue of morality in a threefold question: ***Who am I? Who ought I to become? How ought I to get there?*** The answer to each question refers to the virtues. Responding to this threefold question, Waddell (1989, p. 136) wrote: "The project of the moral life is to become a certain kind of person." That person is a virtuous one.

2.2. Know Yourself: The Supreme Corporate Virtue

Who am I? What am I? These are tough and rough but critical questions. How do I define myself? How do I find myself? How do I discover myself? How do I reinvent myself? How do I rate myself? These are equivalent, albeit different, questions. *Gnoiti Seauton*: in Greek, this is "know thyself" and still is preserved inscribed large on one of the main walls of ancient Athenian ruins. It is an open moral challenge for the rest of mankind.

Most of us adults would like to define ourselves by our academic accomplishments of grades and years in school, the prestigious school, our undergraduate, graduate and postgraduate grades and years in college that we have painstakingly gained over the years. But this academic part of our life may be just a small part of our self-definition. Next, we reflect on our genetic heritage – our parents and grandparents, our siblings, and the genetic impact they have left on us. We may even add our neighbors, neighborhoods, our playmates, our hangout generations, and our great adventures – they add quite a bit to our self-definition. Next, we gather supplementary self-definitions from our school teachers, college lecturers, university professors, our significant peers in school, college, and university. More recent additions to our self-definition may come from our work experience, industry experience, executive experience, in different corporations or organizations, different cities or states or countries, different job challenges and accomplishments, varied awards and recognitions and promotions that we treat as our successes (or failures). We may also proudly recall the various strategic mistakes that we inevitably made and that paved our corporate success. All these put together may just about describe 50% of what I am.

In the final analysis, what really defines me is how virtuous I am: my honesty and integrity, my prudence and moral wisdom, my moral audacity and courage, my sense of justice and fairness, my kindness and compassion, how caring and forgiving I am. What I am is primarily a set of attitudes, perceptions, beliefs, and moral principles that enrich and empower my virtuous life – together they make my character, mold my personality, and characterize my leadership. Finally, what I am is also my set of friends whom I believe in and greatly trust. The domain, quality, and depth of my belief and trust are how virtuous I am. The test of my virtue is peace, contentment, and happiness and the ways to get there. Freedom to what you want to do, wealth, health, fame and recognition, power and popularity are all good reasons to be happy about, but they are mere achievements. Every level of achievement makes you strive for the next and the quest goes on until you run out of time and stamina.

Unless I know myself, I cannot know others. Unless I believe in myself, I cannot believe others. Unless I trust myself, I cannot trust others. In short, unless I know who I am, I will not know others – who they are. The journey to my unique self-knowledge and self-discovery is lifelong; it is often an unbeaten path, a road less traveled, and an uncharted sea. As long as our self-definitions center around us, we have reached nowhere. Our best self-discovery is outside us, the larger things of life, goals, and objectives beyond our comfort zones – the others, the society, the powerless, and the marginalized – what we do to uplift and humanize the environment around us. That is, the real *what am I* may be outside me. The greatest source of my inner glow that also shows on my outer being is my contribution to making the world a better place (Bhatt, 2015. *The Rear-View Mirror*, p. xi). This is virtuous life.

Applied to business professionals, the three questions raised by Alasdair MacIntyre (1981) are as follows:

(1) Am I a virtuous (e.g., prudent, temperate, brave, and just) business executive?
(2) What sort of a virtuous business person should I become?
(3) Which virtues specific to the business or corporate profession or practice should I pursue in order to be the exemplary virtuous person I ought to be?

Virtue is its own reward. Retrieving Aristotelian doctrine on the ethics of virtue, MacIntyre (1981, p. 178) defined virtue as "an acquired human quality the possession and exercise of which tends to enable us to achieve those *goods which are internal to practices* and the lack of which effectively prevents us from achieving any such good." While acting virtuously may indeed yield good results, virtuous business executives act primarily to be true to themselves. They recognize a range of *goods internal to business practices* within the company not because of their utilitarian significance, but primarily because of their capacity to shape and mold them to be the person they want to be for humanity (Bollier, 1997; Peters & Austin, 1985; Williams & Murphy, 1990).

By its renewing influence, virtue is becoming once again the language of ethics (Keenan, 2006, p. 111). The language of virtue builds in a kind of flexibility, even ambiguity, which is not so evident in the language of law or duty. That ambiguity and flexibility are what allow virtue to be the medium of comparative ethics (Porter, 2005, pp. 219, 206). The interest in personal transformation permeates much of the contemporary writings on virtue ethics. Virtue ethics summons business executives to become better people. The best practices of personal formation stem from virtue ethics – the latter believes that we need to awaken from a slumber of moral complacency (Stalnaker, 2006, pp. 386–391). We must re-envision what it means to be moral – virtue ethics empowers us to do so (Flescher, 2003, p. 11).

2.3. Understanding Virtue: A Historical Perspective

Virtue (from *Areté* in Greek that stands for "excellence") is difficult to define. However, the definition of virtue, the virtues, and the virtuous person has

occupied philosophers since Plato first raised the question of virtue, its nature, number, and teachability. Despite numerous efforts since then, no one has improved upon Aristotle's imperfect but still useful definition of virtue (Pellegrino & Thomasma, 1996, p. 7). In general, however, most agree that "a virtue is a disposition to act, desire, and feel that involves the exercise of judgment and leads to a recognizable human excellence, an instance of human flourishing" (Yearley, 1990, p. 2).

Socrates (c. 470–399 BC) began the discussion by identifying virtue with knowledge and held that one could not know the good without likewise willing it.

Plato (c. 428–347 BC) contributed an extensive and subtle analysis of four virtues: *wisdom, courage, temperance, and justice*.

Aristotle (384–322 BC) in his *Nicomachean Ethics* (*NE*) described virtue as an *acquired character trait that manifests itself in habitual action*.

Aristotle identified moral virtues as a state of character; that is, "the things in virtue of which we stand well or badly with reference to the passions" (*NE* 1105 b 25–26). Honesty, for example, does not consist in telling the truth occasionally but habitually. A person must become honest by proper upbringing and self-training. That is, virtues suppose a good character. One hardly admires *courage* in a villain, or *charity* in a thief who donates stolen goods, or *fortitude* in a murderer – these dispositions are not virtues. *Cowardice* can be someone's reason for not committing murder; *vanity* and *boastfulness* can on occasion lead someone to tell the truth – these actions are not virtues (MacIntyre, 1984, p. 152).

Following Aristotle, Aquinas (1225–1274) defined moral virtues as dispositions for the formation of passions and/or habits; moral virtues enable us to follow reason in dealing with our desires, emotions, and actions and in accepting that the four pivotal or cardinal virtues are courage, temperance, justice, and prudence.[1] Aquinas also held that the purpose of a person is not merely the exercise of reason in this world, but union with God in the next. Hence, to Plato's four cardinal moral virtues, he added three "theological" virtues of faith, hope, and charity – the virtues that enable persons to achieve union with God. He also maintained that "charity" (or self-giving love – *agape* in Greek) is the *virtue of virtues* that forms all other virtues. Aquinas also held that *humility* is a Christian virtue and pride is a vice. Whereas Aristotle, who predominantly wrote to an Athenian aristocratic society, argued that for the Greeks, aristocrat pride is a virtue and humility is a vice.

Like Aristotle, Aquinas distinguished between intellectual and moral virtues; both are human and acquired virtues as opposed to faith, hope, and charity, which are suprahuman gifts from God and are infused virtues. The end of the human virtues is proximate, a level of happiness that is imperfect that is attainable through human nature. The end of the suprahuman or theological virtues is the last end, God, and, therefore, supreme happiness, attainable only through the infused virtues and grace. While the object of theological virtues is God, that of the intellectual and moral virtues is

"something comprehensible to human reason" (*ST* I.II 62, 2c). The good or the perfection to which the human virtues are directed is defined according to the rule of reason, from which their objects are derived. The good or the perfection of the theological or infused virtues is the good as defined by divine law (*ST* I.II 63.2c; 63.4c; 65.3c). Moral and intellectual virtues are produced in us by humanly reasoned acts, and they perfect us through the doing of "good" deeds; that which perfects the intellect is an intellectual virtue, and that which perfects the appetite or will is a moral virtue (*ST* I.II 58.3c; 68.1c and 8c). By human virtues, "we live a good life," but the "good life" refers only to the "rectitude of life measured by the rule of reason" (*ST* I.II 68.1 ad3). In contrast, the theological virtues, being beyond our capabilities, are produced in us by God. Through these infused virtues, God enables us to live a "good life" of union with God.

Immanuel Kant (1772–1804) related virtue to those categorical duties that are firmly settled in our character. It does not concern directly with our happiness, but our worthiness to be happy. Hence, virtue is its own end and reward. However, Kant did banish "virtuous dispositions" from morality since they are strictly "hypothetical" and not "categorical" imperatives (Spohn, 1992, p. 65). According to Foot (1978), virtues are specific dispositions determined by the need to correct certain deficiencies. For MacIntyre (1981), virtues are skills internal to activities or practices that are necessary for the performance of certain roles or offices in society. Thus, virtue is the most ancient, perdurable, and ubiquitous concept in the history of ethical theory, especially given the inseparability of the moral agent from the events and acts of moral life (Pellegrino, 1995).

Summarizing the historical perspective on virtue by each major author:

- **Socrates**: virtue is both knowing the good and willing the good of our actions.
- **Plato**: four cardinal virtues of prudence, justice, fortitude, and temperance.
- **Democritus** (460–370 BC) held that to call a person "good" one had not only to do the good but also want to do it because it was good. *Aristotle* maintained that a virtuous person is not one who does virtuous acts once in a while, but one who does them regularly over long periods of time and does them as "second nature" (p. 19).
- **Aristotle**: virtue is an acquired character trait that manifests itself in habitual action of doing good.
- **Aquinas**: moral and intellectual virtues are produced in us by humanly reasoned acts, and they perfect us through the doing of "good" deeds.
- **Kant**: virtue is a categorical imperative; often it may be a hypothetical imperative.
- **Foot**: virtues are specific dispositions determined by the need to correct certain deficiencies.
- **MacIntyre**: virtues are skills internal to activities or practices that are necessary for the performance of certain roles or offices in society.

2.4. The Executive Virtue of Being Good

According to Aristotle, "Every art and every inquiry, every action and choice, seems to aim at some good; whence the good has rightly been defined as that which all things aim" (Aristotle, [1985]. *NE*, p. 1094, a 1–3). There are different goods, however, corresponding to different arts and sciences. For the doctor's art good is health, for the economy it is wealth, and for business ethics, it is, presumably, the *happiness or fulfillment of all stakeholders*. However, this happiness is multidimensional and longitudinal, and thus, should include both the present (e.g., Fournier & Mick, 1999; Oliver, 1997) and the future (e.g., Lemon, White, & Winer, 2002). In fact, Aristotle's concept of *eudemonia* or happiness that is the end result of virtue includes "human flourishing" (Cooper, 1986, p. 89) that lasts throughout one's adult life (Sherman, 1987, 1989).

Some ends are subordinate to other more ultimate ends. The end of prescribing a certain medicine may be to induce sleep, but this immediate end is subordinate to the wider and more comprehensive end of health. But if there is an end which we desire for its own sake and for the sake of which we desire all other subordinate ends or goods, then this ultimate good will be the best good, in fact, *the good*. According to Aristotle, this ultimate good for human beings is the subject matter of ethics and as such cannot be deductively derived from any first principles with some mathematical exactitude but inductively derived from the conclusions of actual moral judgments of good people (*NE* 1094, b 11–27). Ethical inquiry should start from the actual moral judgments of good people that by comparing, contrasting, and sifting can help formulate general principles. This view presupposes that human beings have some natural tendencies for good, and Aristotle founded his ethics on the universal characteristics of human nature.

2.5. The *Dharma* Concept of Good

The word *Dharma* has been used in ancient scriptures from time immemorial. Many people have tried to understand and explain the word *Dharma* from their own perspective. Some consider it a law, others as guidelines, and some consider it as a way to worship and be closer to God. But defining it in this way underdetermines its meaning. *Dharma* is all of it and beyond. A good explanation of *Dharma* is provided in the Bhagwad Gita (the Song of the Lord) in the form of a dialog between Lord Krishna and Arjuna. As per Lord Krishna, *Dharma* is a righteous way of living a life. He explains that every organism is born to serve a purpose. Understanding the purpose and living accordingly is *Dharma*. But that is the most difficult thing to do. To differentiate between right and wrong is sometimes the most difficult thing to do.[2]

In Mahabharata, the great epic of Hinduism (the longest poem in 22,000 verses ever written, possibly written between 400 BC and 300 AD, and traditionally attributed to Vyasa) defines *Dharma* or goodness more concretely and altruistically as "actively helping those in need as well as passively not harming others, and being fair and just in one's judgments" (see Gurucharan Das, 2010, p. 283). *Dharma* is goodness. A good person is "who has in his heart always the

well-being of others, and is wholly given to acts, thoughts, and in speech, to the good of others, he also knows what dharma is" (*Mahabharata* Book XII, 262.9).

2.6. *Dharma* of Buddhism and Taoism

In Buddhist culture, *dharma* describes the moral and religious precepts set down around 500 BC by Gautama Buddha, a Nepalese-born teacher and philosopher. In Hindu culture, *dharma* refers to the search for life's universal truth and higher purpose. The *Dharma* of Capitalism blends Hindu and Buddhist traditions with our current way of life in free enterprise capitalist systems (Gor, 2012).

Confucianism is a system of philosophical and ethical teachings founded by Confucius in the sixth century BC and developed by Mencius (Meng-tzu) in the fourth century BC. The most reliable source of his teachings is the Lun yu (Chinese for *conversions*). The basic concepts of Confucianism are ethical: love for one's fellows, filial piety, decorum, virtue, and the ideal of the superior man. The main texts of Confucius were published as late as 1190 AD that revitalized Confucianism throughout China.

Lao-tzu, the legendary founder of Taoism and traditional author of the Tao-te-Ching, its most sacred scripture, complements Confucianism. The central concept and goal of Taoism is the Tao, an absolute principle underlying the universe denoting the forces in nature, yin and yang, and by extension, the code of behavior that is in harmony with the natural order. To Confucius, the absolute principle underlying the universe is way of the superior man, while to Lao-tzu, it is the way of nature.

Case 2.1: Nelson Mandela Revisited

Humanity, leadership, commitment to fight injustice, forgiveness, fierce determination, and conviction were the virtues of Nelson Mandela. He stood up for fight against the apartheid, standing up for the rights of millions of people. His strong leadership qualities, determination, and commitment to fight injustice made him stand strong in all the ups and downs of his life. The conviction to give up one's entire life for the betterment of the community requires fierce resolve and persistence. The ethical quotient was definitely high in the cause and process that Mandela followed.

The end-state solution to the long-standing social issues in South Africa was a vibrant democracy with equal rights and opportunities to all citizens irrespective of the race or the skin color. Only the path to reach there could have been violent and non-cooperative movements or non-violent and cooperative process of a negotiated settlement. Mandela often chose the better course of peace and harmony. The solution in this context can be optimal when it is supported by the general populace at large and supported by the principles of universal justice and respect for human dignity. Nelson Mandela chose this path which was a continuous and arduous process that lasted more than four years. The outcome was a new constitution that defines South Africa as one undivided nation with equal rights for all and which has become the benchmark of the country's democracy.

2.7. The Primacy of Virtue Ethics

Virtue-based ethics is a new method of ethics: from *action-based* ethics (deontological ethics, teleological ethics, and justice ethics) to *person-based* ethics. Principles, rules, and guidelines tend to concern the action in question and its objective moral character. Virtue ethics, by contrast, governs *the interior life of the agent* who performs the action – one's subjective moral character. Both are needed in business executions in general and in corporate management, in particular. Right actions with evil intentions are no good; rules and principles unless interiorized and lived in virtue will not effectively motivate in the long run (Pellegrino & Thomasma, 1996, p. 15).

While the ethics of principles (deontology, teleology) and the ethics of consequences (distributive justice, corrective justice) are valid and relevant, they are subordinate to the ethics of character (virtue ethics). Unlike deontology, teleology, and distributive justice and corrective justice theories of ethics that deal with human actions and their moral content, *virtue ethics deals with the very person who acts. Virtue ethics looks primarily on the type of persons we ought to be and become.* That concern is expanded to three questions – *Who are we? Who ought we to become? How do we get there?* Virtue ethics is, therefore, proactive. It invites us to see ourselves as we are, to assess ourselves, and to see what we can become. It not only beckons us to become something, but also indicates the means (virtues) that can help us get there (Keenan, 2006). To a corporate virtue ethics practitioner, the first question (Who are we?) is the same as "Are we virtuous?" Such a question focuses on: (1) the standards against which we measure ourselves, and (2) how we know whether we are measuring ourselves fairly.

Aristotle (1965) proposed some basic virtues as standards – friendship, magnanimity, and practical wisdom. Thomas Aquinas (1964) borrowed and proposed four other complementary (cardinal) virtues: prudence, justice, temperance, and fortitude, to which he later added the three theological virtues of faith hope and love. The question of self-understanding (Who am I?) then, translates to, are we just, prudent, temperate, fortitudinous, friendly, magnanimous, and wise? How do we know we are not deceiving ourselves? Aristotle (1965) suggested that we could know ourselves by how we act in spontaneous situations. For instance, if I acted bravely in unanticipated situations, then I am brave. If I acted cowardly under such circumstances, then I am a coward.

If we can develop ourselves physically by regular exercises, we can also develop ourselves morally by exercising virtues regularly. The virtues are therefore teleological guides that aim for the right realization of the human person we want to be. Even pagan Rome espoused the four cardinal virtues as follows:[3]

(1) ***Prudentia***: prudence, wisdom, foresight, planning ahead for emergencies, seeing the good of the whole community.
(2) ***Fortitudo***: fortitude, toughness, bravery, enduring pain in stoic silence, and willingness to sacrifice or suffer for the good of the whole community.

(3) ***Temperantia***: moderation, avoiding extremes of appetite and enthusiasm, and seeking balance.
(4) ***Iustitia***: justice, the preservation of the good and the eradication of evil.

2.8. Utilitarian vs Deontological Virtue Ethics in Executive Life

Utilitarian utility calculus is not enough to live up to the challenges and standards of moral life. A utilitarian defense of conduct is also subject to criticisms about the appropriateness of the accounting stance and time horizon used in the utility calculus. As there is no principle determining their scope, accounting stances and time horizons are arbitrarily determined. Consequently, every decision may constitute a moral dilemma (Norcross, 1995), a state of affairs that produces perpetual moral ambivalence. Utilitarian administrators can never be confident they are making the right decision because they can never be sure that their choices actually increase net average happiness. Arbitrary accounting stances and time horizons only conspire to provide the utilitarian administrator a clear conscience, not direction for moral conduct.

In light of these difficulties, when it is adopted as the primary theory guiding conduct, we should view utilitarianism as unsatisfying. The characterization of moral imperatives as suggestions to guide behavior toward utility maximization offers administrators large degrees of moral flexibility. However, with this flexibility comes a frame of mind to approach situations formalistically; administrators need to be only armed with the proper tool – a utility calculus – in order to determine the moral course of action. Utilitarianism implies that some action is moral and good when it maximizes average utility. But what good is a moral theory in practice if the end result is that one is left, at best, unsatisfied, or, at worst, ambivalent, about the outcomes? Hence, we need an ethics of virtue.

Deontological ethics argues that certain actions are wrong if they violate duties we owe to others or they violate rights that others have. Many deontologists hold that dignity and respect are behaviors that all humans deserve simply by virtue of them being human and that these mandates are not contingent upon circumstances, the exigencies of position, or how much social utility is at stake. Likewise, some writers argue that ethical administration is best achieved by adhering to a set of moral guidelines (Blanchard & Peale, 1996; Campbell, 1999), not because of what adherence to these guidelines might bring about but because we are obligated to adhere to them on principle.

2.9. We Need Virtue Ethics Beyond Utilitarian and Deontological Ethics

The foremost deontologist, Immanuel Kant (1785/1998), argued that moral imperatives are binding on conduct because they are ruled by a universal principle of morality, the categorical imperative, which requires us to act only on those moral principles that we reason as universal. In considering whether we

should obey the imperative, "Don't steal," then we imagine what it would be like to live in a world where everyone condoned stealing. Could scandalous administrators defend their behavior on Kantian grounds? It is not likely, because one would need to show that a rational person would enjoy living in a world where everyone, say, pilfered public funds for personal gain. Diverting funds away from the company or customers reasonably falls under the category of stealing, and, therefore, the administrators' behavior violates the "Don't steal" moral rule that more obviously holds according to the categorical imperative.

Nevertheless, Kant's insistence that reason and duty are the keys to the moral life poses problems for the executives. For instance, consider two moral rules that an administrator might reasonably face: support students to succeed academically and support faculty academic freedom. Consider that recently a professor was relieved of her teaching duties mid-semester because students complained she graded too hard; the instructor replacing her raised students' previous test scores 25% (Jaschik, 2010). The administrator charged with deciding how to handle the students' complaints faced a situation where two rules conflicted and where both passed the categorical imperative. Kantian ethics does not provide the administrator much assistance for determining which imperative should take precedence. Hence, we need an ethics of virtue.

2.10. The Priority of the Ethics of Care

The heroic examples of business management practices [e.g., Johnson & Johnson's timely withdrawal of Tylenol, the Rely decision by Proctor and Gamble (see Williams & Murphy, 1990), Levy & Strauss's exemplary business management strategies (see Bollier, 1997, pp. 339–351), the heroic investments of Merck & Co. in inventing and distributing cure for river blindness disease that plagued millions in the Third World (see Donaldson & Gini, 1996, pp. 299–308) and hundreds of other business management heroisms] cannot be adequately explained by ethical theories of deontology, teleological, or distributive justice theories. The heroic lives of Nelson Mandela, Captain Lakshmi, and Amar Gopal Bose are examples of heroic virtue. These exemplary business management strategies and practices are outcomes of acquired executive virtue.

With over 25 million dead because of HIV+, AIDS, and another 42 million people infected, why is there a universal hesitancy to recognize the moral summons that this fatal disease confronts us? Maria Cimperman asks this haunting question and develops a basic profile for the type of people we must become if we are to be disciples in a time of AIDS. After reflecting on the need to be historical realists, she proposes five virtues as constitutive of contemporary discipleship: *justice, prudence, fidelity, self-care, and mercy.* Cimperman calls us to change now and offers us the virtues as the medium for such transformation (Cimperman, 2005). Virtue, being transformative, leads inevitably to action. By realizing the here and now as the moment for transformative change and action, we actually become happier (Keenan, 2006, p. 114).

The *ethics of care* derives from "feminist ethics" in general and the work of Gilligan (1982) in particular. This perspective focuses on personal relationships and the traits of personal character that create and sustain them – friendship, compassion, sympathy, empathy, faithfulness, and loyalty, for example. The focus on these human traits, which certainly qualify as virtues, deliberately eschews the emphasis on rules and calculations that characterize Kantian and utilitarian thought. Also absent are notions of universality and impartiality; the ethics of care regards *actual* relationships and the social contexts in which they are embedded as valid and important elements of ethical decision making (Jones, Felps, & Bigley, 2007, p. 139).

2.11. Virtue as the Theory of Ends

To the questions, "who ought we to become?" and "how to get there?" the answer is the theory of "ends." For the honest person, virtues are not what one acquires, but what one pursues as ends. The ends of virtue is to be prudent, just, temperate, and fortitudinous. Hence, we examine our ways of acting and ask if these ways are making us more prudent, more just, more temperate, and brave. These are executive virtuous exercises.

Dorothy Day, a Christian political activist of early nineteenth-century America, believed that her moral task was to combat poverty by assuming poverty, by living its challenges. Her invitation, argues Andrew Flesher, is a real explication of our call to be moral. Virtue ethics maintains that if we do not work on our character development, and thereby fail to dispose ourselves to love the neighbor and subsequently act on behalf of the neighbor to a much larger degree than we currently do, then we can be found to be morally blameworthy. While living virtuously is not synonymous with living altruistically, *living altruistically is the kernel of living virtuously* (Flescher, 2003, p. 11).

Business management as a human activity is a social community of individuals or stakeholders: customers, producers, suppliers, distributors, creditors, bankers, media, governments, and the local communities. Business management in general and corporate management in particular are a public and moral community activity by membership and function, goals and objectives. Business management is a moral enterprise because it deals with human (stakeholder) problems. Hence, the ethics of business management derives from business as a human activity. The art and science of business management and the way it functions are exchange relationship implied in the executive–stakeholder or producer–consumer relationship, and what is primarily at stake is the personhood of the vulnerable stakeholder.

The stakeholder and the management executive, as rational beings, each plays a part in realizing the end of business management, which primarily is the good of the stakeholder communities. In this relationship, the management executive is the embodiment of the business management art, whose end is the stakeholders' good, and the dignity and happiness of the human person grounding the good. Beneficence and benevolence are both a moral obligation that should

inform and transform the art of business management, and both are crucial virtues for management executives. A management executive who does harm to stakeholders violates the art; an executive who is not benevolent to his customers compromises the art (see Sirdeshmukh, Singh, & Sabol, 2002). Thus, the art and science of business management should establish the way in which the management executives and the stakeholders relate to each other – this is the internal morality of business management, or to cite Macintyre (1981), it is the "internal practices" of the virtue of business management.

While rules and guidelines may offer rational criteria for public agreement and public moral policy, the latter also rest on public's presuppositions of what is good life and what is happiness for the community. The latter come from virtue and virtue ethics, and not necessarily from social construction or political accommodation (Foot, 1978). Without a theory of good life and the good society, there is no check on political expediency, market opportunism, and business management malpractice. In a secular society, if moral rules and injunctions were to derive their binding force, they must have such either from a theory of moral law or from the assent of virtuous individuals who choose the rules and the society they live in as part of their self-definition (Anscombe, 1981, p. 30).

Since, according to MacIntyre (1981), the authority of moral law is best when it is theological (i.e., based on divine law and revelation), the latter (i.e., the virtues of virtuous people) is the only place to turn – it is only from the debate and shared life of virtuous people that we may obtain a consensus on what is common good and what is good life. A business management situation constitutes a *moral community* in which the debate about common good for society can take place, and an account of the virtues is required therein.

2.12. Executive Virtue as Ethical Consideration of the Contingencies

The executive moral agent will be exposed to a wealth of diverse contingencies and circumstances. It is not enough to have the right states of character, but one must have the capacities for knowing when and how to exhibit them. An agent is praised not merely for the possession of virtue, but for its exercise and exemplification in concrete circumstances. In this sense, virtue is a capacity to choose (*NE* 1107 a1) and reason correctly. The virtuous person is one who knows how to act and feel in ways appropriate to the circumstances. This entails not only that efforts are well-intentioned and appropriate, but that subsequent actions are correct and successful (Sherman, 1987, p. 51). Aristotle's point, therefore, is not that a good and virtuous action requires the achievement of causal consequences, but that it requires knowing how to exemplify virtue here and now. Incidentally, this is the stance and philosophy of the Bhagvad Gita. Thus, decisions are clearly right or correct may nonetheless lead to unforeseeable ill consequences (*NE* 1135 a25; 1136 a5–10).

Practical reason does not start with a mere practical syllogism – start with some end, and then decide how to act. On Aristotle's view, an ethical theory

that begins with the justification of a decision begins far too down the road. The process begins with the perception and assessment of circumstances and recognition of its morally salient features. Before we can know how to act, we must assess the necessity of that action, and this reaction to circumstances is itself part of the virtuous response – all these stages, perception, reaction, and assessment are ethical considerations expressive of the agent's virtue (Sherman, 1987, p. 29).

Perception informed by ethical considerations is the product of experience and habituation. Through such education, we come to recognize and care about ethical consideration (Sherman, 1987, p. 31). Moral habituation is not a mindless drill but a cognitive shaping of desires through perception, belief, and intention – capacities that involve character and emerge from acquiring character. Thus, moral education will itself cultivate the perceptual and deliberative capacities requisite for moral character (Sherman, 1987, p. 7). It is not enough to know about virtue, but we must also try to possess and exercise it, or become good in any other way (*NE* 1179 a33–b4).

All perceptions, reactions, and assessments are contextual. The virtuous act that hits the mean is directed toward the right persons, for the right reasons, on the right occasions, and in the right manner (*NE* 1106 b21). Thus, the overwhelming sense is that virtue must fit the case (Sherman, 1987, p. 35). Determining the mean will presuppose critical and self-reflective ways for accurately reading the ethically relevant features of the case. Ethical perception requires methods by which we can correct and expand our point of view. Conscientious discernment will entail adjusting one's perception to correct for biases and pleasures toward which one naturally tends, but which are likely to distort (*NE* 1109 b1–12).

2.13. Corporate Executive Virtue as *Eudemonia* or Happiness

The classical quest of ethics was to find and teach the good life and how to live it. This was the common task of philosophers as diverse as Plato, Aristotle, Augustine, Aquinas, the Stoics, Confucius, the Hindu sages, and Lao-tsu. Despite their different reasoning, all these philosophers shared the conviction that it is in the nature of human beings to seek the good and that happiness and a good moral life are somehow synonymous (Pellegrino & Thomasma, 1996, p. 7). To be a good person and to live a good happy life are considered human aspirations in tandem. Such aspirations were not imposed on human beings but rose from their very nature as individual and social human beings.

Aristotle postulated ***happiness*** (*eudemonia*) as the ultimate good for human beings and carefully defined it as something specific to human beings alone: *an activity of virtue in accordance with reason*. This happiness may also be translated as blessedness or prosperity; "it is the state of being well and doing well in being well" (MacIntyre, 1984, p. 148). The virtues are precisely those qualities the possession of which will enable us to achieve happiness and the lack of which will frustrate our movement toward happiness. Activity of growth and

reproduction cannot be the ultimate happiness for humankind, since we share this happiness with the animal world.

Happiness as an ethical end cannot consist simply in virtues as such: it consists rather in *activity according to virtue* or in virtuous activity, understanding by virtue both intellectual and moral virtues. Moreover, if it really deserves the name of happiness, then we must manifest over a *whole life* and not merely for brief periods (*NE* 1100, a 4ff; 1101 a 14–20). Moreover, the virtuous activity of pursuing happiness may be itself pleasurable, since pleasure is the natural accompaniment of an unimpeded and free activity. "Virtues are dispositions not only to act in particular ways but also to feel in particular ways" (MacIntyre, 1984, p. 149). This makes virtuous activity worthwhile and endurable – this shows the common sense (or non-transcendental) character of Aristotelian ethic of virtue (Copleston, 1963, p. 335).

2.14. Corporate Executive Virtue as "Human Flourishing"

One's conception of what happiness or human flourishing is should determine what it means to flourish in one's life, and what kind of life one regards as flourishing now (Cooper, 1986, p. 96).[4] Human flourishing as an ultimate end belongs to a different order from any of the concrete ends one might adopt in one's life – ends like the exercise of one's physical, intellectual, or social capacities. Thus, to aim at having a flourishing life is to pursue a "second-order end" toward which other first-order ends are subordinated (Rawls, 1971).

From the discussion above, we draw the following eight propositions on executive happiness:

P1. It is in the nature of human beings to seek the good. Eudemonia or happiness is the extreme limit of all good things achievable in action (Aristotle, *NE*).

P2. Eudemonia is sought as an ultimate good for its own sake; every other good is sought for the sake of *eudemonia* (Aristotle, *NE*).

P3. To aim at having a flourishing life is to pursue a "second-order end" toward which other first-order ends are subordinated (Rawls, 1971).

P4. Happiness is blessedness or prosperity: it is the state of being well and doing well in being well.

P5. Real happiness must manifest over a full, long-lasting adult life and not merely for brief periods (Aristotle, *NE*).

P6. Real happiness is *eudemonia* that is best defined as "human flourishing." This postmodern term means the possession, use, and fulfillment of one's

mature powers or natural capacities over a long period of time (Cooper, 1985).

P7. To be a good person and to live a good life are considered human aspirations in tandem. Happiness and a good moral life are somehow synonymous.

P8. Such aspirations are not imposed on human beings but rise from their very nature as individual and social human beings.

Virtue is critical for corporate executives functioning in a management situation. The virtue of virtues, *eudemonia* or "human flourishing," bears additional implications to corporate executives. Each of the above eight propositions has different challenges for management executives. Each proposition implies different legal, ethical, and moral obligations in a management situation.[5] Supplementary propositions on executive happiness are definitions of happiness argued by various philosophers:

- Virtue is excellence in the knowledge of good that enables one for the good and happy life (Plato).
- Virtue is the state of character that makes a person good or happy (*eudemonia*) and makes that person to do what is good (Aristotle).
- A virtuous person knows good, is good, and does good (Aristotle).
- Happiness virtue determines the end, and practical wisdom makes us do what is conducive to that end.
- While practical wisdom is the central happiness virtue, "prudence" is a link between intellectual, moral, and theological virtues (faith, hope, and love) (Aquinas).
- Prudence is a right way of acting according to reason; it disposes us to choose means most conducive to the final end (telos) of an act (Aquinas).

2.15. The Nature of Happiness in the Corporate World

According to Aristotle (*NE*), the end of life that all human beings should aim is *happiness* (*eudemonia*). The virtues are not merely means to happiness, but constitute it. However, happiness does not merely consist of what we get in life but also includes who we are. Even Plato maintained that a despot with all wealth and power would not be really happy because that person's personality would be disordered in the process. The distinction between happiness and pleasure is usually blurred. In ordinary language, happiness is frequently used to indicate a more stable, less intense state than pleasure. Yet one could hardly predicate happiness of life that was altogether without pleasure.

Developing a virtue-based ethics for business, Solomon (1992a, p. 104) argues that "mere wealth creation should not be the purpose of any business. Instead, we must conceive of business as an essential part of the good life, living well, getting along with others, having a sense of self-respect, and being part of something one can be proud of" (p. 17). Individuals are embedded in communities

and that business is essentially a community activity in which we work together for a common good, and excellence for a corporation consists of making the good life possible for everyone in society (Solomon, 1992a, p. 209) (p. 17).

According to MacIntyre, "internal practices" with goals and results can change, expand, diminish, but not at the expense or gain of another. These "internal goods" are not competitive, not objects but "outcomes" of competition to excel; they are unique to the internal practices; the more one has them, the better off is the corporation and the community thereof (p. 17). Business should be a human endeavor in which executives ought to find fulfillment and therefore, emphasize the need for virtue in business. This is a valuable reminder that business is part of human and moral life (p. 18). "To act rightly is to act rightly in affect and conduct. It is to be emotionally engaged and not merely to have the affect as accompaniment or instrument" (Sherman, 1989, p. 2). Emotions themselves are modes of moral response that determine what is morally relevant and, in some cases, what is required (p. 18).

2.16. Characterizing Virtuous Morality Corporate Actions

According to Hauerwas (1981), moral business management decision is not so much of what one is obliged to do, but the kind of person one would be by doing it. To act rightly is to act rightly in affect and conduct. Discerning the morally salient features of a situation is part of expressing virtue and part of the morally appropriate response (p. 18). There may be a strategic virtue in doing things rightly, but there is a moral virtue in doing right things rightly (Aristotle, *NE*).

Democritus (460–370 BC) held that to call a person "good" one had not only to do the good but also want to do it because it was good. As cited before, Aristotle maintained that a virtuous person is not one who does virtuous acts once in a while, but one who does them regularly over long periods of time and does them as "second nature." That is, just doing good or being occasionally virtuous is not sufficient ground for characterizing a person as good.

Until very recently, moral philosophers, following Aristotle and Aquinas, had only one source for moral description: *the act*. If a bad action was performed, mitigating circumstances were investigated to see if the agent was partially or fully exonerated of moral guilt (Mascarenhas, 1995). The question of subjective goodness was rarely raised, and if so, almost exclusively in the context of "imputability" (Keenan, 1992, p. 4).

That is, philosophers did not examine cases on the other side of the distinction: they did not discuss people who do objectively good acts but on selfish grounds (e.g., bad motives). The question of the good person was rarely examined. The presupposition was: *we are what we do*. Thus, the person who did good was good and the one who did bad was bad. Obvious other combinations, such as a good person who did bad, or a bad person who did good, were not explored. Reinforcing the presupposition, the word "good" primarily described acts. Goodness was not used, as it is today, primarily and principally to describe persons (Keenan, 1992, pp. 4–5).

One could characterize executive action using two dichotomies: executives with good versus bad motives that result in good versus bad actions. This 2×2 matrix (see Table 2.1) considers only four possibilities:

- Executives with good motives doing good things; e.g., the upright executive.
- Executives with good motives doing bad things; e.g., the upright executive trapped with evil market turbulence.
- Executives with bad motives doing good things; e.g., the dishonest executive derives good market outcomes owing to market turbulence.
- Executives with bad motives doing bad things; e.g., the dishonest executives indulging in evil outcomes such as fraud, corruption, and bribery.

Table 2.1 is a first approximation. It puts too much emphasis on the so-called good vs bad motives, and the so-called good vs bad outcomes. Both could be situational or contingent, and both are not sufficient to characterize people as good or bad. For instance, the judgments in each of the quadrants of Table 2.1 do not take into consideration habitual will or virtuous dispositions of executives such as habitual striving to be good and wanting to do right things (or the converse). Further, one could be striving to be good out of duty (this is deontological ethics) or spontaneously as a habitual disposition of training and upbringing (this is virtue ethics).

Immanuel Kant argued that good was descriptive only of the human will: that is, not acts but willing persons are good. His presupposition was not that we are what we do, but that *we may not be as good as our actions appear to convey*. He distinguished a person who *acts out of duty* from any *act in accord with duty*. An act in accord with duty, e.g., executing a prisoner, could not itself be called good. Rather, good acts were those done by persons acting out of duty. A mother acting out of duty to parent a child is doing good. But Kant did not examine the distinction whether persons were good who acted out of duty but who performed acts not in accord with duty. Though Kant examined acts in accord with duty performed by people not acting out of duty, he did not explore the converse (Keenan, 1992, p. 5). For instance, a parent acting out of duty to taking care of her child may act not in accord with duty and err through too much leniency or rigidity.

Twentieth-century philosophers asked a different question: they did not ask questions about goodness, but about *rightness*. Moore (1912) asked whether we could describe actions as right or wrong without considering the motives of the agent. Moore's answer to this question establishes the distinction between goodness and rightness. Moore (1912, p. 80) sought to determine the objective notion of right. His definition is utilitarian: the act that produces a maximum pleasure will always be called right, for an act can only be wrong "if it produces less than maximum." Moore (1912, pp. 187–189) distinguished the agent's motives from the act: whether an agent deserves praise or blame depends upon the agent's motives, and not on whether one's action is right or wrong.

Table 2.1: A Partial Characterization of Goodwill and Good and the Opposites.

Executive Motives	**Executive Actions**	
	Good	**Bad**
	Right Actions that Promote Good Values and Good Culture	**Wrong Actions that Promote Disvalues or Evil Culture**
Good	*Assumption 1*: right actions with right motives are a necessary condition for calling a person good (Hare, 1952)	*Assumption 2*: wrong actions are not a sufficient condition for calling a person bad (Aquinas, 1964)
	Good people doing good	Good people doing bad
	Examples:	*Examples:*
	A "good" person	A good-willed failure
	A virtuous person	An ignorant mistake
	A moral person	A misinformed disaster
	An ethical person	A conscientious boycott
	A just person	An addict's violence
	A righteous person	Killing in a just war
	An upright person	Involuntary murder
Bad	*Assumption 3*: right actions are not a necessary condition for calling a person good (Kant, 1964)	*Assumption 4*: wrong actions are not a necessary condition for calling a person bad (Moore, 1912)
	Bad people doing good	Bad people doing bad
	Examples:	*Examples:*
	A bad-willed success	A "wicked" person acting wicked
	A malevolent courage	A vicious person's vice
	An ill-willed victory	A malicious person's malice
	Parading charity	A selfish person acting selfish
	Almsgiving for power	Deliberate drunken violence
	Oppressive kindness	Killing in an unjust war
	Philanthropy for tax write-offs	Voluntary murder

Secondly, Moore distinguished a person's perception of the right from what in fact is objectively right; even *with the best of intentions a person may not perceive the right*. On the other hand, a person motivated by selfishness may nevertheless calculate what the right act is and do it. Thus, Moore (1912) concluded with a paradox (later called the Moore's Paradox) regarding the act of an agent

with bad motivations: "A man may really deserve the strongest moral condemnation for choosing an action which actually is right" (1912, pp. 193–195). But Moore came off with a new insight: *that a person is bad does not affect the rightness of an action.*

With these two distinctions, Moore provided a fresh insight: persons are "good," while actions are "right." However, like Democritus and Kant, Moore did not call a person good who with good motives performed a wrong act. He also presumed that a right act was a necessary condition for calling an agent good. Over against the presumption, we are what we do, Moore made it clear that right actions can be done by good and by bad people. Hare (1952, p. 185) refined this distinction by identifying good acting with good motives.

2.17. Realizing Goodness in Corporate Executives

Contemporary moral philosophers argue that executed acts are not necessary for the moral description of persons. That is, goodness (or badness) is not consequent to questions of rightness or wrongness but antecedent to it, distinct from it, and determinative of it. Persons are good who strive to realize the right, and actions are right when they satisfactorily fulfill the demands of protecting and promoting values. They hold a new presupposition concerning moral description: *good and bad people behave rightly and wrongly*. With this new presupposition, a person who performs a wrong action can be called good for performing the action, as long he strives to do the right. Thus, we no longer call people good if they do good actions, rather we call them good when they strive to realize rightness. Conversely, people are bad not when they perform "bad" actions but when they fail to strive to perform the right. Badness, then, is not simply acting out of selfishness or malice; prior to act, badness pertains to the failure to strive for rightness (Keenan, 1992, pp. 6–7).

Goodness then is striving for rightness, and badness, its contradictory, is failure to strive for rightness. Thus, goodness is distinct from rightness but not independent of it. Thus, parents who simply dote on their children without seeking the right cannot claim to love their children. A claim may be made, but the claim remains empty. Similarly, parents who strive to raise their children well but err through extreme severity or leniency truly love; that is, such parents are good, but their parenting is wrong. Since goodness is antecedent to rightness, good parents are those who strive for right parenting, and all of them may not succeed.

Good business management executives, accordingly, are those who strive for right business management. Goodness in business management simply asks whether one strives out of love or duty to realize right business management activity. Rightness asks whether the activity itself protects and promotes values. Goodness is not a term of acquittal. If good executives perform wrong actions, their primary concern should be to remedy the situation in which harm has been done, because being good, they want to do the right.

Contemporary understanding of moral goodness is fundamentally related to the concept of human freedom (Fuchs, 1983; Schüller, 1979). Each individual enjoys a distinct degree of personal freedom. Due to nature, nurture, economics, luck, and other external causes, some people are more capable of realizing right activity; that is, realizing goodness. Some have a ready disposition to be temperate; others have a ready disposition to be chaste; some can never be racist; some are timid by nature, while others are innately brave. Personal strengths and weaknesses arise from a variety of formative forces (Keenan, 1992, p. 8). In general, people perform right activity based on their strengths and wrong activity from their weaknesses. Since each person has a different set of strengths and weaknesses, each person is differently inclined to right or wrong. One could improve upon one's strengths and reduce one's weaknesses – this is the exercise of virtue by which one orders oneself. The more a person enjoys personal freedom, the more is that person rightly ordered, and vice versa.

Conversely, the more a person is rightly ordered, the more is that person predisposed to realize right activities, and this is goodness. The reason that some people behave more rightly than others is not necessarily due to striving; rather, those who behave rightly tend to be persons that are rightly ordered, and those who behave wrongly tend to be persons that are disordered (wrongly ordered) people. They (e.g., those who are inclined to excessive drinking, dishonesty, or opportunism) are less likely to behave rightly (Keenan, 1992, p. 9).

Rightness concerns two dimensions of human living: (1) that the agent is rightly ordered; (2) that the act is rightly ordered. One does not follow from the other: temperate people may occasionally fall, and not all alcoholics always drink excessively. Consider, prudence, the most important of the virtues: the selfish and the amoral are as capable as the saints of giving right advice. Similarly, one can imagine the loving and the selfish to be temperate, or the wicked to be brave (MacIntyre, 1981, pp. 166–167).

No one, no matter how well ordered, is perfect; no one, no matter how disordered, is an absolute failure. Hence, the need to distinguish whether a person is actually living a rightly ordered life and whether a person's action is right; neither description, however, depends upon *goodness*. Goodness asks whether one strives through right action to make oneself rightly ordered. The good person consistently looks for opportunities that better one's strengths and reduce one's weaknesses that order oneself, and that empower one to higher levels of freedom.

Summarizing the discussions thus far, we can characterize the morality of executive actions using four dichotomous dimensions as follows:

(1) **Virtue as habitual pre-dispositions (virtue ethics)**: goodness as striving and wanting to be right vs badness as not striving and not wanting to be right (Kant, 1964).
(2) **Agent's motives (morality ethics)**: good motives that make executives praiseworthy vs bad motives that make executives blameworthy (Hare, 1952).

(3) **Nature of action (deontology ethics)**: doing the right things as fulfillment of one's duty vs doing the wrong thing as violation of one's duty (Kant, 1964).
(4) **Nature of outcomes (teleology or consequential ethics)**: market or corporate outcomes as good if they benefit the maximum number of stakeholders vs bad outcomes if they benefit the least (Anscombe, 1958; Moore, 1912).

This structure in four dichotomies generates $2 \times 2 \times 2 \times 2 = 16$ possible different characterization of corporate executive actions and outcomes in turbulent markets of today. Table 2.2 has all the details.

We generally call a person virtuous who is both rightly ordered and therefore, predictably good. When we attribute a specific virtue to someone, we imply that we can predict a specific behavior relative to that virtue. For instance, a temperate person will enjoy a party without getting drunk; a brave person will neither shun nor search for danger; a just person will take delight in respecting the rights of all people; a prudent person will always assess the costs and benefits before deciding on a value-balanced activity. Each attribution of virtue describes someone as rightly ordered in a specific area of human activity. Often goodness is not even presumed. And in general, we call someone virtuous, if that person demonstrates striving to right activity in all the dimensions of his or her personality. To remark that a person is virtuous is to predict that the person will consistently perform rightly ordered behavior (Keenan, 1992, p. 10). In practice, that person is temperate, brave, just, and prudent. People who are rightly ordered are persons with virtues: their will, reason, and passions are ordered. As habits of living or conduct, virtues belong to those who live rightly (Fagothey, 1959). In turn, virtues enable persons to act rightly. The virtues are acquired not by repeatedly performing the same types of actions but by intending and executing the same types of actions: the virtues are acquired willfully and not accidentally (Keenan, 1992, p. 13).

In defending virtue, an important question is w*hy should one live according to reason and choose the golden mean between excesses*? For instance, if our conception of a good and successful life were amassing wealth and power, then would not ruthlessness be a virtue? If as business executives, our corporate mission were to grow, expand, make profits, and dominate the market, then would not ruthless cutthroat competition and price wars be a virtue? If as business management executives our success was defined by higher sales, higher revenues, higher market share, and higher profits, then would not ruthless undercutting competition, blocking market entry, price dumping, predatory pricing, exorbitant pricing, price-gouging, and the like be executive business virtues than vices? Thus, in defending both intellectual and moral virtues, we cannot consider merely their contribution to some end, but must also inquire into the morality of the end itself (Boatright, 2000, p. 64).

Currently applying the Aristotelian approach of virtue to business, some recent authors (e.g., Gadamer, 1975; Morris, 1997; Solomon, 1992a) have developed the notion of business as a human endeavor in which executives ought to find fulfillment and therefore, emphasize the need for virtue in business.

Table 2.2: A Taxonomy of Corporate Executive Behaviors in Turbulent Markets.

Virtue as Habitual Pre-dispositions (Virtue Ethics)	**Agent's Motives (Morality Ethics)**	**Nature of Action (Deontology Ethics)**	**Nature of Outcomes (Teleology Ethics) Consequentialism (Anscombe, 1958)**	**Possible Characterization of Corporate Executive Actions in Turbulent Markets**
Goodness as striving and wanting to be right; (goodness can make people good (Kant, 1964))	Good Motives (makes one praiseworthy (Hare, 1952))	Right (e.g., fulfilling one's duty – (Kant, 1964))	Good (benefits the maximum; Moore, 1912)	Case 01: goodness striving and with good motives, corporate executives do the right thing rightly (i.e., fulfill duty with good corporate outcomes that benefit the maximum). This is *corporate Morality at its best*
			Bad (benefits the least; Moore, 1912)	Case 02: goodness striving and with good motives, corporate executives do the right thing wrongly (i.e., fulfill one's duty but with bad corporate outcomes), owing to inevitable circumstances or turbulent markets. This action predicates corporate morality because of antecedent goodness striving, good motives, and doing the right action. This could be at its worst, *corporate failure without guilt*
		Wrong (e.g., violating one's duty, Kant, 1964)	Good (benefits the maximum)	Case 03: goodness striving and with good motives, corporate executives do the wrong action rightly (i.e., violating one's duty but resulting in good

			corporate outcomes). The latter could be due to luck, or one's *moral ingenuity* of deriving good out of bad. This could be a *moral hazard if the executive was* forced to violate duty (due to turbulent markets) that clever executives turn into good results – this case may reflect *moral courage*
		Bad (benefits the least)	Case 04: goodness striving and with good motives, executives do the wrong action wrongly (i.e., violate one's duty and with bad corporate outcomes). If both are forced by turbulent markets, then this case could reflect *moral incompetence or weakness* in combatting market turbulence
Bad motives [makes one blameworthy (Hare, 1952)]	Right (e.g., fulfilling one's duty)	Good (benefits the maximum)	Case 05: goodness striving but with bad motives, executives do the right action rightly (i.e., doing duty with bad motives that result in good corporate outcomes). This could be corporate ingenuity or *moral shrewdness*
		Bad (benefits the least)	Case 06: goodness striving but with bad motives, executives do the right action wrongly (i.e., do duty with bad motives that also result in bad corporate outcomes, possibly owing to turbulent

Table 2.2: (*Continued*)

Virtue as Habitual Pre-dispositions (Virtue Ethics)	Agent's Motives (Morality Ethics)	Nature of Action (Deontology Ethics)	Nature of Outcomes (Teleology Ethics) Consequentialism (Anscombe, 1958)	Possible Characterization of Corporate Executive Actions in Turbulent Markets
				markets. This action could predicate *corporate morality* if dominated by goodness striving
		Wrong (e.g., violating one's duty)	Good (benefits the maximum)	Case 07: goodness striving but with bad motives, corporate executives do the wrong action rightly (i.e., violating duty mixed with bad motives with good corporate outcomes owing to luck. This *is moral serendipity or contingency* that the executive may not take credit for
			Bad (benefits the least)	Case 08: goodness striving but with bad motives, executives do the wrong action wrongly (i.e., violating duty with bad motives and bad corporate outcomes). This is *moral perplexity* – occasioned by turbulent markets that may force bad motives, violation of duty, and bad results
Badness as not striving and not wanting to be right [badness can make people bad (Kant, 1964)]	Good motives (makes one praiseworthy)	Right (e.g., fulfilling one's duty)	Good (benefits the maximum)	Case 09: badness-striving but with good motives, executives do right things rightly – good corporate results (e.g., *a benevolent corporate success*)

		Bad (benefits the least)	Case 10: badness-striving but with good motives, corporate executives do right things wrongly – (i.e., with bad market results (e.g., *a benevolent market failure*)
	Wrong (e.g., violating one's duty)	Good (benefits the maximum)	Case 11: badness-striving but with good motives, corporate executives do wrong things rightly – good corporate results (e.g., *a benevolent corporate contingency*)
		Bad (benefits the least)	Case 12: badness-striving but with good motives corporate executives doing wrong things wrongly (i.e., with bad corporate outcomes) – *a benevolent corporate and market failure*
Bad motives [makes one blameworthy]	Right (e.g., fulfilling one's duty)	Good (benefits the maximum)	Case 13: badness-striving with bad motives, corporate executives happen to do right things rightly – with good market results (e.g., *an immoral corporate success*)
		Bad (benefits the least)	Case 14: badness-striving with bad motives, corporate executives happen to do wrong things rightly – with good market results – (e.g., *an immoral market failure*)

Table 2.2: (*Continued*)

Virtue as Habitual Pre-dispositions (Virtue Ethics)	Agent's Motives (Morality Ethics)	Nature of Action (Deontology Ethics)	Nature of Outcomes (Teleology Ethics) Consequentialism (Anscombe, 1958)	Possible Characterization of Corporate Executive Actions in Turbulent Markets
		Wrong (e.g., violating one's duty)	Good (benefits the maximum)	Case 15: badness-striving with bad motives, corporate executives do wrong things rightly – with good market results – (e.g., *an immoral and evil corporate failure with market success*)
			Bad (benefits the least)	Case 16: badness-striving with bad motives, executives do wrong things wrongly – with bad market results – (e.g., *an immoral corporate outcome failure*); if done persistently, it is *moral turpitude or moral depravity*

Corporations are wherein many executives spend most of their adult life. If executives must achieve happiness and develop as full human beings, then corporations should nurture a corporate climate or culture that will facilitate this development. "The virtue approach to business is a valuable reminder that business is part of human life and so part of moral life" (De George, 1999, p. 125).

Similarly, when thinking about a moral business management decision, one often thinks not so much of what one is obliged to do, but instead of the *kind of person one would be by doing it* (Hauerwas, 1981, 1983; Pincoffs, 1986). To act rightly is to act rightly in affect and conduct. Discerning the morally salient features of a situation is part of expressing virtue and part of the morally appropriate response. Pursuing the ends of virtue does not begin with making choices, but with recognizing the circumstances relevant to specific ends. In this sense, character is expressed in what one *sees* as much as what one *does* (Sherman, 1987, p. 4). Knowing how to discern the particulars is a mark of virtue (Aristotle, *NE*). Thus, in executing the business management decision, besides asking the question whether the decision is morally good or bad, right or wrong, fair or unfair, one should also ask more important questions such as – would I be honest or dishonest, sincere or insincere, selfish or unselfish, in deciding and acting so?

Virtue ethics addresses these questions. While moral rules and principles (e.g., deontological, teleological) are clearly essential to guide ethical executive choices, principles without virtuous character traits are impotent (Anscombe, 1958; Frankena, 1973), and "ethics without virtue is an illusion" (Kreeft, 1992). Principles by themselves do not provide the vision of moral good life and character that virtue ethics emphasizes (Keenan, 1995; Porter, 1991, 1997; Spohn, 1992; Williams & Murphy, 1990). "An action motivated by the right principle but lacking in the right gesture or feeling falls short of the mean: it does not express virtue" (Sherman, 1987, p. 2).

We must distinguish and contrast wisdom from *cleverness, shrewdness, cunningness,* and other manipulative capacities in business management and transformations. The latter are often invoked in the pursuit of overstating sales, revenue, market share, and profit; these so-called creative accounting skills may often imply taking right steps but to wrong ends or wrong steps to defensible ends (Alderson, 1964; Bollier, 1997; Galbraith, 1971). Real business management-transformation wisdom or prudence *takes right steps to right ends*, especially those that serve the common good of all stakeholder communities and society.

There may be a strategic virtue in doing things rightly, but there is a moral virtue in *doing right things rightly* (Aristotle, *NE*). In a similar sense, vices such as vanity, avarice, greed, and worldliness are contrary to wisdom, since they pursue wrong values. Vanity sees admiration as the highest value; worldliness pursues good life primarily in terms of wealth and power; avarice and greed seek money and other money equivalents (such as land, investments, businesses, wealth) as supreme values. Virtues strike a golden mean between the excesses of too much or too little of the kind.

2.18. Benevolence and the Four Cardinal Executive Virtues

Not all good people are virtuous or rightly ordered; some good people may still be disordered in some areas of their life. Hence, beyond the virtues of temperance, courage, justice, and prudence, moral philosophers postulate a fifth virtue that conditions all these four cardinal virtues to make the person good: *charity or benevolence* (Keenan, 1992, p. 11; Rahner, 1966). Charity or benevolence does not only mean performing charitable acts; this is one of its outcomes. Real charity or benevolence is the love that strives for greater union with God and neighbor through attempts that realize right living.

Charity or benevolence is a virtue of *striving*, whereas temperance, courage, justice, and prudence are virtues of *attaining*. Benevolence (or charity) is the moral description for a person who literally strives to realize rightness (Frankena, 1973). The benevolent person's will is bent on right realization, but it may not always attain the beneficial act (Schüller, 1979, p. 188ff). The benevolent person is good, but his or her behavior may sometimes miss the mark (Keenan, 1992, p. 11). Thus, when someone possesses the four cardinal virtues, that person is rightly ordered; if in addition that person is also benevolent, that person is good. Conversely, one may be benevolent but not with the four cardinal virtues: this person *strives* to be temperate, brave, just, and prudent, but has not yet *attained* such integration. That is, many people may be benevolent, but not yet brave, temperate, just, and prudent; but notwithstanding their failure to attain rightness, they often may mean well, try hard, and certainly wish to be otherwise.

Any willful exercise is twofold: the primary exercise out of which we are moved and the secondary exercise by which we execute the judgment to act. The primary exercise defines goodness; the secondary exercise defines rightness. For instance, out of benevolence, a mother may judge to overlook the wrongdoing of a child. The mother is good, because she is seeking what is right for the child. Nevertheless, perhaps the child actually needs in this particular instance to be corrected or punished. If so, then the act of "overlooking" is wrong in this case; by exercising this wrong judgment, the mother is failing to grow in parental prudence. The first exercise of being moved by benevolence has no connection to rightness, as it does not necessitate a right judgment. However, it requires the willingness to exercise oneself toward what one believes is right judgment (Keenan, 1992, pp. 55–56).

The cardinal virtues are connected. The basic intellectual virtue among these four is *prudence*: the practical reason (phronesis according to Aristotle, *NE*). It looks forward to the overall end of life and sets the agenda for attaining that end and all intermediate ends (Aquinas, *ST*); it discerns and sets the standards of moral action. Hence, Aristotle (*NE*) and Aquinas (*ST*) held the *absolute priority of prudence*: no acquired virtue is more important. That is, prudence governs all the other three cardinal virtues. That is, prudence can properly direct the agent to be just, temperate, and fortitudinous. Fortitude or courage perfects the irascible or struggling power; temperance or moderation perfects the concupiscible or desiring struggle in us. Both fortitude and temperance primarily reflect the

morals of the body: they order us interiorly. However, we pursue temperance and fortitude in order to be more just. Next to prudence, justice is the chief moral virtue. Justice is the *only relational virtue*. Justice relates us to others and orders all our relationships and exterior activities with people (Rawls, 1971). A virtue is greater to the extent it expresses higher and more rational good. Justice expresses that greater good both by the fact that it is in the rational appetite and thus nearer reason, and because it alone orders not only the agent, but also the agent in relationship to others. For this reason, justice is the chief moral virtue (Aquinas, *ST*, pp. I–II, 66.4).

2.19. Cardinal Corporate Virtues in Conflict

To the extent that prudence, justice, fortitude, and temperance have their own domain and subject matter, they may not conflict, nor have competitive claims against each other. In their hierarchical relationship to reason, prudence comes first, then justice, then fortitude, and temperance. That is, while temperance governs all our interior appetites, fortitude governs our appetites in relation to others, and justice governs all our external actions, prudence governs the right dispensation of justice, fortitude, and temperance. Hence, a descending hierarchical sequence, both logical and ontological, from prudence to justice to fortitude, and to temperance seems intuitively reasonable. If there is any conflict between temperance, fortitude, and justice, then justice would take simple priority (Aquinas, *ST*; pp. I–II, 61.2–61.4; 66.4). Thus, according to Aquinas, justice holds a privileged place; it has no competition; it is both necessary and sufficient by itself.

But giving justice too much priority and prominence may degenerate virtue ethics back to a distributive justice ethic of principles and rules, precisely what virtue ethics is trying to avoid. Hence, contemporary virtue ethics scholars do not accord justice its self-sufficiency, but instead twin justice with other virtues such as trust or faith, love or charity. Contemporary virtue ethics acknowledges the possibility that cardinal virtues could be in competition or conflict with one another (Spohn, 1992). In this sense, virtue ethics concurs with deontologists and teleologists in maintaining that conflict among key directing guidelines is inherent to all methods of moral reasoning (Keenan, 1995).

Frankena (1973, p. 52), for instance, saw irresolvable conflict between the two fundamental principles of beneficence and justice. In the context of biomedical ethics, Beauchamp and Childress (1989, p. 211) argue that there is no overriding authority or principle in either the patient or the physician, not even to act in the patient's best interest. Similarly, Hauerwas (1981, p. 144) argues that we have the task of sorting out conflicting values throughout our moral lives; that is, in the long run, we must live a life that ethically incorporates a variety of relational claims that are made on us. This we do through the narrative of our lives we live.

Thus, the virtues are related to one another not in some inherent way as was argued by the classical exponents of cardinal virtues. Nor do they complement

one another per se. Rather, "they become integrated in the life of the prudent person who lives them" (Keenan, 1995, p. 722). The unity of the virtues is found not in some theoretical apportioning of the cardinal virtues to specific powers or faculties; it is found rather in the final living out of lives shaped by prudence anticipating and responding to virtuous claims.

2.20. Concluding Remarks

Much of right moral conduct cannot be codified in rules and principles. Real moral situations are too complex: while moral rules are too general and simplistic. "Substantive virtues" such as benevolence, justice, and generosity make one more responsive to moral claims, and "enabling virtues" like empathy and sensitivity can conscientize us to the demands of particular cases. In such cases, the judgments of virtue will be primary and judgments of rightness derivative (Trianosky, 1990, p. 342). Prudent and wise persons whose virtue incorporates an appreciation of the basic principles of moral rightness will make the best practical judgments (Hursthouse, 1991), most tolerant pluralists (Mara, 1989), or good citizens (Burt, 1990).

Other skills-related excellences such as expertise in science (medicine, engineering, nuclear physics), in commerce (business, law, politics), in arts (music, poetry, writing), in crafts (painting, sculpting, building), and in sports (racing, skiing, skating, pitching) require tremendous body−power, mind−concentration, and willpower, and may be considered as "moral" virtues in so far as these "capacities" are put to good humanitarian use. *Virtue ethics* also focuses on human virtues, albeit a much longer list. For example, Pincoffs, giving new life to the ideas of Aristotle, offers a list of over six dozen virtues (*NE*, p. 85). He argues that the *development* of virtuous character should be a primary goal of the human condition, and he identifies four classes of virtues: esthetic, ameliorating, instrumental, and moral. Virtue ethics is about conditioning oneself to act morally as a matter of habit (Jones et al., 2007, pp. 139−140).

Dimensions of Executive Virtue

Contemporary moral philosophers argue that executed acts are not necessary for the moral description of persons. That is, goodness (or badness) is not consequent to questions of rightness or wrongness but antecedent to it, distinct from it, determinative of it.

Persons are good who strive to realize the right, and actions are right when they satisfactorily fulfill the demands of protecting and promoting values (pp. 20−21).

Thus, a person who performs a wrong action can be called good for performing the action, as long he strives to do the right. Thus, we no longer call people good if they do good actions, rather we call them good when they strive to realize rightness (p. 21).

Conversely, people are bad not when they perform "bad" actions but when they fail to strive to perform the right. Badness, then, is not simply acting out of selfishness or malice; prior to act, badness pertains to the failure to strive for rightness (Keenan, 1992, p. 21).

Contemporary understanding of moral goodness is fundamentally related to the concept of human freedom. Due to nature, nurture, economics, luck, and other external causes, some people are more capable of realizing right activity and goodness. Some have a ready disposition to be temperate, or just or prudent (p. 21).

In general, people perform right activity based on their strengths and wrong activity from their weaknesses. Since each person has a different set of strengths and weaknesses, each person is differently inclined to right or wrong (p. 21).

One could improve upon one's strengths and reduce one's weaknesses – this is the exercise of virtue by which one orders oneself. The more a person enjoys personal freedom, the more is that person rightly ordered, and vice versa (p. 21).

Moral goodness always requires that we strive to realize the right. Failure to strive to realize the right is moral failure.

Moral goodness as a striving is not simply wishing; it is actual self-motivation willing to consider all the factors necessary to moral living, to deliberate about them, and to execute the decision. That is, moral goodness is found in the exercise of the will to do and be good – this is virtue ethics.

The contrary of moral goodness is not the willingness to be bad, but the failure to be good. The will becomes or is morally bad in its failure to consider all the values and factors that pertain to moral life.

We grow in virtue only if we exercise right acts in relation to that virtue. If we do not exercise right or virtuous acts, we do not become rightly ordered or virtuous. Exercise needs both encouragement to execute the act and the wisdom to know which act to execute, in which case exercise follows reason.

Not all good people are virtuous or rightly ordered; some good people may still be disordered in some areas of their life. Hence, beyond the virtues of temperance, courage, justice, and prudence, moral philosophers postulate a fifth virtue that conditions all these four cardinal virtues to make the person good: charity or benevolence.

Charity or benevolence is a virtue of *striving*, whereas temperance, courage, justice, and prudence are virtues of *attaining*. Benevolence (or charity) is the moral description for a person who literally strives to realize rightness.

Any willful exercise of virtue is twofold: the primary exercise out of which we are moved and the secondary exercise by which we execute the judgment to act. The primary exercise defines goodness; the secondary exercise defines rightness.

NOTES

1. St. Thomas Aquinas's (1225–1274) greatest work was the *Summa Theologica* (Designated as *ST*) written in Latin and in three parts (STI, STII-I, STII-II, and STIII), with the second part written in two parts. In general, STI is on God and Creation; STII-I and STII-II are on ethics and virtues; STIII is on Christ and Eschatology. ST is the fullest

presentation of his views. He worked on ST from the time of Pope Clement IV (after 1265) until the end of his life. When he died, he had reached Question 90 of Part III (on the subject of penance). The Summa was translated into Greek (c.1327), Armenian, many European languages, and Chinese. The earliest well-circulated translation in English dates from 1907. STII is divided into two parts. The first part comprises 114 questions, and the second part comprises 189. STII-I and STII-II (both relevant to us) are composed as follows: STII-I: Treatise on the last ends (qq. 1–5); on human acts: acts peculiar to humans (qq. 6–21); on the passions (qq. 22–48); on habits in general (qq. 49–54); on habits in particular (qq. 55–89; Good habits, i.e., virtues (qq. 55–70)}; on law (qq. 90–108) and treatise on grace (qq. 109–114). Second part of Part II (*ST* II-II) is a treatise on the theological virtues (qq. 1–46); on the cardinal virtues (qq. 47–170): on prudence (qq. 47–56), on justice (qq. 57–122), and on fortitude and temperance (qq. 123–170); on gratuitous graces (qq. 171–182) and treatise on the states of life (qq. 183–189). The major theme of STII is man's striving for the highest end, which is the blessedness of the beatific vision. St. Thomas develops his system of ethics that has its roots in Aristotle.

2. In the Indian tradition, the primary sources of wisdom about human nature and evolution are in two categories. The first category, which includes the Vedas, the Upanishads, and the Bhagavad Gita, deals with the fundamental nature of the ultimate reality that transcends time and approaches that facilitate experiential awareness and knowledge of this reality (Griffith, 2005; Radhakrishnan, 1973, 1994; Radhakrishnan & Moore, 1957). The second category, which includes the epics Mahabharatha and Ramayana (Ganguli, 1883; Griffith, 1915), recognizes the contingent nature of how beliefs about the nature of reality translate into values and accordingly dwells on delineation of values according to place and circumstance. The epics, though ancient, are well known and disseminated. These ancient texts contain detailed descriptions of philosophical systems clarifying ontological and epistemic issues with direct implications for values and appropriate modes of action. A study of both these texts enables a complete description of a personal belief system (Brendel et al., 2016).

3. For Thomas Aquinas (*ST* I-II, 61), the cardinal virtues correspond to and perfect four powers: (1) prudence is related to the power of practical reason; (2) justice to the willpower; (3) temperance to the concupiscible power, and (4) fortitude to the irascible power. According to Aquinas, the virtue of justice is "a habit whereby a man renders to each one his due by a constant and perpetual will" (*ST* II-II, q 58, a 8). Thus, justice as a particular type of virtue is an external virtue. It does not primarily focus on regulating the internal character of the agent by ordering the passions (as do the virtues of temperance and fortitude); instead, it focuses on the results of the agent's actions in the external world, the concrete effect they have upon the lives, property, and interests of other people (Kaveny, 2009, p. 119). Temperance and fortitude are predominantly at the service of justice, and prudence determines the nature and choices of justice.

4. The traditional English translation of *eudemonia* is happiness, possibly stemming from its Latin translation, *felicitas*. Cooper (1985, p. 89, footnote 1) finds this inadequate, since happiness is predominantly a subjective psychological state that is temporal and recurrent. Much of what Aristotle says about *eudemonia* is not fully captured by "happiness" since *eudemonia* implies a full, long-lasting adult life of fulfillment (*NE* 17 1098 a18–20; EE 1219b5). Cooper (1985, p. 89), following Anscombe (1958), suggests instead the postmodernist term "human flourishing" as an adequate rendering of *eudemonia*: flourishing implies the possession, use, and fulfillment of one's mature powers or natural capacities over a long period of time (*NE* I 10 1100 a22–30, 1101a22ff). *Eudemonia* is central to Aristotelian ethics. Even though Aristotle treats it only in the Fourth Book of *Nichomachean Ethics*, yet the first two chapters prepare for it by seeking answer to the

question: "What is at the most extreme limit of all good things achievable in action?" (*NE* I 2 1094a18–9; EE I 2 1214b7–9). Eudemonia is this "ultimate end" of all human yearning.

5. We may characterize the current debate on ethical assessment of executive behavior as polarized along three behavior aspects: the person acting, the act itself, and the consequences. The first, person-based ethics, popularly known as virtue ethics, is advocated by many moral philosophers such as Aristotle (*NE*), Aquinas (*ST*), Carney (1973), Frankena (1973, 1975), Hauerwas (1975), and MacIntyre (1981), and among marketing scholars, by Morgan and Hunt (1994) and Williams and Murphy (1990). The second, act-based ethics is basically deontological ethics, while the third consequences-based ethics is teleological ethics. After Alasdair MacIntyre (1981) most influential work *After Virtue*, virtue or person-based ethics is gathering momentum and advocates.

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Chapter 3

The Ethics of Corporate Trusting Relations

Executive Summary

Building trust and living interpersonal trust are crucial corporate executive virtues that are needed today. Once you have developed and solidified a high level of genuine interpersonal trust with all your stakeholders, especially customers, suppliers, and employees, then you are on the right path of managing and transforming your company. A high level of interpersonal trust between all stakeholders and corporates in a business situation will break down communication barriers, foster serious conversation and sharing of ideas, and will eliminate corporate transactional anxieties of fear, mistrust, guilt, rigidity, blame, and resentment. When stakeholders trust you and you trust them, then you speak freely, they speak freely, and your mutual sustained transparency is a gateway to survival, revival, and sustained corporate recovery and transformation, and steady growth and prosperity. Conversely, when there is low trust, high mistrust, and high distrust among stakeholders in a business situation, communications and conversations are stressed and fragmented, teamwork and team spirit are very low, and the company is heading toward its ruin and extermination. Such is the crucial role of interpersonal trust in business. This chapter explores the crucial phenomenon of corporate interpersonal trust. We review various cases, models, concepts, definitions, and theories of trust from the management literature in general, and from the marketing field in particular, to derive psychological, behavioral, ethical, and moral principles of corporate trust, trusting relations, and trusting strategies.

> You can have all the facts and figures, all the supporting evidence, all the endorsement that you want, but if you don't command trust, you won't get anywhere.
>
> Niall Fitzgerald (Former Chairman, Unilever)

> You can't have success without trust. The word trust embodies almost everything that you can strive for that will help you to succeed. You tell me any human relationship that works without

> trust, whether it is a marriage or a friendship or a social interaction; in the long run, the same thing is true about business, especially businesses that deal with the public.
>
> Jim Burke (former Chairman and CEO, Johnson & Johnson)[1]

3.1. Introduction

Trust is one of the most powerful motivations and inspirations. People want to be trusted. They respond to trust. They thrive on trust. Trust is a function of at least two things: character and competence. Character includes ethics, your integrity, your motives, your intentions, and your intent with people. Competence includes your capabilities, your skills, your outcomes or results, and your track record. And both are vital. Character and competence are both necessary. In his bestseller, *The World is Flat*, *New York Times* columnist Thomas Friedman observes that this new "flat" economy is all about partnering and relationships that thrive or die based on trust. "Without trust, there is no open society, because there are not enough police to patrol every opening in an open society. Without trust, there can also be no flat world, because it is trust that allows us to take down walls, remove barriers, and eliminate friction at borders. Trust is essential for a flat world." Character is a constant; it is necessary for trust in any circumstance. Competence is situational; it depends upon what the circumstance requires.

Most of us do not know how powerful we are in building trust, in changing the level of trust in any relationship, as we do not know how to build trust "from inside-out," writes Covey (2006, p. 33). The key is in understanding and learning how to navigate in what he calls the "Five Waves of Trust" that starting from within work outwards like a ripple effect. The five waves of trust model serve as a metaphor for how trust operates in our lives. It begins with us individually, continues into our relationships, expands into our organizations, and encompasses our global society at large – this is the "inside-out" paradigm of this model. To build trust with others, we must start with ourselves. The five waves also form a structure for understanding and making trust actionable in our day-to-day family and corporate life.

3.2. The Importance of Trusting Relationships in Business Management

Trust can be defined as the expectation that other people or organizations will act in ways that are fair to us. Mistrust increases when people increasingly view our institutions, public or private, as corrupt, strangers as suspicious, rivals as illegitimate, and facts as negotiable. The share of Americans who say "most people can be trusted" fell from 44% in 1976 to 32% in 2016, according to a survey from the University of Chicago. Lack of faith strains boardroom discussions. In his latest letter to shareholders, Jamie Dimon, CEO of JPMorgan

Chase, described trust as America's "secret sauce" and worried that the bottle was running dry.

Our current mistrust outbreak can be analyzed under two parts: what consumers think, and what firms think. The share of people who have "little or no confidence" in big business has risen from 26% in 1976 to 39% in June 2017, according to Gallup. For banks, it has risen from 10% in 1979 to 28% in 2017. Over decades, big firms have broken implicit promises made to their employees, such as providing a job for life and paying generous pensions. And the financial crisis of 2007−2008 blew a giant hole in mutual trust between global investors and global giant investment banks.

At the same time, the S&P 500 index is near an all-time high, even though many economists say that distrust is toxic for prosperity because transactions become dearer and riskier. An OECD study of 30 economies shows that those with low levels of trust, such as Turkey and Mexico, are far poorer. Three scholars, Luigi Guiso, Paola Sapienza, and Luigi Zingales, have shown that pairs of countries (such as Britain and France) whose populations say they distrust each other have less bilateral trade and investment.

Trust between firms, and between firms and investors, is more resilient, but there is evidence of greater wariness. Banks charge corporate borrowers a spread of 2.6% points above the federal funds rate, compared with 2.0 points in the 20 years before the crisis. The equity risk premium, or the annual excess return that investors demand to hold shares rather than bonds, is 5.03 points, against a pre-crisis average of 3.45 points, notes Aswath Damodaran of the Stern School of Business at NYU (https://www.economist.com/business/2017/08/10/mistrust-in-america-could-sink-the-economy on August 10, 2017).

Scholars have seen trust as an essential ingredient for a healthy personality, as a foundation for interpersonal relationships, as a foundation for cooperation, and as a basis for stability in social institutions and markets. Mutual trust between business partners has been found to be very vital in the uncertain, complex, volatile, and fast-paced business environment of today, especially given modern developments of globalization, and strategic global competitive alliances (Prahalad & Hamel, 1994), multicultural and multilingual relations (Cox & Tung, 1997; Sheppard, 1995).

There are many reasons why reciprocal trust among corporate executives and various stakeholders is becoming important in all business transactions. Trust leads to successful relationships and improves communication, cooperation, satisfaction, and purchase intent in a marketing exchange context (Anderson & Narus, 1990; Doney & Cannon, 1997; Morgan & Hunt, 1994). Interpersonal trust can be an important social resource for facilitating cooperation and enabling social interactions between various actors in a business environment (see Coleman, 1988; Zucker, 1986). Trust reduces the need: (1) to suspect and monitor each other's behavior, (2) to formalize monitoring and control procedures, (3) to create completely specified contracts, and thus, (4) can reduce negotiation costs (Powell, 1990).[2]

3.3. What is Executive Trust?

In recent years, the issue of trust has been seriously discussed in management and marketing literature. The view of trust as a foundation for social order spans many intellectual disciplines and levels of analyses (Lewicki, McAllister, and Bies (1998, p. 438). Understanding why people trust and how trust shapes human relations has been the central focus of theologians, philosophers, psychologists, sociologists, political scientists, economists, anthropologists, and students of organizational behavior and marketing.

According to Lewicki and Bunker (1995), the study of trust may be categorized based on how trust is viewed: as an individual difference, as a characteristic of interpersonal transactions, and as an institutional phenomenon. Specific disciplines have been associated with these three approaches. Thus,

- *Personality psychologists* view trust as an individual characteristic (Rotter, 1967, 1971, 1980).
- *Social psychologists* define trust as an expectation about the behavior of others in transactions, focusing on the contextual factors that enhance or inhibit the development and maintenance of trust (Lewicki & Bunker, 1995, 1996).
- *Economists and sociologists* have focused on trust-building institutions that reduce uncertainty and anxiety (Zucker, 1986).

Each discipline has its own focus and accordingly provides only a partial or incomplete description of trust. McAllister (1995, p. 25) argues for two bases of trust, one (cognition-based trust) grounded in cognitive judgments of the competence of an exchange partner and the second (affect-based trust) founded on affective bonds between exchange partners. Lewicki and Bunker (1995) distinguish three types of trust: calculus-, knowledge-, and identification-based trust, and Sitkin (1995) proposes three others – competency-, benevolence-, and value-based trust. Sirdeshmukh et al. (2002) derive customer trust in the service area from operational competence, operational benevolence, and problem-solving orientation on the part of both frontline employees and management policies and practices that back frontline employees. Mayer, Davis, and Schoorman (1995, p. 712) argue that trust is "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other party." Most organizational scientists (e.g., Granovetter, 1985; Ring & Van de Ven, 1992) view trust as a mechanism that mitigates opportunistic behavior among exchange partners. Rousseau, Sitkin, Burt, and Camerer (1998, p. 395) combine common themes from trust definitions based on sociology, psychology, and economics and define trust as "a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or behaviors of another."

3.4. Definitions of Trust in the Marketing Literature

Marketing scholars have emphasized different aspects of trust. In an organizational context of trusting, independent marketing researchers, Moorman, Deshpande, and Zaltman (1993, p. 82), define trust "as a willingness to rely on an exchange partner in whom one has confidence." According to Morgan and Hunt (1994, p. 23), trust exists "when one party has confidence in an exchange partner's reliability and integrity." In the context of buyer–seller relations, Doney and Cannon (1997, p. 36) define trust as "the perceived credibility and benevolence of a target of trust." In the service area, Sirdeshmukh et al. (2002, p. 17) define "consumer trust as the expectations held by the consumer that the service provider is dependable and can be relied on to deliver on its promises." An important aspect across all definitions of trust in marketing is the notion of trust as a *belief*, a sentiment, or an expectation about an exchange partner that results from the latter's competence, credibility, reliability, or intentionality (Ganesan, 1994).

Further, according to Moorman, Zaltman, and Deshpande (1992) and Mishra (1996), vulnerability is an important constituent of trust; in the absence of risk or vulnerability, trust is not necessary, since outcomes are not of consequence to trustors. Sabel (1993, p. 1133) defines: "trust is the mutual confidence that no party to an exchange will exploit the other's vulnerability." Ganesan (1994) and Mayer et al. (1995) view trust in conative and behavioral terms. Other marketing researchers use cognitive or evaluative definitions of trust, empirically verifying the link between trust evaluations and behavioral response (Doney & Cannon, 1997; Morgan & Hunt, 1994; Sirdeshmukh et al., 2002).

Further, earlier trust studies in marketing (e.g., Anderson & Narus, 1990; Anderson & Weitz, 1989, 1992; Moorman et al., 1992, 1993; Morgan & Hunt, 1994) have treated trust as a unidimensional construct. However, later studies (e.g., Doney & Cannon, 1997; Ganesan, 1994; Sirdeshmukh et al., 2002) have treated trust as a multidimensional construct; the latter provides greater diagnostic with respect to the effect of trust on long-term or short-term orientation (Ganesan, 1994).

Business literature, in general, and marketing literature, in particular, has advocated for decades the need for customer trust and stakeholder relationships. However, the need has been academically expressed more recently. Some quotes and opinions in this regard are as follows:

- "One of the most salient factors in the effectiveness of our present complex social organization is the willingness of one or more individuals in a social unit to trust others" (Rotter, 1967, p. 651).
- Trust is the "cornerstone of long-term relationships" (Spekman, 1988, p. 79).
- Trust is generally viewed as an essential ingredient for successful relationships (Berry, 1995; Dwyer, Schurr, & Oh, 1987; Moorman et al., 1993; Morgan & Hunt, 1994; Garbarino & Johnson, 1999).

- A central idea in the theory of partnering suggests that differences in trust and commitment are the features that most distinguish customers as partners from customers who are single-transaction buyers (Berry, 1995; Webster, 1992).
- Theories of partnering propose that customers with strong relationships not only have higher levels of trust and commitment, but also that trust and commitment become central in their attitude and belief structures (Morgan & Hunt, 1994).
- In personal selling or retailing what differentiates relational partnerships from functional (or transactional) relationships is the level of trust and commitment to the other party (Levy & Weitz, 1995; Weitz, Castleberry, & Tanner, 1995).
- Customer trust is an essential element in building strong customer relationships and sustainable market share (Urban, Sultan, & Qualls, 2000).
- To "gain the loyalty of customers, you must first gain their trust" (Reichheld & Schefter, 2000, p. 107).
- The "inherent nature of services, coupled with abundant mistrust in America, positions trust as perhaps the single most powerful relationship marketing tool available to a company" (Berry, 1996, p. 42).

Thus, for instance, there is much focus on mutual trust and trustworthy relationships in marketing, especially in relation to commitment in marketing (Achrol, 1991; Gundlach, Achrol, & Mentzer, 1995; Morgan & Hunt, 1994), and buyer–seller relationships and contracts (Doney & Cannon, 1997; Dwyer et al., 1987). This focus can and should be easily transferred to the discipline of business management. The high levels of trust characteristic of relational exchanges enable exchange partners and stakeholders to focus on long-term benefits of the relationship (Ganesan, 1994), ultimately enhancing competitiveness and reducing transaction costs (Noordewier, John, & Nevin, 1990).

A company representative who proves to be dishonest and unreliable could easily jeopardize long-term relationship with a trusted supplier (Kelly & Schine, 1992). On the other hand, highly trusted salespeople have been found to sustain customer commitment despite management policies that may not always benefit the customer (Schiller, 1992).

Case 3.1: The Tata Group: A Trusted Empire

Founded in 1868 by Jamsetji Nusserwanji Tata who belonged to a family of a long line of Zoroastrian Parsee priests, the Tata Group currently operates as a conglomerate of more than 130 independently run companies (32 of which are traded on stock exchanges), employing over 500,000 people, earning revenues over US$100 billion (profits over US$6.2 billion), and controlling assets valued over US$80 billion in 2011–2012 (Casey, 2014, pp. xvi–xvii). How did Tata transform itself from a family-owned business (which it still is) to one of the most professionally and ethically managed successful enterprises of the world?

The dominant moral guiding principle for everyone at Tata is sharing wealth and opportunity. A highly diversified multinational mega-enterprise, humanistic and philanthropic at its core, the Tata Group shares vision, mission, power, and profits with customers, employees, shareholders, and in the societies in which they live and work. A business phenomenon as highly moral as it is profitable, with enviably high nobility of purpose and principle, and one which weathered toughest of domestic and global economic storms, financial crises, and political chaos as it did through more than 150 years of its existence, the Tata Group stands out as a beacon of light despite our cynical age, corporate and political greed, and ever-increasing income and opportunity inequalities (Casey, 2014, pp. xix–xx). It is a triumph of socialism amidst capitalism, honest transparency amidst exploiting market opacities, and sharing-caring commitment. The Tata companies persistently strive to better ethics and business practices in the whole wide world that otherwise consistently seeks to indulge in fraud, corruption, and chicanery.

In every sense of the word, the Tata House and Tata Trust represent a veritable triumph of social capitalism. Tata Sons is the umbrella holding company weaving the conglomerates together. Social capitalism creates value and wealth for all – shareholders, employees, customers and humankind itself. Two-thirds of Tata is owned by philanthropic trusts (Tata is one of the biggest charities in the world) – this is socialism. TCS, the largest company in India as measured by market capitalization, is the largest member of the Tata Group; Tata Steel is the fifth largest steel company in the world; Tata Motors (originally Tata Engineering and Locomotive Co. or TELCO, now known as Tata Motors) has expanded significantly of late with major acquisitions such as Jaguar and Land Rover, while pioneering its own new models, including the Nano. Tata Tetley is the second largest tea producer in the world; Tata is the biggest industrial-sector employer in the UK, and Tata Power is India's largest private-sector power supplier – this is capitalism. Combine the two, true socialism and successful capitalism, and you have the triumph of social capitalism. Tata has been highly successful for over 150 years in terms of increasing revenues, market share, profitability, market capitalization, growth, and prosperity – a highly diversified conglomerate and the world's largest philanthropic. Tata thrives because of its four major stakeholders – shareholders, employees, customers, and the society, the *fourth stakeholder* and the largest among the four (Casey, 2014, p. xviii).

Great philanthropists have dotted the developed world – Andrew Carnegie, John D. Rockefeller, J. P. Morgan, Warren Buffet, and Bill Gates to name a few from USA. To most of these, philanthropy was an afterthought – that is, after accumulating wealth for decades, they built great foundations or endowments to help found educational trusts or charitable institutions. But for the Tata Group, philanthropy was not an afterthought, but a concurrent strategy and a driving thought. The companies the Tata Group established were built for the express purpose of empowering the customers, employees, shareholders, and especially to lift the

needy societies of the times they lived in. Jamsetji Tata, right from the very first company he built in 1869 made it to be bigger and better, big and good enough to make a difference in the life of India. "In a free enterprise the community is not just another stakeholder in business, but is in fact the very purpose of its existence" (cited in Graham, 2010).

As early as 1892, Jamsetji endowed an educational scholarship fund to enable deserving Indian students study abroad in some of the world's best universities. By 1924, some 20% of all Indian Civil Service (ICS) employees had been beneficiaries of the Tata endowment. But Jamsetji had already planned to start world-class educational institutions in India to leverage local talent. To this effect in 1898, Jamsetji donated nearly half of his fortune amounting to some 10 million rupees (today around US$140 million) – 14 buildings and four other properties in Bombay – for a university dedicated to science. The result was the Indian Institute of Science in Bangalore, approved only in 1909, and started in 1911, seven years after Jamsetji's death. Another grand initiative of Jamsetji that he realized during his lifetime was the magnificent Taj Mahal Hotel in Bombay, pioneered and built against all opposition in 1903, with an investment of some 42 million rupees (about US$176 million today). This was a luxurious elegant hotel, the best of its kind in India then as it is now, the first building in Bombay with electricity that ran USA electric fans, German-made elevators, Turkish baths, and English butlers. The Taj featured the first-ever licensed bar, the first restaurant serving meals all day, and India's first nightclub. It soon became the pride of India, and the most preferred hotel among foreign kings and queens, nobilities and aristocracies, presidents and ambassadors, business tycoons, and domestic dignitaries. Even though attacked by terrorists in 2008, the Taj has been restored to full splendor to this day.

The Tata Ethics Culture is best expressed by Jamsetji Tata in a speech of 1895 when he opened the Empress Mills in Bombay: "We do not claim to be more unselfish, more generous and more philanthropic than other people. But we think we started on sound and straightforward business principles, considering the interests of the shareholders our own, and health and welfare of the employees the sure foundation of our prosperity" (The quotable Jamsetji Tata, March 2008, http://.www.tata.com/aboutus/articlesinside/).

The Tata Family

Jamsetji Nusserwanji Tata (1839–1904) was born March 3, 1839, the only son of the five children born to a Zoroastrian priest Nusserwanji Tata and his wife Jeevanbai, in Navsari, one of the oldest cities of Gujarat, India. The Parsees sought asylum in Gujarat when persecuted in their own homeland of Persia, and the then King of Gujarat assigned Navsari to them around 1200 AD for their camping. The Parsees made Navsari their center of religion, culture, and learning. Nusserwanji Tata was the first priest to break with

tradition and became a banker and an entrepreneur instead. Like his father, Jamsetji also chose a business career and at 14 joined his father in trading, then operating in Bombay. Jamsetji, however, also studied in Elphinstone College, graduated in 1858, and while a student married Hirabai Daboo, who gave him two sons, Dorabji and Ratanji. While graduating at Elphinstone, Jamsetji lived through the turbulence of the Indian Rebellion in 1857.

Soon after graduation, Jamsetji was engrossed in his father's trading business and quickly studied the dynamics of trading, banking, and the markets. Subsequently, he travelled through UK, Europe, and USA that broadened his education and opened his business visions to vast opportunities in India. Jamsetji founded his own trading company in 1868 when he was barely 29, and started another in 1869. His tours in England had exposed Jamsetji to the stagnant textile mills. He bought a bankrupt oil mill in Chinchpokli on the outskirts of Bombay, converted it to cotton production naming it Alexandra Mill, and turned it around and sold it two years later. He invested the profits into new business ventures. He dared to think different: his next venture was the cotton country of Nagpur, some 800 km far away from the bustling city of Bombay. There, in 1877, he opened the Central India Spinning, Weaving and Manufacturing Company, later named Empress Mills, after Queen Victoria who was just then installed empress of India. He created a pension fund (1886 Provident Fund) at Empress Mills and an accident fund (1895 Accident Compensation Fund), both rare even in the West during that period.

In 1902, Jamsetji drew elaborate plans for creating a truly modern industrial town – a town that would attract, develop, and retain the best and brightest steel workers and engineers for the Tata Iron and Steel Company or TISCO he would found in 1904 in Sakchi, Jamshedpur. The town planned for wide streets planted with shady trees, plenty of space for lawns and gardens and parks, large areas for football and hockey fields as well; in a spirit of promoting their faith, Jamsetji even provided for the building of Hindu Temples, Islamic Mosques, and Christian Churches. He recognized the importance of building a religious and social community to support the industrial community. Sadly, Jamsetji died on May 19, 1904, while traveling in Germany on work, much before he would see TISCO and the planned city completed. He was 65. His son Dorabji Tata oversaw the completion of the construction, and on May 25, 1907, TISCO was formally founded and inaugurated, and the first steel ingot was produced in 1912. In 1919, Lord Chelmsford renamed the city Jamshedpur in honor of Jamsetji Tata. By 1939, Tata was operating the biggest steel mill in the British Empire. Now TISCO or Tata Steel operates in 26 countries and is the fifth largest steelmaker in the world.

Jamsetji's second industrial goal was to build a vast hydroelectric plant. In the early 1990s in India, factories and mills relied exclusively on coal for energy, a high-cost nonrenewable source. An alternative source like hydro

would not only be more eco-friendly, but spelt better economies of scale for industrial growth and expansion. He harvested the monsoon flood waters of the Roha River that were being wasted each year flowing from the Western Ghats into Bombay harbor, and harnessed them to generate power – the Tata Hydro-Electric Power Company was established in 1910, about five years after Jamsetji's death. Today, Tata Power is the largest private-sector electricity generating company in India, providing around 4% of the nation's electric power.

Reflections

(1) From the above story of the Tata Group judge what makes the conglomerate a most trusted institution today?
(2) How did Jamsetji Tata instill trust in the best of engineers and other support professionals that he lured to a then far-away town such as Jamshedpur in the early 1880s?
(3) Does the proposition that the Tata Group represents the triumph of social capitalism assure its trustworthiness among all its stakeholders, and why?
(4) How will you use your organization to build institutional trust in your charges and why?

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Case 3.2: How Organized Online Marketing and *Kirana* Shops Support and Trust Each Other

In 2006, when large retail giants in India such as Reliance Industries, Future Group, the Aditya Birla Group, and others invested Rs 40,000 crore (then US$10 billion) to expand organized retailing, there was strong sentiment that this project would kill the neighborhood *kiranas*. Today in 2015, barely nine years later, the opposite has happened: the retail giants seem to empower the *kiranas* to survive, blossom, and prosper. Neighborhood *kirana* stores know their customers like none. Giant retailers like Amazom.com, Brand, Brand Factory, Pantaloons, and City Bazaar have now learnt that partnering with them is their best bet. Jeff Bezos, the founder of Amazon.com, wants to use the *kirana* network, earlier seen as competition, to grow retail sales. His

target is to bring India's 5,000 *kiranas* under Amazon umbrella within two years. His *kirana* business model is simple: the *kirana* store earns Rs 20 for every package delivered to the customer's doorstep and Rs 15 for every packet picked up by the customer from his store.

Bhuvaneshwari Rice Shop, founded in 2012, is a 500 square foot *kirana* store of Madan Mohan Reddy, age 21, of Bangalore. He works hard over 17 hours a day and makes around Rs 50,000 a month. He is a tech-savvy graduate, ambitious, and uses a large smartphone. A digital literate, he knows about products such as the mobile wallet and is open to cash-on-delivery to win new customers. Some 18 months ago, January 2014, Amazon.com, the US$89 billion online retail giant, began its "I Have Space" (IHS) program using the street corner mom & pop *kirana* network to deliver products to Amazon customers. Reddy saw his future instantly, made a phone call, and registered as a delivery partner. Rest is history. He provided his PAN card details to Amazon.com, and the latter gave him a Samsung tablet and a palm-sized credit card payment device to connect the payments to Amazon's seller app and the cloud server on the backend. Reddy has not looked back since. Because of Amazom.com, he has extra reach and more customers. His sales have increased by Rs 20,000 per month and he makes an additional Rs 15,000 by delivering products ordered on Amazon at his store. When customers come to his store to pick up their Amazom.com orders, they buy products and services from his stores. Moreover, when he began delivering Amazon products doorstep to some of his loyal customers, they asked him if he would deliver groceries too. Madan earns currently Rs 85,000 a month.[3]

Madan's success story is infectious. The Amazon IHS program is catching on in Bangalore and will be scaled up in other major cities of India. This recent *kirana* attention is "because the *kiranas* know the customer better than anybody and their services add more value to our customer service experience," says Amit Agarwal, Managing Director of Amazon India. The *kiranas* may know the customer more, but do not capture that information, while Amazon can use this data mine for advantage.

Kiranas are also hubs for booking rail, air, and bus tickets along with centers for filling up passport and tax forms and mobile recharge vouchers to supplement their revenue. Over the years, *kiranas* have widened their services to include selling apparel, mobile repairs, and ironing clothes. Reports by CRISIL and Ernst & Young estimate the total number of *kiranas* in India at 12-million outlets and they clearly seem to dominate the US$550 billion retail market. The organized retail sector accounts for less than 8% of Indian retail sales, and this share has crept up only by 3% during the last 10 years. If you can't beat them, join them, is the current Amazon strategy. While Flipkart and Snapdeal have not made the *kirana* partnership their immediate agenda, Kishore Biyani's US$3 billion Future Group is committed to learning from and linking with the *kiranas*.

Ethical Questions

(1) Retailing is a buyer–seller trust-building game. As an organized retailer executive, how do you plan and strategize building the trusting brand community of suppliers and customers?
(2) As a middleman between brands suppliers and highly brand-conscious customers, what vulnerabilities do you foresee on both sides, and how do you plan on working around such vulnerabilities?
(3) Sophisticated organized retailing today needs highly specialized talent of informed and problem-solving salesmanship and building lifetime loyalties among major target markets – how will you recruit, train, develop, and retain such sales force retailing talent, and all these with high principled ethics?
(4) Taxation still favors small businesses in India; moreover, regulations restrict real estate purchases, especially agricultural land for safeguarding backward integration of food production and logistics. In this context, how will you build trusting relationships with government authorities and regulations enforcement people?
(5) As a corporate retailing executive in India, how would you empower organized retailing by building trusting relationships, and even with competition?
(6) As a corporate organized retailing executive in India, how would you design and build a win–win partnership by building trusting relationships with the immense 12-million *kirana* network in India? What will be its ethical ramifications?

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3.5. The Ethics of Executive Trust

"Hire well, manage little," affirms Warren Buffett. He builds trust and relies on trusting relationships. His model of extreme decentralization would not work unless he trusted the operating managers, and they delivered. A notable fact is that nobody at Berkshire Hathaway is awarded stock options. Having hired well, Buffett limits his interactions with his CEOs to the minimal, only to get involved in capital expenditure (CAPEX) decisions. He allows 100% operating freedom to his managers, with full expectation that they will be conscientious. This tightrope walk has ensured that Berkshire has never lost a CEO to competition in all these decades. It also demonstrates the fiduciary responsibility that is ingrained in the Berkshire culture. In May 2009, when the world was barely merging out of the credit crisis, Warren Buffett's partner Charlie Munger said something fundamental about Berkshire Hathaway that resonated with the 35,000 people present at the annual meeting: "Our model is a seamless web of trust that's deserved on both sides. That's what we are aiming for. The Hollywood model, where everyone has a contract and no trust is deserved on either side, is not what we want at all." Warren Buffett added: "We don't want relationships that are based on contracts." It is this seamless web of deserved trust that is unique to Berkshire (see Mahalakshmi & Padmashali (2015). 50 Master Moves that Shaped Berkshire Hathaway. *Outlook Business*, *Special Issue*, India, June 12, pp. 38, 40).

Franklin Covey said that trust is a combination of character and competence. Most executives work on improving their competence, almost forgetting that building their character has far greater impact on people around them than their skill sets. "Organizations and leaders high on competence but low on character will not survive in the long run" said Shivkumar, Chairman and CEO of PepsiCo India Holdings Pvt. Ltd, in his recent *JRD Tata Ethics Oration*, XLRI, Jamshedpur, Jharkhand, India. He added, "Trust in a leader generates confidence and optimism in every sphere. Trust in a leader builds a powerful ecosystem" (Shivkumar, 2014, p. 5).

Building trust and living interpersonal trust are crucial corporate executive virtues that are needed today. Once you have developed and solidified a high level of genuine interpersonal trust with all your stakeholders, especially employees and customers, then you are on the right path of managing and transforming your company. A high level of interpersonal trust between all stakeholders and you in a business situation will break down communication barriers, foster serious conversation and sharing of ideas, and will eliminate anxieties, fear, guilt, rigidity, blame, and resentment. When your stakeholders trust you and you trust them, then you speak freely, they speak freely, and your mutual sustained transparency is a gateway to survival, revival, and sustained corporate recovery and transformation. The informal and transparent communication networks that you establish between all concerned parties will hoist and empower the company for steady growth and prosperity. Conversely, when there is low trust, high mistrust, and high distrust among stakeholders in a business situation, communications and conversations are stressed and fragmented, teamwork and team spirit are very low, and the company is heading toward its ruin and extermination.

Such is the crucial role of interpersonal trust in business. This chapter explores the phenomenon of corporate interpersonal trust.

Human beings are naturally predisposed to trust. It is a survival mechanism (i.e., it is in our genes and childhood and adolescent learning) that has served our species quite well. Our willingness to trust, however, can get us into trouble, especially when we trust too readily and have difficulty distinguishing trustworthy people from untrustworthy ones. In the wake of massive and pervasive abuses of trust (e.g., Enron, Tyco, WorldCom, AIG, Washington Mutual, Fannie May, Freddie Mack, Bernie Madoff, and all other new corporate scandals that surface each day), social psychologist Roderick Kramer suggests that we rethink trust today. Maybe we trust poorly, or trust too readily. At a general or species level, this may not matter very much as long as there are more trustworthy people than not. Nevertheless, at the individual level, it can be a real problem. We could be very vulnerable. To survive as individuals, we must learn to trust wisely or temperately (Kramer, 2009).

Mutual trust is a symbiotic relationship – leaders must first trust others before others will trust them. Building trust takes time, courage, and consistency, but the results and rewards are an unimpeded flow of intelligence. Good leaders do not want yes-people around them; they want everyone to tell the truth even though it may cost them jobs. Exemplary leaders encourage, and even reward, openness and dissent. Dissent may make you briefly uncomfortable, but better information (via dissent) helps you to make better decisions. Good leaders, moreover, admit mistakes. Admitting your mistakes not only disarms your critics but also encourages your employees to own up their own failings. Speaking truth to power (e.g., to a boss) requires both a willing listener and a courageous speaker. It took tremendous courage for Sharron Watkins, an Enron senior employee, to confront Jeffrey Skilling with the facts of the company's financial deception (O'Toole & Bennis, 2009).

If trust facilitates informal cooperation and reduces negotiation costs, then it is invaluable to corporate and business organizations that depend upon professional people, cross-functional teams, interdepartmental synergies, skilled work groups, and other cooperative structures to coordinate business treatment (see Creed & Miles, 1996; Powell, 1990; Ring & Van de Ven, 1992). The best device for creating trust between business executives and stakeholders is to establish and support trustworthiness of both parties (Hardin, 1996). Building trustworthy relationships by habitually discharging mutual obligations between parties to transactions can mitigate the risk of opportunism on the part of both parties and forestall costly legal battles and the consequences of expensive fraudulent insurance premiums (see Whitener, Brodt, Korsgaard, & Werner, 1998).

Trust is one thing that changes everything in an organization. All things are rooted in trust. While ethics is fundamentally important and necessary, it is absolutely insufficient. Trust is hard, measurable, and impacts everything else in relationships, organizations, markets, and societies. Financial success comes from success in the marketplace, and success in the marketplace comes from success in the workplace, and the heart of all success is trust. Trust is the ultimate root and source of our influence. Low trust causes friction, whether it is caused by unethical behavior or by ethical but incompetent behavior (because

even good intentions can never take the place of bad judgment). Low trust is the greatest cost in life and in organizations, including families. Low trust creates hidden agendas, politics, interpersonal conflict, interdepartmental rivalries, win–lose thinking, defensive and protective communication – all of which reduce the speed of trust. Low trust slows everything, every decision, every communication, and every relationship (Covey, 2006, pp. xxiv–xxv).

Simply stated, trust means confidence. The opposite of trust – mistrust – is suspicion. When you trust people, you have confidence in them – in their integrity and in their abilities. When you mistrust people, you are suspicious of them – their integrity, their agenda, their capabilities, or their track record. "The moment there is suspicion about a person's motives, everything he does becomes tainted," Mahatma Gandhi. But when you begin to trust people in an organization, everything begins to change – you increase speed of decision and actions, you lower cost, you increase sales, you increase profits and growth – you improve results in all areas. The speed of trust affects the speed of the marketplace you control. On the contrary, low trust (i.e., bad relationships) slows everything (Covey, 2006, p. 9).

Before we trust others, do we trust ourselves? If we cannot trust ourselves, we will have a hard time trusting others. This personal incongruence is often the source of our suspicion of others. We judge ourselves by our intentions and others by their behavior. Hence, the fastest way to restore trust is to make and keep commitments – even very small commitments – to ourselves and to others (Covey, 2006, pp. 12–13).

3.6. The Economics of Trust: Low Trust Tax

"Mistrust doubles the cost of doing business" (John Whitney, Columbia Business School). "Widespread distrust in a society […] imposes a kind of tax on all forms of economic activity, a tax that high-trust societies do not have to pay" (Francis Fukuyama: Trust) (cited in Covey, 2006). When trust is high, speed of decisions goes up, and costs go down. Consider the following cases:

Case 3.3: Warren Buffett, CEO of Berkshire Hathaway

Warren Buffett, CEO of Berkshire Hathaway, in 2004 completed a major acquisition of McLane Distribution (a $23 billion company) from Walmart. Both companies as listed public corporations were subject to all kinds of market and regulatory scrutiny. Typically, a major merger of this size would mean "due diligence" by lawyers, auditing by auditors and accountants to verify mountains of information. But in this case both parties had high trust with each other, and a deal was made in less than two hours, and the deal was cleared and completed in less than a month. In a management letter that accompanied his 2004 annual report, Warren Buffet wrote: "We did no 'due diligence.' We knew everything would be exactly as Wal-Mart said it would be – and it was." High trust is high speed, low cost.

Case 3.4: Herb Kelleher, Chairman and CEO of Southwest Airlines

Herb Kelleher, chairman and CEO of Southwest Airlines, is another example of great trust. Walking down the hall one day, Gary Barron, then executive VP of the $700 million maintenance organization for all Southwest, presented a three-page summary memo to Kelleher outlining a proposal for a massive reorganization. On the spot, Kelleher read the memo, asked one question that Baron responded satisfactorily, and Kelleher concluded: "Then it's fine with me. Go ahead." The whole interaction took about four minutes. Kelleher was a trusted leader, and he also extended trust to others. He trusted Baron's character and his competence. The deal moved with incredible speed. High trust is high speed, low cost. Low trust is a tax, while high trust is a dividend (Covey, 2006).

According to a study by Warwick Business School in the UK, outsourcing contracts that are managed based on trust rather than on stringent agreements and penalties are more likely to lead to trust dividends for both parties – as much as 40% of a total value of a contract. High trust is high speed, low cost. "Trust is something you can do something about, and probably much faster than you think. […] Nothing is as fast as the speed of trust. Nothing is as fulfilling as a relationship of trust. Nothing is as inspiring as an offering of trust. Nothing is as profitable as the economics of trust. Nothing has more influence than a reputation of trust. Trust truly is the one thing that changes everything. And there has never been a more vital time for people to establish, restore, and extend trust at all levels than in today's global society" Covey (2006, p. 26).

Unlike the myth that trust is a soft, emotional concept and fuzzy, executive trust is a hard, measurable, and quantifiable concept, construct and strategy that affect speed and cost of corporate operations. Unlike the myth that trust is slow and slowing operations, nothing is as fast as the speed of trust. Trust can leverage any strategic advantage. Trust is a function of integrity (ethics and character) and competence (skills, expertise). You can create trust when absent or destroy when present. It is up to you to build trust in you and in your organization. Though difficult, in most cases you can restore trust. Not all trust is inherited. When not inherited it can be nurtured, cultivated, taught, and learned. Not trusting people is a greater risk and more vulnerable (See Covey, 2006, p. 25).

3.7. How Does Trust Work?

In his book, Covey (2006, *Speed of Trust*, p. 34ff) speaks about five waves of trust from inside-out.

(1) **The first wave is self-trust: Credibility**: self-trust is confidence we have in ourselves, in our ability to set and achieve goals, to keep commitments, and the like. The major questions that arise are: How credible am I? How believable

am I? A good and strong character with high competence of credibility, judgment, and influence deserves and attracts trust from others.

(2) **The second wave: Relationship trust**: consistent behavior. Covey prescribes thirteen behaviors crucial to high-trust leaders around the world: e.g., talk straight, demonstrate respect, create transparency, right wrongs, show loyalty, deliver results, get better, confront reality, clarify expectations, be accountable, listen first, keep commitments, and extend trust. Major executive questions, he suggests, are: How do you establish and increase "trust accounts" with others? Exercise the 13 behaviors: they can be learned, cultivated, and acquired by any individual at any level within an organization, including the family. The net result is significantly increased ability to generate trust with all stakeholders.

(3) **The third wave: Organizational trust**: align your character and competence to organization's systems, symbols, and structures that promote trust or reduce mistrust, and ask: How do you build, sustain, and enhance trust in organizations such as family, schools, colleges, workplace, office, boardroom, corporation, governments, church, clubs, and associations?

(4) **The fourth wave: Market trust**: reputation states that brands powerfully affect customer behavior and loyalty. Customers always refer, buy, and patronize high-trusted brands. Hence the questions: How can your personal brand (reputation) and that of the company reflect the trust of customers, suppliers, investors, and local and national communities?

(5) **The last and the fifth wave is societal trust that spells**: Contribution. By contributing or "giving back" we counteract suspicion, cynicism, and low-trust inheritance taxes within our society. Relevant questions are: How can our "contributions" create value for others and for society at large? How can we inspire others to create value and contribute as well?

3.8. Building Trusting Relationships

Based on reviews of interpersonal trust literature, and as applied to the business executive-stakeholder context, we define trust under three facets (Whitener et al., 1998, p. 513):

(1) A stakeholder's trust in another party such as a business or corporate executive reflects an *expectation* or belief that the other party will behave benevolently, competently, honestly, and predictably.

(2) The stakeholder cannot control or force the business or corporate executive to fulfill this expectation, and thus, trust involves a *willingness to be vulnerable* and a *risk* that the executives may not fulfill that expectation.

(3) Thus, stakeholder trust involves some level of *dependency* on the business/corporate executive, and hence, stakeholder satisfaction (as an outcome) in a business situation will be influenced by the actions of the business/corporate executives.

Defined thus, stakeholder trust is an *attitude* (see Fishbein & Ajzen, 1975; Robinson, 1996) held by the stakeholder toward the business executive. This attitude derives from the stakeholder's perceptions, beliefs, and attributions about the business executive, and these, in turn, are based upon stakeholder's knowledge and observations of the business executive.

3.9. The Biochemistry of Human Trust

Thanks to our large brain, humans are born physically powerless and highly dependent on caretakers (See Kramer, 2009, p. 70–73). Thus, we enter the world "hardwired" to make social connections. For instance, within an hour of its birth, the baby will draw her head back to look into the eyes and the face of the person gazing at her. Within a few more hours, the infant will orient her head in the direction of the mother's voice. Within a few more hours, the baby can actually mimic a caretaker's expressions and keep on exchanging mimics. In short, we are social beings socially hardwired from our birth. Scientists now consider the nurturing qualities of life – the parent–child bonding and mutual exchanges between caretakers – as the critical attributes that drive brain development. Serious lack of nurturing bonding may even impair brain development. This partly explains the success of the human species in terms of survival. We are born to be engaged and to engage others, which is what trust is largely about. The natural tendency to trust makes sense in our evolutional history.

Research indicates that the brain chemistry governing our emotions plays an important role in trust. According to Paul Zak, a cutting-edge scientist in the new field of neuro-economics, oxytocin, a powerful natural chemical found in our bodies (which, incidentally, also plays a major role in a mother's birth-labor management and milk production) can enhance trust and trustworthiness between people playing experimental trust games. Even a squirt of oxytocin-laden nasal spray is enough to do it. Other researchers have confirmed this – oxytocin is connected with positive emotional states that create social connections. Even animals become calmer, docile, and less anxious when injected with oxytocin.

We tend to trust people who resemble us physiologically. Lisa DeBruine provides compelling evidence on this feature. She developed a clever technique for creating an image of another person that could be morphed to look more and more (or less and less) like a study participant's face. She found that trust significantly increased with greater levels of similarity. The tendency to trust people who are similar to us may be rooted in the possibility that such people might be related to us. Other studies affirm that we like and trust people who are members of our own social group more than we like and trust outsiders and strangers.

Psychologist Dacher Keltner and her associates have shown that physical touch also has a strong connection to the experience of trust. In an experimental game widely used to study decisions to trust, an experimenter would touch slightly and unobtrusively the back of some individuals when explaining the

game while distancing from others. The former were more likely to cooperate with their partner than compete against. Keltner also notes that greeting rituals throughout the world involve touching.

Our brain wiring can also hinder our ability to make good decisions about how much risk to assume in our relationships. Researchers identify two cognitive illusions that increase our propensity to trust: (1) *person invulnerability* (this illusion makes us underestimate the likelihood that bad things will happen to us) and (2) *unrealistic optimism* (this illusion overestimates the likelihood that good things will happen to us). By the first illusion, we ignore high risks of street crimes, drunken driving, over-speeding, and the like thinking that nothing will happen to us. By the second illusion, we fondly entertain high hopes of marrying well, having great industrial careers, long life, and so on when the true odds of such combined outcomes is low.

3.10. The Psychology of Trust

Thus, it does not take much to tip humans toward trust. Trust is our regular default position; we trust routinely, reflexively, and somewhat mindlessly across a broad range of social situations. Trust rarely occupies the foreground of conscious awareness; we trust instinctively. Roderick Kraemer prefers to call this "*presumptive trust*" – our tendency to approach many situations without suspicion. Most of us, unless we have been victims of trust violation too early in life, have a predisposition or bias toward trust (Kramer, 2009, p. 71).

Presumptive trust, however, can also be disastrous when combined with the way we process information. For instance, we have a proclivity to see what we want to see. Psychologists call this the *confirmation bias*. That is, we pay attention to and overweigh information that supports our hypothesis or theory about the world, while we easily downplay or discount evidence to the contrary. Moreover, we are heavily influenced by social stereotypes – we too easily link virtues such as honesty, trustworthiness, reliability, and likeability with facial characteristics, good looks, age, gender, race, and the like. Psychologists call such tendencies our *implicit theories* of personality. We categorize and label people quickly and render social judgments swiftly. Thus, we may easily overestimate the trustworthiness of people while making ourselves physically, financially, and emotionally vulnerable. This could be even more dangerous if people fake outward sign of trustworthiness. Virtually, any indicator of trustworthiness can be manipulated or faked by smiles, maintaining strong eye contacts, gentle touch, cheery banter, and the like.

Further, we often rely on trusted third parties to verify the character or reliability of other people. Calling and interviewing "references" is a case in point. We easily "roll over" our trust from one known and trusted party to another who is less known. This is "*transitive trust*" says Kramer (2009, p. 72). Transitive trust can lull people into a false sense of security. Evidence suggests that Bernie Madoff was very skilled at cultivating and exploiting social connections – one of

his hunting grounds was the Orthodox Jewish community, a tight-knit social group.

Social psychologist Roderick Kramer (2009, pp. 74–77) offers many practical rules to adjust our mind-set and behavioral habits that could reduce doubt and ambiguity. We cite two:

(1) ***Know yourself***: Do you trust too much and too readily? Are you an optimist that believes most people are decent, harmless, and trustworthy? Hence, do you easily and indiscriminately open up to people by disclosing sensitive and critical information about yourself and family, about others, or about your company, before prudent, incremental foundations of trust have been established? Alternately, are you the opposite of all of the above, and hence, too mistrustful when venturing into relationships with others? Both are bad positions. Thus, figure out who you are, easily trusting the wrong people or congenitally mistrusting the right people? If you are the former, then you must get better at interpreting the cues of people you receive. If the latter, that is, you are good at getting and interpreting cues but have difficulty forging trusting relationships, then you will have to expand your repertoire of behaviors.
(2) ***Look at roles as we as people***: Adopt clear and compelling roles, and downplay social connections. The latter are important, but often they get in the way of trust. For instance, we trust engineers because we trust engineering theories and principles, and that engineers are trained to apply them. Similarly with other professions and roles, such as Doctors and Lawyers. Deep trust in a professional role can substitute our lack of personal experience with people. Role-based trust, however, is not foolproof, as the recent Wall Street meltdown and Bernie Madoff demonstrate.

Trust plays a critical role in business, economics, and the social vitality of nations. Our predisposition to trust, however, can make us vulnerable. The above rules are a primer on how to temper and discipline your trust and trusting relationships. Although neuro-economists, behavioral scientists, and social psychologists provide powerful new techniques such as brain imaging and agent modeling to discover how we make judgment of trust, yet in day-to-day operations we need some rules to temper our trust by sustained and disciplined ambivalence (Kramer, 2009).

3.11. Building Trust in the Initial Stages

Trust can build even at earlier stages of interpersonal relationships and does not necessarily have to depend upon longer and relationships that are more frequent. It is more challenging to build trust during initial stakeholder–business executive relationships when several factors are significantly low such as *interpersonal familiarity, perceived similarity of values, and the length and frequency of interactions.* Additionally, there could be several situational factors that can stimulate mistrust and/or distrust such as *high risk, vulnerability, past damages sustained,*

and past track record of questionable behaviors among certain business executives. The latter have been found to build mistrust (e.g., Doney & Cannon, 1997; Nicholson Compeau, & Sethi, 2001). A typical buyer–seller or stakeholder–business executive exchange encounter is an interpersonal exchange of social and economic benefits. Trust occurs in the context of this exchange.

3.12. Inter-organizational Trust and Investments

Fang, Palmatier, Scheer, and Li (2008) explore inter-organizational trust that can occur at three distinct organizational levels in an interfirm collaboration:

(1) Inter-organizational trust between collaborating firms (say, A and B);
(2) Each firm's (A or B) agency trust in its own representatives assigned to a collaborative entity (co-entity such as suppliers or distributors of A or B collaborating among themselves); and
(3) Trust among the representatives assigned to the entity (intra-entity).

Inter-organizational and agency trust can motivate collaborating firm's resource investments in the co-entity (e.g., suppliers, distributors), particularly in the context of a differentiating strategy. Intra-entity trust promotes coordination within the co-entity, while inter-organizational trust and a differentiating strategy can magnify that effect. Thus, managing and building trust at multiple levels between collaborating organizations is critical to the success of that collaboration.

Inter-organizational trust affects and stimulates investments into one another. These investments could be in tangible and nonfungible assets such as manufacturing facilities, specialized machine equipment and tools, office buildings and corporate headquarters, as also in intangible assets such as employees who possess irreplaceable tacit knowledge, employees who are trusted representatives of the firm, and strategic technologies and patents. Inter-organizational trust increases relationship investments and communication and reduces costs of opportunistic behavior (Selnes & Sallis, 2003). Mutual trust functions as a safeguarding and controlling mechanism that enables information sharing and reduces the perceived risk of opportunism and conflict between collaborating firms (Lane, Salk, & Lyles, 2001). Conversely, lack of such trust can lead to suspicion and conflict (Bamford, Ernst, & Fubini, 2004) and may prevent future investments and even lead to the withdrawal of existing investments (Inkpen & Beamish, 1997).

Given our understanding of inter-organizational trust in the context of social exchange and agency theories, and given the fact that they can foster benefits of communication, information sharing, and increased relational investments, we propose the following:

Table 3.1 summarizes the theories of trust and corresponding propositions we have discussed thus far. Most of these theories and propositions deal with the initial stages of trust among relatively unfamiliar strangers. In general, as much

Table 3.1: Foundations of Interpersonal Trust between Stakeholders and Corporate Executives.

Basic Concepts of Trust	Basic Theories of Trust	Basic Factors that Promote Trust	Stakeholder–Corporate Executive Trust	
			Basic Hypotheses of Stakeholder–Corporate Executive Trust	Basic Factors that Promote Stakeholder–Corporate Executive Trust
Trust is something personal	Trust as a personality trait, an individual difference	Personal reputation for trustworthiness	Higher the trustworthiness of the corporate executive, the higher is stakeholder trust	Corporate executive's techno-professional and empathy skills can enhance trustworthiness
Trust as trusting beliefs	Trust as rational prediction of one's good behavior	Honesty, integrity, and past good record of the trusted party	Higher one's honesty, integrity, and past good record, the highest is trust of the trustor	Cultivate honesty, integrity and a reputation of trustworthy behavior
Trust as mistrusting beliefs	Trust as rational expectation of one's bad behavior	Dishonesty, unpredictability, and past bad record of the trusted party	The higher the dishonesty, unpredictability, and past bad record of the trusted party, the higher is the mistrust of the trustor	Repair and restitute the damage of past dishonesty, lack of integrity, and untrustworthy behavior
Trust is interpersonal	Trust as an interpersonal attitude	Frequency of interactions and interpersonal relations	Higher the stakeholder's positive attitude toward the corporate executive via frequent, mutually open and cooperative interactions, the higher is stakeholder's trust	Frequent stakeholder–corporate executive mutually open and cooperative relationships and interactions can foster positive attitudes of trust

		Mutual openness (frank information sharing) Mutual cooperation		
	Trust as socially embedded expectations Trust as faith in humanity	Similarity of values Similarity of beliefs, goals, and objectives Similarity of expectations	Higher a stakeholder's trust in the business corporate profession, the higher is stakeholder's trust in the corporate executive trust	Similarity of stakeholder–corporate executive beliefs, values, goals, and expectations
Trust is institutional	Trust as an institutional or Organizational phenomenon	Organizational values Institutional dependence structures Organizational faith building structures	Higher the stakeholder's trust in the legal institution of business and bankruptcy provisions, the higher is stakeholder's trust	Corporate company reputation, past track – record of honesty, and corporate executive – credentials can breed trust
Trust is situational	Complex and unfamiliar interpersonal situations necessitate trust	Accepting need for dependency under complexity and unfamiliarity Willingness to be vulnerable	The higher one's acceptance of the complexity-unfamiliarity of the corporate situation, the higher is stakeholder–corporate executive trust Higher one's willingness to be vulnerable, higher is one's trust	Stakeholder's acceptance of the complexity, risk and uncertainty of the corporate delivery system Stakeholder's willingness to be vulnerable

Table 3.1: (*Continued*)

Basic Concepts of Trust	Basic Theories of Trust	Basic Factors that Promote Trust	Stakeholder–Corporate Executive Trust	
			Basic Hypotheses of Stakeholder–Corporate Executive Trust	Basic Factors that Promote Stakeholder–Corporate Executive Trust
	Trust as a shield to one's vulnerability Trust can coexist with distrust	Positive distrust can enhance trust	One's positive distrust of the health delivery system can enhance stakeholder–corporate executive trust	Stakeholder's positive distrust of the corporate-bankruptcy delivery system

as we can assume stakeholders to be unfamiliar with the business situation and the newly appointed business expert or executive, these theories can help in initiating and building trusting beliefs and intentions.

In summary, in explaining the initial stages of trust, personality psychologists view trust as a personal psychological trait such as liking or as an individual difference (Deutsch, 1960; Mellinger, 1956). Others treating trust as a characteristic of interpersonal interactions consider trust as an interpersonal attitude (Anderson & Dedrick, 1990; Jones & George, 1998) or as socially embedded expectations (Ross, Frommelt, Hazelwood, & Chang, 1987; Rotter 1971, 1980) and relationships (Morgan & Hunt, 1994). As an institutional phenomenon, organizational scholars have focused on developing initial levels of organizational trust among relative strangers (McKnight, Cummings, & Chervany, 1998) or building deeper levels of trust among long partnerships and relationships (Williams, 2001). Finally, social psychologists define trust as an expectation about the behavior of others in transactions, focusing on the contextual factors that enhance or inhibit the development and maintenance of trust (Lewicki & Bunker, 1996).

3.13. Later Stages of Trust Development

Knowledge-based trust theories propose that trust develops over time as one accumulates trust-relevant knowledge through experience with the other person (Holmes, 1991; Lewicki & Bunker, 1995). Thus, time and interaction history can develop high levels of trust.

Typically, *trust development* is often conceived as one's experiential process of learning about the trustworthiness of others by interacting with them over time (Lewicki & Bunker, 1996; Mayer et al., 1995; Ring & Van de Ven, 1994). Stakeholders and business executives may relate to each other in multiple ways, in multiple encounters, and even multiple relationships within a given encounter. For instance, a stakeholder sees in the business expert an excellent specialist in the field that the stakeholder is interested in, a great diagnostician with a very high level of professionalism, a good work ethic, but less patient, less friendly, less compassionate, less communicative, and less listening. The stakeholder's relationship with the business executive is a function of all these attributes and encounters, and consequently, the stakeholder may trust the executive on some domains (such as academic excellence, professionalism work ethic, and business diagnostic skills), but distrust in other domains and encounters (e.g., communication, listening, respect, compassion, or patience with stakeholders). That is, the stakeholder may feel comfortable to trust the executive on some counts, but feel inappropriate to trust in other aspects (Baier, 1985; Govier, 1994). That is, parties to a trust–distrust relationship can hold simultaneously different views of each other – not always consistent and accurate. Continuous encounters with the executive may accumulate and interact to create a rich texture of experience that may be dominantly trusting, but with occasional distrusting moments. Within the stakeholder–executive relationship may occur many linkages

(link multiplexity) depicting the richness of interpersonal relationships (Katzenstein, 1996).

Table 3.2 synthesizes stakeholder–business executive interpersonal relations as a function of low versus high, trust and distrust. Each quadrant suggests clear implications to various stakeholders, including corporate and business executives. It is a challenge for all business executives to generate in their stakeholders low fear, low skepticism, and low cynicism such that costs of monitoring and vigilance over all parties may be significantly reduced. On the other hand, business executives also must do everything within their power and skills to generate high hope, high faith, high confidence, high assurance in their stakeholders and welcoming high stakeholder initiatives. Obviously, *Quadrant 1* is the best for corporate executives. But the other three Quadrants have their mixed benefits and challenges.

Finally, Table 3.3 sketches costs versus benefits of various stakeholder–business executive trust–distrust encounters. The bottom line of modern healthcare is profits so that the latter fuel ongoing research and development and innovative modes of healthcare.

Table 3.2: Stakeholder–Corporate Executive Interpersonal Relations as a function of Low and High, Trust and Distrust.

Stakeholder Trust	**Stakeholder Distrust**	
	High: High fear High skepticism High cynicism High monitoring High vigilance	**Low**: Low fear Low skepticism Low cynicism Low monitoring Low vigilance
High: High hope High faith High confidence High assurance High initiatives	***Quadrant I*** **High-trust stakeholder–corporate executive**: High value congruence, common objectives, and frequent interactions Pooled positive and trust-reinforcing experiences; few defense mechanisms Conversations are rich, deep, personal, and occasionally complex	***Quadrant II*** **Medium-trust stakeholder–corporate executive**: Sustained trust and distrust; trust constantly verified Strong reason to be confident in certain areas and diffident in others Relationships are multiplex, multifaceted, highly segmented, and bounded; like in strategic alliances

Table 3.2: (*Continued*)

	Hence, reason to be mutually confident No reason for suspicion High willed pooled interdependence and cooperation All opportunities for sharing information pursued New trust-building initiatives sought	Significant amounts of information shared under strict confidentiality Collaboration opportunities pursued but risks assessed Vulnerabilities continuously monitored and protected
Low: Low hope Low faith Low confidence Low assurance Few initiatives Low resistance	***Quadrant III*** **Casual-trust stakeholder–corporate executive**: Casual acquaintance Careful, bounded, arms-length discrete transactions No pooled trust-reinforcing experiences Conversations simple and casual No reason to fear or be confident No closeness or intimacy No threats to confidentiality as little information of consequence is shared Limited interdependence and cooperation Just professional courtesy	***Quadrant IV*** **High-mistrust stakeholder–corporate executive**: Undesirable eventualities expected and feared Conversations are cautious, guarded, and often laced with cynicism Pooled negative distrust-reinforcing experiences; bureaucratic checks No reason for mutual confidence Strong reason for watchfulness Significant resources for monitoring Harmful or exploitative motives not ruled out Interdependence difficult over time or at best, carefully managed Offensive self-defense

Source: Adapted from Lewicki et al. (1998, p. 445).

Table 3.3: Profile of Stakeholder–Business Management Executive Trust Levels: Costs versus Benefits.

Business Management Executive's Trust Level	**Trust Dimensions**	**Stakeholder's Trust Level**	
		Low	**High**
Low	**Costs**	Both stakeholder and business management executive: Low mutual cooperation Low mutual honesty Low mutual benevolence	High agency costs for the stakeholder: High-trust investment costs High affect and emotion costs High profit–loss probability High costs of very few options Low monitoring ability For the executive: no significant costs
	Benefits	Both stakeholder and business management executive: Low involvement Low interdependence Low investments; and Low benefits	Almost none to stakeholders Significant benefits to executives.
	Risks	Business management executive-opportunism Low executive commitment	Stakeholder abuse Stakeholder exploitation Stakeholder dissatisfaction Stakeholder may switch & not return
High	**Costs**	High agency costs for the executive: High-trust investment costs High affect and emotion costs	Both for stakeholder and for business management executives: Low agency costs such as: Bonding costs

Table 3.3: (*Continued*)

Business Management Executive's Trust Level	Trust Dimensions	Stakeholder's Trust Level	
		Low	**High**
		High loss probability	Monitoring costs
		Very few options	Warranty-guarantee costs
		Low monitoring ability	Search costs
		For the stakeholder: no significant costs	
	Benefits	Almost none to executives	Both for stakeholder and corporate executive:
		Significant benefits to stakeholders	High commitment
			High mutual cooperation
			Healthy interdependence
			High mutual honesty
			High mutual benevolence
			High satisfaction
	Risks	Corporate executive abuse	Sustaining high mutual trust
		Corporate executive exploitation	High dependence
		Corporate executive dissatisfaction	Stifled creativity due to over-trust
		Corporate executive may refuse cooperation	Few other options due to over-trust.
		Stakeholder opportunism	
		Stakeholder betrayal	

3.14. Trust in Buyer–Seller Business Management Relationships

Typically, a buyer–seller long-term exchange encounter represents a social exchange of benefits. Obvious benefits voluntarily provided by the buyer include

time, honesty, positive and negative information about oneself, one's credit, one's family and social careers, and monetary reward for the product or services; obvious benefits volunteered by the sellers relate to the quality and price of their products and services, complemented by their competence, benevolence, honesty, reliability, as reflected in care and concern for the customer.

The notion that ***customer relationships*** are key assets of any organization, whether pro-profit or otherwise, is gaining increasing prominence among both practitioners and academicians (Gruen, Summers, & Acito, 2000). This *customer asset management approach* has been referred to as "relationship marketing" and recently has received much attention in the area of building long-term relationships among channel members (Brown, Lusch, & Nicholson, 1995; Kumar, Scheer, & Steenkamp, 1995; Morgan, & Hunt, 1994). Marketing strategies such as book and record clubs, frequent flyer programs, gold and platinum credit card valued memberships, preferred customer memberships, and supplier guilds are illustrations of practical long-term relationships. In the professional service sector, lawyers, bankers, pastors, business executives, and doctors employ relationship-building approaches to their mission and ministry.

Specific examples of relationship marketing include: (1) Ritz-Carlton with its personalized welcome and farewell of guests, using the guest's name whenever possible. (2) Loyalty programs initiated by airlines that consist not only of rewarding the most valuable customers in the form of mileage prizes but also showing recognition of providing special privileges (Wulf, Odekerken-Schröder, & Iacobucci, 2001). (3) Compaq refused to sell computers directly to customers because that would constitute competing with its own dealers; the latter considered this refusal as a sign of Compaq's commitment to them, and the dealers reciprocated by providing the brand greater support and shelf space (Day, 1990). (4) Proctor and Gamble desisted from selling its top of the line men's perfume "Boss" over the Internet lest this practice should hurt P&G's relationships with Boss's regular brick and mortar retailers.

The view of trust as a foundation for social order spans many intellectual disciplines and levels of analyses (Lewicki et al., 1998, p. 438). Understanding why people trust and how trust shapes human relations has been the central focus of psychologists, sociologists, political scientists, economists, anthropologists, and scholars of organizational behavior and marketing. Researchers have seen trust as an essential ingredient for a healthy personality, a foundation for interpersonal relationships and cooperation, and as a basis for stability in social institutions and markets. Mutual trust between business partners has been found to be very vital in the uncertain, complex, volatile, and fast-paced business environment of today, especially given modern developments of globalization, strategic global competitive alliances (Prahalad & Hamel, 1994), and multicultural and multilingual relations (Cox & Tung, 1997; Sheppard, 1995).

3.15. Trust and Relational Contracting in Business Management

Basically, a *contract* states relationships between an enterprise and its stakeholders (Eisenhardt, 1989). An *enterprise* is any pro-profit or non-pro-profit institution such as firms, corporations, associations, or governments that offers a product or service to its target markets. A contract can take various forms such as exchanges, transactions, or the delegation of the decision-making authority, as well as formal legal documents.

There are various reasons why we need contracts in our transactions with people. The primal reason is the nature of the society we live in. Our freedom is expanded by the recognition of contractual rights and duties (Rawls, 1971). Because people in any society are not very isolated from others, share common needs and wants with others, need others in the areas they are not specialized in, and cannot be certain of the future, that contracts arise (Macneil, 1980). Without the institution of contracts and the right and duties that accompany them, modern business societies could not exist nor cooperate (Velasquez, 1988). All contracts presume choices that project into the future, and imply mechanisms of exchange relationships that reduce risk and uncertainty (Lusch & Brown, 1996).

Four basic ethical rules that govern social contracts are (Garrett, 1966, pp. 88–91): (1) both parties to a contract must have full knowledge of the nature of the agreement they are entering; (2) neither party must intentionally misrepresent the facts of the contractual situation to the other party; (3) neither party must be forced to enter the contract under duress or force; and (4) the contract must not bind the parties to an immoral act. Contracts that violate one or more of these ethical rules have been traditionally declared null and void since they diminish freedom that constitutes the essence of contracts (Rawls, 1971, pp. 342–350). The parties have a duty of complying with the terms of the contract. Failure to do so treats the other contracting party as a means and not as an end (Kant, 1964), and violates mutual trust (Rawls, 1971).

An enterprise has contracts (with varying degrees of formality and specificity) with its stakeholders such as customers and clients, creditors and suppliers, shareholders and bondholders. Basically, the enterprise may be considered as a "nexus of contracts between its top managers and its stakeholders" (Jones, 1995, p. 407). The board of directors and shareholders can influence these contracts. In as much as enterprise managers have a strategic position by which they enter directly or indirectly into contracts with various stakeholders, they can be considered as contracting agents for the enterprise.

In general, legal and formal agreements define transactional normative contracts, while ethical and moral principles determine relational normative contracts (Gundlach & Murphy, 1993). Business management can have both individual and group contracts that could be implicit or explicit, legal or normative, transactional or relational. All these dyads (explicit/implicit, legal/normative, transactional/relational) are not categorical but are exchanges that run on a continuum from implicit to explicit, from legal to social normative, from discrete,

short-term transactional to long-term relational contracts. Other things being equal, legal responsibility increases with explicit, legal, and transactional contracts, whereas moral responsibility increases with implicit, normative, and relational contracts.

Most transactions take place today in the context of ongoing relationships between producers, suppliers, marketers, customers, and consumers. Repeat purchases go beyond pure transactions to brand loyalty, and sometimes, to an ongoing buyer–seller relationship (Ganesan, 1994; Kalwani & Narayandas, 1995). Industrial buyer–seller relationships have moved from arms-length adversarial price -battles to more friendly mutually dependent commitments (Jackson, 1985). Even market transactions between competitor firms have become "domesticated" (Arndt, 1979) – they have become more relational than adversarial. Such domesticated transactions take place between the focal firm and its supplier firms, the focal firm and its channels (Anderson & Narus, 1990, 1991; Heide, 1994), between the focal firm and even its competitors, especially in the form of strategic alliances and marketing co-alliances.

In the wake of this trend of trust and long-term relationships in marketing, one should expect that both suppliers and customers might build up their trust in those marketing executives who consistently exhibit high levels of responsibility to all stakeholders. Obviously, the current thrust of trust and relationships in marketing practice should also enhance the sense of executive responsibility among marketing managers and practitioners.

Responsibility is best exercised in fostering long-term relationships with stakeholders (Drumwright, 1994; Ganesan, 1994) in a spirit of mutual trust and commitment (Gundlach & Murphy 1993; Morgan & Hunt, 1994). The additional marketing executive responsibilities accrue from the nature of relational trust. Howsoever conceived, defined, or implemented, trusting long-term relationships implies and mandates higher moral responsibilities than discrete and short-lived transactional relations mandate.

3.16. Business Management Stakeholder–Executive Cooperation

Trust has long been considered fundamental to cooperative relationships (Blau, 1964; Deutsch, 1958). Stakeholder trust is morally desirable: the emotional states associated with trust suggest its goodness; it creates economic benefits for all parties to the exchange (Wicks, Berman, & Jones, 1999). Mutual trust in stakeholder–business executive relationships – when both feel they can trust each other and are worthy of trust in return – provide a critical basis for self-esteem and a sense of security (Baier, 1994). In contrast, when people distrust others and do not trust themselves, their self-esteem may be harmed and their sense of security compromised. Since trust is a moral good, all people involved in a business environment should try both to cultivate trusting relations and to be seen as trustworthy (Baier, 1994; Wicks et al., 1999). Since business relationships with stakeholders are often among relative strangers (who are likely to be self-interested), mutual

trust building is even more imperative (Frank, 1988). In addition, trustworthiness of corporate and business executives can be a source of competitive advantage (Barney & Hansen, 1994).

Working together well requires some level of trust (Bromiley & Cummings, 1995), and increasingly common new work encounters demand that the parties come to trust each other quickly (Meyerson, Weick, & Kramer, 1996). Stakeholder–business executive encounters need working together and involve increasingly new work encounters, both of which need high and quick levels of trust for productive outcomes. Both need to know how trust initially forms.

Knowledge-based trust theories propose that trust develops over time as one accumulates trust-relevant knowledge through experience with the other person (Holmes, 1991; Lewicki & Bunker, 1995). Thus, time and interaction history can develop high levels of trust.

3.17. Opportunism and Opportunistic Behavior

Opportunism is a central concept in the Transactions Cost Economics (TCE) theory of Williamson (1975, 1985, 1993). Opportunism is a strategic behavior, whereby one makes false or empty "threats and promises in the expectation that individual advantage will thereby be realized" (Williamson, 1975, p. 26). Opportunism is "seeking self-interest with guile" (Williamson, 1985) or of seeking "self-interest unconstrained by morality" (Milgrom & John, 1992). Opportunistic behavior manifests itself in various ways such as lying, stealing, cheating, or other "calculated efforts to mislead, distort, disagree, obfuscate, or otherwise, confuse" (Williamson, 1985, p. 47) partners in business. Opportunism is "the ultimate cause for the failure of markets and for the existence of organizations" (Williamson, 1993, p. 102). However, if not for opportunism, "most forms of complex contracting and hierarchy vanish," and markets alone would be sufficient for handling most transactions through autonomous contracting (Williamson, 1993, p. 97).

TCE makes two behavioral assumptions: (1) opportunism, which suggests that one cannot predict others' behavior, and (2) bounded rationality, which implies that one cannot identify one's own best behavior. Not all are inclined to opportunistic behavior; those who do, the "determined minority" (Williamson, 1993, p. 98), may do because of the above two assumptions. Some may be inclined to "instrumental behavior" in which there is no necessary self-awareness that the interests of a part can be furthered by opportunism (Williamson, 1975). These people, without being aware, are instrumental in opportunistic outcomes of others.

According to Williamson (1993, p. 102), opportunism is primarily a "human condition," a human tendency or attitude (inclination, proclivity, and propensity). Opportunistic attitudes are "rudimentary attributes of human nature" (Williamson, 1991, p. 8). Opportunism is distinguished from opportunistic behavior; the latter are acts of self-interest with guile (Ghoshal & Moran, 1996).

Opportunism differs from mere "self-interested behavior."[4] The latter is presumed to be constrained by obedience to rules and faithfulness to promises, while opportunism (which is self-interest with guile) is not. Opportunism seeks self-advantages with no concern for the advantages of the other. Williamson, however, does not specify the mechanisms (e.g., economic institutions, markets) through which opportunism is created or reduced (Hart, 1990), and instead assumes it be a "human condition" (1993, p. 102). Even though this behavioral assumption of opportunism is regarded as an "extreme caricature" of human nature (Milgrom & John, 1992, p. 42), yet Williamson believed that opportunistic behavior (specific acts of self-interest with guile) can be controlled by proper social sanctions.

3.18. Concluding Remarks

The view of trust as a foundation for social order spans many intellectual disciplines and levels of analyses (Lewicki et al., 1998, p. 438). Understanding why people trust and how trust shapes human relations has been the central focus of psychologists, sociologists, political scientists, economists, anthropologists, and students of organizational behavior and marketing. Scholars have seen trust as an essential ingredient for a healthy personality, as a foundation for interpersonal relationships, as a foundation for cooperation, and as a basis for stability in social institutions and markets. Mutual trust between business partners has been found to be very vital in the uncertain, complex, volatile, and fast-paced business environment of today, especially given modern developments of globalization, and strategic global competitive alliances (Prahalad & Hamel, 1994), multicultural and multilingual relations (Cox & Tung, 1997; Sheppard, 1995).

Currently, there is a woeful lack of knowledge and technology in building trust of the public in the healthcare system; in fact, some medical professionals are even cynical, believing that loss of trust was so pervasive in our commercialized healthcare system that no initiatives to build it would likely succeed (Mechanic & Rosenthal, 1999). Thus, creating social and interpersonal trust should be a part of well-defined technology of structural innovations, positive incentives, teamwork, interpersonal skills, and disease management initiatives (Landon, Wilson, & Cleary, 1998).

NOTES

1. Cited in Covey (2006).

2. The growing importance of relationships in business has also heightened interest in the role of *trust* in fostering such relationships (Bendaupudi & Berry, 1997; Garbarino & Johnson, 1999; Kozak & Cohen, 1997; Sirdeshmukh et al., 2002). For instance, considerable effort has been devoted to examining the role of trust in relationship development, particularly within distribution channels in marketing (Doney& Capon, 1997; Morgan & Hunt, 1994; Nicholson, Compeau, & Sethi, 2001). Several conceptual (e.g., Gundlach & Murphy, 1993; Nooteboom, Berger, & Noorderhaven, 1997) and empirical (e.g., Garbarino & Johnson, 1999; Tax, Brown, & Chandrashekaran, 1998) approaches have

proposed trust as a key determinant of relational commitment. We can adopt these approaches to incorporate and build trust in business situations.

3. BW Online Bureau (2015). Lucrative Liaisons. *BWBusiness World*. Retrieved from http://www.businessworld.in/article/Lucrative-Liaisons/08-06-2015-82082/

4. Williamson's theory of TCE has been critiqued by several scholars. Common weaknesses detected are: (1) TCE exaggerates opportunism in markets; over time the invisible hand of the markets will weed out habitual opportunism (Hill, 1990); (2) according to TCE, organizations primarily exist because of their ability to attenuate opportunism through control; that is, organizations begin where markets fail; for one thing, organizations may not weed out all opportunism by rational or social control, and the other is, that in the bureaucratic process of doing so, they may generate more opportunism, as is argued by the "self-fulfilment prophecy" theory advocated by Ghoshal and Moran (1996); (3) the distinction between markets and hierarchies is overstated; most markets function within an organizational economy that continuously generates innovations and new products in the marketplace; thus "markets begin where organizations begin to fail" may be a more realistic assumption (Rumelt, Schendel, & Teece, 1991, p. 19); (4) TCE over-focuses control; although control is necessary in all organizations, a preoccupation with control obscures and weakens an organization's fundamental source of advantage over markets (Ghoshal & Moran, 1996).

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Chapter 4

The Ethics of Corporate Ethical and Moral Charismatic Leadership

Executive Summary

Leadership cannot exist without followership. The phenomenon of direction and guidance, coaching and mentoring, has at least three components: the leader, leadership, and followers. With each component, the composition of purpose and goals, ethics and morals, rights and duties, and skills and talents is critically important. While the leader is the central and the most important part of the leadership phenomenon, followers are important and necessary factors in the leadership equation. Leaders and followers are engaged in a common enterprise: they are dependent upon each other; their fortunes rise and fall together. Relational qualities define the leadership–followership phenomenon. A major component of such a relationship is how the leaders create and communicate new meaning to followers, perceive themselves relative to followers, and how the followers, in turn, perceive their leader. This mutual perception has serious ethical and moral implications – how leader uses or abuses power, and how followers are augmented or diminished. This chapter features the essentials of ethical and moral, corporate executive leadership in two parts: (1) the Theory of Ethical and Moral Leadership and (2) the Art of Ethical and Moral Leadership. Several contemporary cases such as inspirational leadership of JRD Tata, Crisis of Leadership at Infosys, and Headhunting for CEOs will illustrate our discussions on the ethics and morals of corporate executive leadership.

4.1. The Need for Moral Leadership Today

Warren Bennis, with over 50 years of leadership experience and extensive writing about it, is one of the world's leading experts on leadership. As a top-level advisor to four U.S. Presidents and distinguished Professor of Business Leadership at the University of Southern California, Bennis' influence cannot be overestimated. Bennis affirms that leadership is not some set of tricks to be studied and practiced, a how-to manual for the ambitious; it is the all-encompassing study of the human condition, its full potential, its vision and imagination, and its dignity and sanctity. *Know-thyself* was held as a precondition for success in

ancient Greece, and so it is today, but it is best realized in the crucible of hard experience. We come to know ourselves through self-invention and imagination. People who cannot invent and reinvent themselves must be content with borrowed postures, secondhand ideas, fitting in instead of standing out.

Leadership is nothing less than a full and proper preparation for life, if we want to leave even the slightest of footprints in the sands of time. Bennis argues that bureaucracy is doomed and that something flatter and more collegial with candor and transparency will triumph. Bennis also believed that all organizational decisions inevitably have a moral dimension. He understood the vital role that great followers play in successful leadership. Thus, the process of becoming a leader and the process of becoming a fully integrated human being are one and the same, both grounded in self-discovery (Bennis, 2009, pp. ix–xii; 2, 5).

Case 4.1: Jehangir Ratanji Dadabhoy (JRD) Tata: A Moral Visionary Leader

JRD was an interesting product of two continents: his father was a Parsee and his mother French. Born in Paris in 1904, JRD schooled in Paris, Bombay, and Yokohama. Most of his education was in France. He spoke French *par excellence*, but not so English. Hence, he was sent to an English Grammar School in Cambridge. But his education was interrupted, as when 20, he was drafted by the French army. After his draft, he was planning to go back to Cambridge, when his father summoned him back to India to join the Tatas. JRD regretted for decades thereafter that he never went to a university. His father died nine months later and JRD took his place as director of Tata Sons. JRD was 21. Though he missed college education, JRD made up for that: after office hours, he read books in English to learn various aspects of business. When JRD was in his early twenties and while recovering from typhoid, he would go to his room at the Taj, throw himself in bed, and study. When his sister Rosabeh pleaded: "Why don't you rest, Jeh, you are tired and unwell," he replied, "I want to be worthy of the Tatas" (Mambro, 2004, pp. xvii–xviii).

As his mother was French, he spent much of his childhood in France, and as a result, French was his first language. He attended the Janson De Sailly School in Paris. Later, he attended the Cathedral and John Connon School, Bombay. When his father joined the Tata Company, he moved the whole family to London. During this time, JRD's mother died at an early age of 43 while his father was in India and his family was in France.

After his mother's death, Ratanji Dadabhoy Tata decided to move his family to India and sent JRD to England for higher studies in October 1923. He was enrolled in a grammar school and was interested in studying Engineering at Cambridge. Just as the grammar course was ending and he was hoping to enter Cambridge, a law was passed in France to draft into the army for two years all French boys at the age of 20. As a citizen of France, JRD Tata had to enlist in the army for at least one year. In between the

grammar school and his time in the army, he spent a brief spell at home in Bombay.

JRD Tata's Business Leadership

JRD Tata was inspired early by pioneer Louis Blériot who was the first to fly across the English Channel and who had a home on the French coast near Tata's country home. Jeh took to flying. On February 10, 1929, Tata obtained the first pilot license issued in India. He later came to be known as the father of Indian Civil Aviation. He founded India's first commercial airline, Tata Airlines in 1932, which became Air India in 1946, now India's national airline.

In 1948, JRD Tata launched Air India International as India's first international airline. Within 10 years, he was president of International Air Transport Association (IATA). In 1953, Air India International was nationalized, and the Indian Government appointed JRD Tata as Chairman of Air India and a Director on the Board of Indian Airlines – a position he retained for 25 years till 1978, making it one of the most efficient airlines of the world. For his crowning achievements in aviation, he was bestowed the title of *Honorary Air Commodore of India*.

He joined Tata Sons as an unpaid apprentice in 1925. In 1938, at the age of 34, JRD was elected Chairman of Tata Sons making him the head of the largest industrial group in India. He took over as Chairman of Tata Sons from his second cousin Nowroji Saklatwala. For decades, he directed the huge Tata Group of companies, with major interests in steel, engineering, power, chemicals, and hospitality. He was famous for succeeding in business while maintaining high ethical standards – refusing to bribe politicians or use the black market.

He was the trustee of the Sir Dorabji Tata Trust from its inception in 1932 for over half a century. Under his guidance, this Trust established Asia's first cancer hospital, the Tata Memorial Centre for Cancer, Research and Treatment, in Bombay in 1941. He also founded the Tata Institute of Social Sciences (TISS, 1936), the Tata Institute of Fundamental Research (TIFR, 1945), and the National Center for Performing Arts in Bombay. He was also a founding member of the first Governing Body of NCAER, the National Council of Applied Economic Research in New Delhi, India's first independent economic policy institute established in 1956.

He is best known for being the founder of several industries under the Tata Group, including Tata Engineering and Locomotive Company (TELCO) in 1945, now Tata Motors; Tata Exports in 1962, today called Tata International, one of the leading export houses in India; he founded Tata Computer Centre in 1968, currently Tata Consultancy Services (TCS); he also founded Titan Industries in 1987, Tata Tea, Voltas, and Air India. In 1983, he was awarded the French Legion of Honor, and in 1992 and 1995,

two of India's highest civilian awards, the Bharat Ratna and Padma Vibhushan, were bestowed to him for his contributions to Indian industry. Jamshedpur was also selected as a UN Global Compact City because of the quality of life, conditions of sanitation, roads, and welfare that were offered by Tata Steel.

Under his chairmanship, the assets of the Tata Group grew from US$100 million to over US$5 billion. He started with 14 enterprises under his leadership and half a century later on July 26, 1988, when he left, Tata Sons was a conglomerate of 95 enterprises which they either started or in which they had controlling interest.

JRD Tata cared greatly for his workers. In 1956, he initiated a program of closer "employee association with management" to give workers a stronger voice in the affairs of the company. He firmly believed in employee welfare and espoused the principles of an eight-hour working day, free medical aid, workers' provident scheme, and workmen's accident compensation schemes, which were later adopted as statutory requirements in India. In 1979, Tata Steel instituted a new practice: a worker being deemed to be "at work" from the moment he leaves home for work till he returns home from work. This made the company financially liable to the worker for any mishap on the way to and from work.

"One of the qualities of leadership is to assess what is needed to get the best results for an enterprise. If that demands being a very active executive chairman, as I was in Air India, I did that. On the other hand, if a managing director of our company could do that and get good results, I let him do that. […] Often a Chairman's main responsibility is to inspire respect" (Mambro, 2004, p. xix).

At the end of his life, JRD was searching for a deeper faith in God. In one of his numerous interviews with JRD, just two weeks before he left for Geneva and never returned, RM Lala tells us that JRD was discussing with him a hymn he liked, "Abide with me." "God has to look after 800 million people in this country and six billion in the world, how can I expect him to look after me or abide with me?" (cited in Mambro, 2004, p. xxi)

JRD Tata died in Geneva, Switzerland on November 29, 1993, at the age of 89 of a kidney infection. Upon his death, the Indian Parliament was adjourned in his memory – an honor not usually given to persons who are not members of parliament. He was buried at the Père Lachaise Cemetery in Paris.

Ethical Reflections

(1) Study the Transformational Leadership of Jehangir Ratanji Dadabhoy Tata (JRD Tata).
(2) Study the Transformational Visionary Leadership of JRD Tata.
(3) Study the Transformational Inspirational Leadership of JRD Tata.

(4) Study the Transformational Moral Responsible Leadership of JRD Tata.
(5) Study the Transformational Ethical Responsible Leadership of JRD Tata.
(6) Study the Transformational Servant and Humanitarian Leadership of JRD Tata.

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Case 4.2: Excessive Executive Compensation Questions Morality of Corporate Leadership

Recently, exorbitant executive compensation has distanced the leader from the followers. It is noted that in Japan the executive compensation is about 17 times that of an average worker; in France and Germany, 23−25 times; in Britain, 35 times; in the USA, between 85 and 100 times. Edwards Deming (1992), the founder of total quality management (TQM), believed that the enormous financial incentives of the executives have destroyed teamwork at many American companies. The scandalously high executive packages have been offered despite downward trend in corporate profits. For instance, in 1990, the CEO of United Airlines received US$18.3 million (1200 times what a new flight attendant made), while United Airlines' profits fell by 71%. Such compensation disparities alienate followers from the leaders; followers often resent such exorbitant benefits and begin to link them with the exercise and abuse of authority. Similarly, on March 31, 1993, the *New York Times* reported that IBM laid-off hundreds of even long-time employees, while also jacking up the salary of its new CEO to a basic salary of US$2 million, bonus of US$5 million, and a host of other incentives worth millions more. The *New York Times* article commented on the devastation of the employees

fired and of the likely psychological toll on those who survived this round of cuts. This is a crisis of moral executive leadership.

Ethical Questions

(1) In general, discuss the ethics of executive compensation.
(2) What is the ethical and moral justification and obligation of exorbitant executive compensation today?
(3) Based on teleology and deontology argue the ethics of excessive executive compensation today.
(4) Study the ethics of distributive justice and corrective justice issues in relation to exorbitant executive compensation today.
(5) Based on ethics of virtue and ethics of trust, explore the social ramifications of exorbitant executive compensation today.

4.2. The Ethics of Executive Leadership

The past quarter-century has witnessed the rise, the fall, and the occasional resurrection of transactional leadership, transformational leadership, charismatic leadership, authentic leadership, autocratic leadership, steward leadership, servant leadership, collaborative leadership, laissez-faire leadership, and value leadership. What is striking about this literature is that it has rarely focused on ethics. Ethical leadership and moral leadership are very recent on the leadership literature radar. Yet, all leadership has an ethical and moral dimension. One cannot be an effective leader without being a good leader in terms of morality. Ethically neutral leadership is impossible – ethical views shape the means and ends of leaders. The essence of effective leadership is ethical leadership. Leadership cannot be successful without being moral (Rhode, 2006, pp. 5–6).

Moral leadership seems to be an oxymoron as bad as *business ethics*. Neither term carries much credibility in popular American culture today. Years ago, Machiavelli asserted that "politics and ethics don't mix," and the sole aim of any leader is "the acquisition of personal power." Under such concept of leadership, ethical or moral leadership is a contradiction in terms.

This chapter has two parts: (1) the Theory of Ethical and Moral Leadership and (2) the Execution of Ethical and Moral Leadership.

4.3. Part 1: The Theory of Ethical and Moral Leadership

Leadership has been defined and understood across various leadership styles, perspectives, situations, causes, and issues. For instance, Rost (1991) analyzed 221 definitions to argue that there is no common definition of leadership. As a starter, all these definitions understand and denote leadership as a process, act,

or influence exerted by one or a few on many to get something done. The definitions, however, differ in their connotation, particularly in their implications for the leader–follower relationship. After all, *how* leaders influence people to do things (e.g., impress, inspire, organize, lead, direct, or persuade) and *how* what is to be done is decided (e.g., forced obedience, voluntary consent determined by the leader, participative management, collaborative leadership) have normative implications and moral commitments (Ciulla, 2004, p. 11). Thus, a good workable definition or paradigm of leadership may *denote* the same essential elements but may *connote* different ramifications given the denotation of the definition. This denotation–connotation tension enriches, widens, and deepens scholarly research.

A definition of leadership should normally precede leadership research and scholarship. The choice of a definition can be esthetic, moral, ethical, political, bureaucratic, psychological, sociological, and Machiavellian – if you control the definition, you can control the research agenda. A dominant theme in the current leadership literature is the search for an all-encompassing definition (paradigm, model) of leadership (Rost, 1991). Such a search for singular definitions is not very impressive or useful when it relates to a complex and ambiguous social phenomenon such as leadership; such a search can paralyze rather than clarify research (Solomon, 2004, pp. 86–87; fn. viii).

4.3.1. Leaders, Leadership, and Followers

Leadership cannot exist without followership. The phenomenon of direction and guidance, coaching and mentoring, has at least three components: the leader, leadership, and followers. With each component, the composition of purposes and goals, ethics and morals, rights and duties, and skills and talents is critically important. While the leader is the central and the most important part of the leadership phenomenon, followers are important and necessary factors in the equation (Hollander, 1978, pp. 4, 5, 6, 12). Leaders and followers are engaged in a common enterprise: they are dependent upon each other; their fortunes rise and fall together (Burns, 1979, p. 426). Followership requires that leaders recognize their true role and within the Commonwealth of the organization. The choices and actions of leaders must take into consideration the rights and needs of followers (Gini, 1997).

Relational qualities define the leadership–followership phenomenon. A major component of such a relationship is how the leaders perceive themselves relative to followers, and how the followers, in turn, perceive the leader. This mutual perception has serious ethical implications – how a leader uses or abuses power, and how the followers are used or abused.

"If leadership is an active and ongoing relationship between leaders and followers, then a central requirement of the leadership process is for leaders to evoke and elicit consensus in their constituencies, and conversely, for followers to inform and influence their leaders" (Gini, 2004, p. 36). Both influence processes are done through the use of power, education, expert knowledge, charisma, vision, and mission. Real leadership, according to James McGregor

Burns (1979, p. 36), is not just about directed results; it is also about offering the followers a choice among all alternatives to grow and reach their full potential. Power need not be dictatorial or coercive, but directive and cooperative. Leaders as models and mentors must engage followers and not merely direct them.

The leader is a teacher, said Peter Senge (1990, p. 353), but leadership is not just about teaching people how to achieve their vision; rather, it is about fostering learning, offering choices, and building consensus among followers. Leadership is based on a compact that binds those who lead and those who follow into the same moral, intellectual, and emotional commitment (Zaleznik, 1990, p. 12). However, this "compact" could spell very uneven ground of relationships, given that often the leader has the power and followers are powerless. It is up to a good moral leader to make it an even playing field of fair interaction play.

4.3.2. What is Ethical Leadership?

Ethics is an evaluative enterprise. The best of ethics is an ethics of change – how to recognize the need for change and bring it about with the right set of vision, mission, and resource alternatives. From a leadership perspective, such a process must be a collective discernment and consensual decision approach between leaders and followers. How leaders and followers collectively decide the right action to be taken to be implemented in the right way with the right people amidst various contingencies can be very challenging in moral leadership. The vision and values of leadership must have their origins and resolutions in the community of followers, of whom they are part and whom they wish to serve. Leaders can drive, lead, orchestrate, and even cajole, but they cannot force, dictate, or demand. Leaders must be the necessary condition or catalyst for morally sound behavior, but, by themselves, they are not the sufficient condition. Leaders may offer a vision and a mission, but the followers must buy into it. Leaders may design and organize a plan, but the followers must understand it and decide to take it on. In the new paradigm of leadership, neither the leader nor the followers should displace or replace their willingness and commitment (Wills, 1994, p. 13).

Given the central role of ethics in the practice of leadership, it is remarkable that there has been little in the way of sustained and systematic treatment of the subject by scholars (Ciulla, 2004, p. 3). An increasingly common position in both scholarly and popular leadership literature is that *the essence of effective leadership is ethical leadership*. The first major theorist to take this view was historian McGregor Burns. In his book *Leadership* published in 1978, Burns distinguished between transactional and transformational leadership. The former involves exchange relationships between leaders and followers, while the latter leads both the leaders and the followers to higher levels of motivation and morality, beyond everybody's wants and needs. Transformational leadership aspires to reach more principled levels of judgment in pursuit of end values such

as liberty, justice, and self-fulfillment. According to Burns, transformation leadership is ethical leadership.

Further, in the context of stewardship responsibilities of leaders, the recognition and respect of rights and duties of followers become critical. Followers set the terms of acceptance for leadership, and with this drift has arisen the sharp need for ethical and moral leadership. Successful leaders need to understand their followers as collaborators far more than followers need to understand their leaders (Gini, 2004, pp. 32–33).

Other scholars see this definition as limiting. Some argue that effective leadership requires morality in means, but not necessarily in ends. This is because there is wide agreement on the ethics and morality of widely shared principles for judging the means or the process of executive actions, whereas there is much less consensus on the morality of ends or objectives. In this view, leadership cannot be coercive or authoritarian in the pursuit of ends, but it can seek ends that most people would regard as morally unjustified (Rost, 1991, pp. 18, 165). But what about those who do wrong things (ends) well, such as Hitler, Stalin, and Saddam Hussein – they were animated by a moral vision (e.g., ethnic cleansing) and were extremely effective in inspiring others to follow them (Bennis, 1989, p. 18; Gini, 1997, pp. 323, 325; Kellerman, 2004, pp. 11–12, 30). "From a scholarly point of view, it is unproductive to exclude from definitions of leadership those people whose means or ends are immoral and abhorrent but nonetheless effective, and therefore, instructive. How can we stop what we do not study?" asks Barbara Kellerman (2004, p. 12).

Other scholars define ethics of leadership as "experts in the protection of values" (Selznick, 1957, pp. 121–122). Peters and Waterman (1982, p. 245) studying high-performing businesses conclude that the primary role of top executives is to "manage the values of the organization." Successful leadership requires infusing employees' day-to-day behavior with long-term meaning and inspiring commitment to a "grand vision" about quality, service, and excellence (1982, pp. 218, 284, 287). But the unaddressed central questions are: How are values determined and transmitted? Under what circumstances are those processes effective? To what extent do corporate values have an explicit ethical content? For instance, much of discussion on "excellence" in values-related ethics carries little moral content. What is left is leadership ethics without ethics (Rhode, 2006, p. 8). Other commentators who see an ethical dimension to value leadership discuss it only in most perfunctory and platitudinous terms.

From a perspective of the importance of emotions in leadership, Solomon (2004, p. 89) defines an ethical leader as "one who shares with his or her followers the emotions of fairness, mutual well-being, and harmony."[1] In corporations, ethical leadership deals with the concerns of all stakeholders rather than on the bottom line. In politics, ethical leadership is the passion to do the right thing rightly and at the right time rather than worrying about the urgency of winning the next elections.

Publications aimed at managerial audiences frequently list just a few key qualities that have stood the test of time such as integrity, honesty, fairness,

kindness, concern, compassion, tolerance, honor, and mutual respect, without acknowledging any complexity or potential conflict in their exercise or execution (Badaracco & Ellsworth, 1999, p. 100; Costa, 1998, pp. 155, 276, 282; Gardner, 1990, p. 77; Morris, 1997, p. 122). More important concerns such as diversity, community building, community relations, environmental stewardship, accountability, moral responsibility, and the like do not feature prominently in such lists of corporate "virtues" touted as ethical leadership values. Others simply add "moral" as an all-purpose label in the mix of desirable characteristics that leaders should have. Others are more specific and invoke "moral imagination," "moral courage," "moral excellence," and "moral compass" as ethical leadership traits (Costa, 1998, pp. 240–248). But few scholars recognize the complexity of ethical leadership in terms of mixed motives, reconciling priorities, moral conflicts, and the balancing among competing concerns (Rhode, 2006, pp. 8–9).

According to Rost (1991, p. 161), "The leadership process is ethical if the people in the relationship (the leaders and followers) *freely* agree that the intended changes reflect their mutual purposes." This proposition has two attractive moral elements: (1) for Rost, consensus is an important part of what makes leadership real and ethical and this is because free choice is morally pleasing, and (2) also implied in this definition is the recognition of beliefs, values, and needs of the followers. Followers are the leader's partners in shaping the goals and purposes of a group or organization. However, both moral elements may not be sufficient to make leadership and followership ethical – for instance, both parties could freely embrace and endorse values that imply moral relativism. Otherwise, we do not get out of "the Hitler's problem." If leadership is mere consensual "influence over history" (Heifetz, 1998, p. 17), then Hitler, Lincoln, and Gandhi fall in the same category.

To summarize, ethical leadership is exercising moral influence in the choice of means and ends. The top companies make meaning and not money, concluded Peters and Waterman (1982, p. 279). Moral and religious philosophers since Aristotle have generally assumed the existence of fixed character traits that are largely responsible for ethical and unethical behavior (MacIntyre, 1981):

- ***Moral Awareness***: recognizing that a situation raises ethical issues.
- ***Moral Reasoning***: determining what course of action is ethically sound.
- ***Moral Intent***: identifying which values should take priority in the decision at hand.
- ***Moral Behaviors***: acting on ethical decisions.

One could presume that leaders who follow this process strictly and consistently are ethical leaders. But we need more solidly grounded strategic analyses, packaged in forms accessible to those in leadership positions. At a minimum, such analyses should address the roles of ethical codes and compliance programs, the importance of integrating ethical concerns and stakeholder responsibilities

into all organizational functions, and the necessity for visible moral commitment at the top. The commitment must go far beyond legal requirements to widely accepted principles of corporate social responsibility. In contexts where there is no consensus about ethically appropriate conduct, leaders should strive for a decision-making process that is transparent and responsive to competing stakeholder interests (Rhode, 2006, pp. 33–34).

4.3.3. What is Moral Leadership?

Efficiency is easily measured, but ethicality and morality are not, as scholars are not too sure what relevant factors enable and ensure moral assessment of leadership. According to Aristotle, excellent actions are good and noble in themselves, and not only by their outcomes; and a virtuous person has appropriate emotions along with dispositions to act the right way. The actions and strategies of ethical and moral leadership should be good and noble in themselves, and not only in their outcomes.

Good moral leadership thrives on mutually agreed upon purposes that help people achieve consensus, assume responsibility, work for the common good, and build community. Good leadership is a collaborative experience between leaders and followers. Good leadership redistributes power and responsibility among all employees. Good moral leadership is mutual dependency in a shared enterprise. It is a teamwork that thrives in maintaining meaning, responsibility, accountability, authenticity, and integrity in the leader–follower relationship. The so-called crisis of leadership is an absence of these elements (Hollander, 1978). Leadership is essentially a shared experience and a voyage through time, with benefits to be gained and hazards to be surmounted by both leaders and followers. The leader voyages with others; the leader steers the ship; she is a key figure whose actions or inactions can determine the well-being and the broader good of the followers and others (Hollander, 2004, p. 47). In this sense, leadership is intrinsically value-laden – values that determine communal social health and a desired destination (Hodgkinson, 1983, p. 202). It is right values that enable us to discern some goals as good and others as bad in leadership (Gardner, 1990, pp. 66–67).

John W. Gardner (1990), a great leader-practitioner (he held many distinguished posts in the government and in business and taught at Stanford), offers a good multidisciplinary commonsense discussion of ethics and leadership. Gardner conceptualizes morality as a *dimension* of leadership (not a part or an element), thus pioneering a holistic way of studying leadership rather than just investigating a part of it. Gardner derives this moral dimension of leadership using engaging examples from several disciplines (e.g., history, politics, business), while offering wisdom from his own experience of leadership. He urges scholars and leaders to go beyond law to values (that are not easily embedded in laws) such as caring, honor, integrity, tolerance, mutual respect, and human fulfillment. But much of Gardner's work is hortatory (or "parenetic") rather than theoretical.

4.3.4. Challenges of Moral Leadership

Leadership and followership get strained during difficult times. When an organization begins to experience hardship in the form of underperformance that results in declining sales, eroding market shares, plummeting profits, and consequently, financial distress, cash flow crisis, downsizing, plant closings, outsourcing, massive layoffs, insolvency, and bankruptcy threats, organizational leadership gets challenged and challenging, questioned and tested, and empowered or destroyed. During such difficult periods, we normally have recourse to *economic efficiency* and *instrumentalism*. Economic efficiency leads to ruthless cost containment in the form of plant closings, mass layoffs, outsourcing, and other strategies of downsizing. Instrumentalism (that often follows one's economic efficiency mode of thinking) forces leaders to use more powerful means of control than otherwise with the only goal of getting the job done. Instrumentalism disregards the means and the people used to get the job done.

Obviously, to the instrumentalists, the ends are more important that the means; things have no intrinsic value other than their instrumental value in business. Under the instrumental philosophy, business efficiency replaces and displaces the value of truth. Truths that make people feel better, more efficient, and profitable are more desirable than truths that rock the boat. Business leadership is effective when it gets results, argue instrumentalists. Leaders and their organizations are declared successful when they make the most amount of money in the least amount of time. Failure to deliver results can lead to cynicism about executive leadership, alienation, and abdication of moral responsibility by employers and employees alike. At such anxious and confusing moments of crises, ethical and moral leadership assumes different roles – those of sympathy and empathy, sharing and caring, discussion and dialog, compassion and companionship, cooperation and collaboration, stewardship and servanthood, and sacrifice and self-oblation.

In summary, Table 4.1 analyzes the distinguishing features between corporate leadership, corporate ethical leadership, and corporate moral leadership.

4.3.5. Moral Leadership and Emotions

Emotions are largely socially constituted, not so much in their biological origins, but in their aims, expression, and nuances. But they play a large role in our lives and much more so in the lives of great leaders. Consider Abraham Lincoln and the Civil War, Winston Churchill and World War II, and Harry Truman and the first thermonuclear bomb. All these leaders and the major crisis events they grappled with stirred tremendous emotions. Extraordinary events generate extraordinary emotions and which, in turn, motivate extraordinary behaviors, that, in turn, produce and provoke extraordinary emotions, and so on. But emotions also play a role in ordinary events and in the lives of ordinary leaders. The old conventional wisdom was that the less one is prone to emotions, the more effective leader one can be. Rich and energetic emotional life, on the contrary, can form, mold, and shape great leaders.

Table 4.1: Corporate Leadership, Ethical Leadership, and Moral Leadership: Distinguishing Features.

Essential Dimensions	Distinguishing Features		
	General Corporate Leadership	Corporate Ethical Leadership	Corporate Moral Leadership
Definition	Leadership is exercising one's influence in the choice of means and ends	Ethical leadership is exercising moral influence in the choice of means and ends	Leadership that serves the basic needs of their constituencies, defends fundamental moral principles, seeks the fulfillment of human possibilities, and improves the communities of which they are a part
Nature	Leadership is a multidimensional (leader, follower, inputs, processes, relationships, and outcomes) concept, construct, model, paradigm, and experience of leader–follower loyalty	Ethical leadership is a multidimensional (e.g., diversity of attitudes, values, cultures, mores, customs) concept, construct, model, paradigm, and experience of leader–follower binding	Moral leadership is a multidimensional (e.g., religious beliefs and mandates, conscience, virtues, integrity, sincerity, caring, sharing) concept, construct, model, paradigm, and experience of leader–follower bonding
Denotation	Leadership denotes a process, act, or influence exerted by one or a few on many to get something done	The inputs, process, act, and outputs by which leaders induce or influence followership must be ethical by company codes, industry norms, and competition standards	The inputs, process, act, and outputs by which leaders induce or influence followership must be moral by one's attitudes, beliefs, intentions, values, and virtues
Connotation	Leadership connotes the various ways (e.g., force, incentives, rewards, promises, threats) leaders induce or	The various ways leaders induce or influence leader–follower relationships (e.g., impression, inspiration, incentives, persuasion,	The various ways leaders induce or influence leader–follower relationships (e.g., impression, inspiration, incentives, persuasion,

Table 4.1: (*Continued*)

Essential Dimensions	Distinguishing Features		
	General Corporate Leadership	**Corporate Ethical Leadership**	**Corporate Moral Leadership**
	influence leader–follower relationships	organization, council) must be ethical in content and motives	organization, council) must be moral in content and motives
Domain and scope	Employer vs employees; supervisor vs workers; suppliers and distributors; leader vs followers; Leadership in ideas, technology, innovation, products and services, markets and market share, profits and performance, and growth and prosperity	Employer vs employees; supervisor vs workers; suppliers and distributors; leader vs followers; Local vs global communities. Leadership in company industry codes of ethical conduct, worker morale, customer experience and loyalty, ecological stewardship, and global sustainability	Employer vs employees; supervisor vs workers; leader vs followers; worker families and communities; supplier family and communities; distributors and families. Leadership in wisdom, integrity, caring, sharing, giving, understanding, forgiving, reconciling, compassion, mercy
Driving power	Popularity, reputation, power, money, wealth, benefits, loyalty, and explanation, prediction, and control of follower behavior	The need for doing right things, just things, fair deals, amicable deals, lasting deals, and fulfilling rights and duties	The need for doing rightly right things, just things, fair deals, amicable deals, lasting deals, and fulfilling rights and duties
Basic function	Foster leader–follower relationships that manage transactions, fulfill contracts, reciprocity of costs and benefits, enhance long-term productivity, profit/growth prospects	Foster leader–follower relationships that enhance long-term ethical codes, conventions, and covenants; that sustain mutuality of rights and duties, and claims and privileges	Foster leader–follower relationships that fulfill fiduciary duties, stewardship covenants, long-term trusting and bonding communities, and sharing and caring societies

Major types	Conceptual leadership Functional leadership Transactional leadership Communicative leadership	Transformational leadership; Collaborative leadership Participative leadership Justice-equality leadership	Steward or fiduciary leadership Servant leadership Covenantal leadership Trust-building leadership
Major emotions	Achievement, success, customer loyalty, shareholder satisfaction	Legal compliance, ethical code compliance, healthy relationships	Mutual trust and respect, intimacy, community building, charisma
Major virtues	Persistence, perseverance, bravery, courage, frugality, camaraderie, and networking	Prudence, diligence, authenticity, transparency, sincerity, respecting rights and duties, and justice	Wisdom, integrity, caring, sharing, giving, understanding, forgiving, reconciling, compassion, and mercy
Major challenges	Long-term leader–follower productive and profitable relationships Economic efficiency Instrumentalism	Long-term leader–follower relationship should be prudent, diligent, authentic, transparent, sincere, respectful, and just	Long-term leader–follower productive, profitable, and mutual growth-oriented relationships
Major outcomes	Performance in relation to revenue, profits, and growth	Performance in relation to ethical values, revenue, profits, and growth	Performance in relation to moral values, virtues, revenues, profits, and growth

Most definitions of leadership contain terms (e.g., impress, induce, persuade, influence, respect, loyalty) that evoke emotions. Burns is most explicit about emotions when his definition of leadership includes such terms as exploiting tensions, rising consciousness, and strong values. However, most of the emotions of leadership tend to fall on the side of the *led* or followers, rather than the leader. This could easily indicate a reduction in leadership to manipulation, thus raising the question of authenticity. Real leadership involves emotions of both the leader and the follower. Emotional behavior is voluntary behavior. Most leaders try to get the followers "move" their emotions in the direction already passionately chosen by the leader. While knowledge is important in leadership skills and methods, managerial knowledge is effective only insofar as that knowledge is in the service of the appropriate emotions (Solomon, 2004, pp. 87–89).

4.3.6. Moral Leadership and Charisma

The much used and abused word "charisma" is traced to Max Webber, the German sociologist, and perhaps is the only such term that so explicitly refers to the emotional quality of leadership, albeit at considerable cost to clarity (Solomon, 2004, p. 90).[2] Burns (1978, p. 243) warns that the "term is so overused it threatens to collapse under close analysis." Solomon (2004, pp. 91–92) argues that charisma is not anything in particular as a distinctive personality trait, and it is not an essential element of leadership. According to Solomon (2004, p. 91), "charisma is not a single quality, nor is it a single emotion or set of emotions. It is a generalized way of pointing to and emptily explaining an emotional relationship that is too readily characterized as fascination." Solomon believes that it is not the leader who is charismatic, but the message that is fascinating, rhetorical, persuasive, and inspiring that it attracts great audiences whose hopes and aspirations are raised and fears allayed by that message.

That said, charisma is supposed to be an extraordinary prophetic power (often considered as a gift from God or the Holy Spirit) and a rare personal quality that arouses fervent popular devotion and enthusiasm among one's followers. The charisma of the founders of various Religious Orders and Congregations is often invoked as a draw for the followers. Bernard Bass describes charisma of leaders to whom followers form deep emotional attachments and who in turn inspire their followers to transcend their own interests for superordinate goals. Presumably, this explains the heroic leadership in the over 478-year-old Jesuit Order (Lowney, 2003). Insofar as leadership is an emotional relationship that concerns the future, responding to hopes, wishes, and fears may well be interpreted as charisma by an appreciative audience. JRD Tata's leadership described under *Case 4.1* is also charismatic or prophetic leadership in this sense.

4.3.7. Leadership as Meaning Creation and Meaning Communication

Insofar as leadership is identified with meaning creation and meaning communication that impacts positive change, we can distinguish and label different types

or strategies of leadership by attributes and behaviors that provide meaning to one's charges, and as long as those leadership attributes and behaviors can be rightly attributed to the leader. Theoretically, anything and everything about a leader, from choices made to task design and communicating it can be potential determinants of the meaning that leaders create and communicate. *Impacting and imparting meaning* must be the major yardstick by which we identify and measure attributes and behaviors that constitute genuine leadership and what do not. This yardstick can define the scope of leadership (Bresnen, 1995).

Following Podolny, Khurana, and Besharov (2010) characterization of leadership as meaning creation versus meaning communication, Table 4.2 outlines the meaning creation versus meaning communication potential under transactional versus transformation leadership types.

In general, all meaning has at least two components: (1) the tight connection between one's actions and one's ideals, and (2) a feeling of closeness to a natural community of every stakeholder of a corporation. The corporation legitimately exists in and for the society it operates in, and hence, there should be connect of all the major visions, missions, goals and objectives, and structures and architectures of the company to its community of employees, customers, suppliers, creditors, distributors, locals, governments, and the world at large. Some of these meaning creating and meaning communicating activities can be clearly spelt, as is done in Table 4.2. For instance, if a leader wants to create the meaning of social equality and solidarity, then high pay disparities within an organization will not communicate that meaning. The medium is very much a part of the message, and the organization is the medium (Podolny et al., 2010, p. 95).

4.4. Part 2: The Execution of Moral Leadership

The ethics of leadership should rest upon three pillars: (1) the moral character of the leader; (2) the ethical legitimacy of the values embedded in the leader's vision, articulation, and the program that followers either embrace or reject; and (3) the morality of the process of social ethical choice and action that leaders and followers engage in and collectively pursue (Bass & Steidlmeier, 2004, p. 175). When leaders are morally mature, those that lead display higher moral reasoning (Burns, 1978).

4.4.1. Transforming Leadership

James McGregor Burns, a political scientist, historian, and biographer, is probably the most referenced author in leadership studies. His theory of leadership is drawn from his extensive experience of studying history and biographies of great leaders. In his book, *Leadership*, Burns (1978) distinguishes between transforming and transformational leadership, but he prefers to label his leadership theory as *transforming leadership*. Transforming leaders, says Burns, should have very strong values. His theory is *prescriptive* as he tells what morally good leadership should be. Drawing insights from Abraham Maslow's hierarchy of needs, Milton Rokeach's theory of values and value development, and Lawrence

Table 4.2: A Typology of Leadership: Activities that Create and Communicate Meaning.

Leadership Activity Dimensions	Transactional Leadership		Transformational Leadership	
	Meaning Creation	Meaning Communication	Meaning Creation	Meaning Communication
Vision	Business vision	Business vision message	Community vision	Community vision message
	Product vision	Product vision message	Social vision	Social vision message
	Market vision	Market vision message	National vision	National vision message
	Customer vision	Customer vision message	Global vision	Global vision message
Mission	Business mission	Business mission message	Community mission	Community mission message
	Product mission	Product mission message	Social mission	Social mission message
	Market mission	Market mission message	National mission	National mission message
	Customer mission	Customer mission message	Global mission	Global mission message
Goals and objectives	Business goals	Business goals metaphors	Community goals	Community goals metaphors
	Product goals	Product goals targets	Social goals	Social goals metaphors
	Market goals	Market goals and shares	National goals	National goals metaphors
	Customer goals	Customer goals as delight	Global goals	Global goals paradigms
	Profitability goals	Profitability goals as ROI	Ecology goals	Ecology goals paradigms
	Corp. growth goals	Growth goals as % numbers	Sustainability goals	Sustainability goals paradigms

Organizational design (OD)	OD goals and structure OD design architecture OD systems structure OD communications OD social networks	OD goals and structure message OD design architecture form OD systems structure function OD communications metaphors OD social networking patterns	OD community goals OD social goals OD national goals OD global goals OD ecology goals OD sustainability goals	OD community goal metaphors OD social goals messages OD national goals metaphors OD global goals frameworks OD ecology goals paradigms OD sustainability goals visions
Organizational inputs	HR skills and values HR rights and duties HR promotions/ rewards HR design and development	HR skills and values message HR rights and duties statements HR promotions/rewards plans HR design and development plans	HR community goals HR social goals HR national goals HR global goals HR ecology goals HR sustainability goals	HR community goal metaphors HR social goal messages HR national goal metaphors HR global goal frameworks HR ecology goal paradigms HR sustainability goal visions

Table 4.2: (*Continued*)

Leadership Activity Dimensions	Transactional Leadership		Transformational Leadership	
	Meaning Creation	**Meaning Communication**	**Meaning Creation**	**Meaning Communication**
Organizational structure	Hierarchy and delegation Centralization Decentralization Autonomy and accountability Cost containment	Hierarchy and delegation schemes Centralization and Decentralization process messages Autonomy/accountability forms Cost containment procedures	Community obligations Social obligations National obligations Global obligations Social accountability Corporate responsibility	Community obligation pacts Social obligation codes National obligation rules Global obligation mandates Social accountability principles Corporate responsibility norms
Organizational processes	Creativity and innovation New product development Quality control and mgmt Product: Warranty/ guaranty Bundling and pricing	Plans and designs for: creativity and innovation; new product development plans Quality control and mgmt; warranty/guaranty contracts Product bundling/pricing; product promotions/launch; product complaint redress; product expansion/growth	Creating communities Social innovation Social quality of life Social legitimacy Social service bundling	Creating open communities Social innovation for ecology Social quality of life measures Social legitimacy guarantees

	Promotions/launch Complaints redress Product expansion/ growth		Social project launches Social complaint redress Social awareness	Social service bundling schemes Social project assessment Social complaint redress process Social awareness challenges
Organizational performance	Sales revenue and growth Product market share Product profitability Market capitalization Return on sales (ROS) Return on Marketing/ ROM Return on quality (ROQ) Return on investment (ROI) Return on assets (ROA) Earnings per share (EPS)	Sales revenue and growth rates Product market share rates Product profitability numbers Market capitalization numbers Return on sales ratios Return on Marketing ratios Return on quality numbers Return on investment numbers Return on assets numbers Earnings per share numbers Price/earnings ratios Tobin's Q numbers interpreted	Community asset growth Social capital growth Social profitability Social capitalization ROS to community ROM to community ROQ to community ROI for community ROA for community	Community asset growth rates Social capital growth numbers Social profitability ratios Social capitalization values ROS to community measure ROM to community measure ROQ to community measure ROI for community measure ROA for community measure

Table 4.2: (*Continued*)

Leadership Activity Dimensions	Transactional Leadership		Transformational Leadership	
	Meaning Creation	**Meaning Communication**	**Meaning Creation**	**Meaning Communication**
	Price/earnings ratio (P/E)		EPS for community	EPS for community measure
	Tobin's Q		P/E for community	P/E for community measure
			Tobin's Q of community	Community's Tobin's Q measure

Kohlberg's theory of moral development, Burns (1978, pp. 42–43) argues that good leaders must operate at higher need and value levels than those of followers. A good leader exploits tension and conflict within people's value systems and plays the role of raising people's consciousness. That is, good leaders do not water down their values and moral ideals by seeking consensus among followers; rather, they elevate people by using conflict to engage followers and help them reassess their own values and needs. In this respect, Burns opposes Rost's (1991, p. xii) approach of consensual ethics.

Burns (1978) propounds his theory of transforming leadership built around a set of moral commitments. These moral commitments have to do with two moral questions: (1) the morality of means-end that includes the use of moral power and (2) tension between private and public morality of a leader. In this connection, he distinguishes between transactional and transforming leadership. Transactional leadership deals with the value of the *means* of the act which he calls *modal values* (e.g., responsibility, fairness, honesty, and promise-keeping). Transactional leadership helps leaders and followers to reach their own goals by taking care of lower-level needs and wants so that they could move up to higher needs and values. Transforming leadership, on the other hand, is concerned with end values such as liberty, justice, and equality. Transforming leaders transform their followers by raising them through various stages of higher moral development and values. Burns believes that a good leader needs both transactional and transforming leadership. Lack of proper transactional leadership can neglect the means, and "insufficient attention to means can corrupt the ends" (Burns, 1978, p. 426).

Based on this theory, Burns (1978, p. 3) argues that Hitler was not a good leader but a tyrant. He offers three criteria for judging a good transforming leader (1978, p. 426):

(1) Test the authenticity of the leader's moral values such as honor, integrity, and responsibility, and test the extent to which the leader advanced or thwarted the standards of good conduct in humankind.
(2) Test the morality of the leader by his end values of equality and justice.
(3) The leader should be judged by the impact he has on the well-being of the people he touched.

According to Burns, Hitler failed on all three tests of a transforming leader – he chose the wrong means, the wrong ends, and his moral impact on his followers during the process of leadership was disastrous.

Burns criticizes leadership studies for bifurcating literature on leadership and followership. The leadership literature tends to make the leader elitist, heroic, authoritative, dictatorial, political, military, and business power. The followership literature tends to be populist in approach, linking followers with the masses of civilians, commoners, and the illiterate. As Truman said, "a leader is a man who has the ability to get other people to do what they don't want to do, and like it."

4.4.2. Steward Leadership

In his seminal work, *The Fifth Discipline*, Peter Senge (1990, pp. 345–352) states that of all the jobs of leadership, the most important is that of being a steward. Being a steward means recognizing that the ultimate purpose of one's work is others and not self. Leaders should "do what they do" for something larger than themselves – that their life's work may be the "ability to lead," but the final goal of this talent or craft should be other directed.

According to Peter Drucker, leadership is performance. According to Jean Paul Sartre, leadership is responsibility. Combining the two, steward leadership is responsible performance that achieves group goals (i.e., those of the corporation and of its employees). A steward leader is trusted by the followers, though occasionally over-trust could allow leaders undue latitude to set up their own agenda, as is often the case with senior politicians (Hollander, 1992).

In a society where people value individualism and freedom, the challenge of leadership in organizations should be the challenge of responsible stewardship. SQC, TQM, and other programs are good but not enough. Quality is a matter of ethics that requires ethical leaders at the top to give customers what they have promised. Companies have a moral obligation to live up to the promises they have made in advertisements, product brochures, and annual reports (Pierce, 1991, p. 13). But ethical commitment in TQM focuses on customer-oriented stewardship. Some TQM scholars believe that TQM also empowers the employees as the latter are empowered to participate in decisions and management listens to their employees. Both, however, are thin descriptions of an ethical arrangement. Does TQM enable better and more equal relationship to management? Has TQM changed the uneven distribution of power between workers and the supervisors? Does TQM empower the managers to treat employees like customers? Otherwise, TQM can be a "therapeutic fiction" – it is a nice idea, but it breaks down in practice (Ciulla, 2004, p. 73).

4.4.3. Servant Leadership

In 1977, Robert K. Greenleaf published his path-breaking book, *Servant Leadership*, thus ushering a new paradigm of management in corporate offices of America, in general, and in boardrooms, in particular. Greenleaf conceived the idea of servant leadership during a time of chaos in the United States – the late 1960s. Greenleaf, a retired AT&T executive who subsequently lectured at MIT, Harvard Business School, and other great universities (he died in 1990), proposed that service ought to be the most distinguishing characteristic of leadership. It would create not only stronger and dedicated corporations, but business leaders "would find greater joy in their lives if they raised the servant aspect of their leadership and built more serving institutions." Greenleaf was among the first to analyze the qualities of leaders and followers, and especially the necessity for leaders to be attentive to the needs and feelings of others, such that those who are "served" grow as persons, become healthier, wiser, freer, more autonomous, and more likely themselves to become servants, in turn, of their

reports. In the third of a century that has followed since the publication of *Servant Leadership*, the notion of servant leadership has gained academic acceptance by way of theorization and scholarship in business schools, executive acceptance and commitment in corporate boardrooms, and even political recognition and assimilation in policy issues and governance. Responsible board or executive behavior is impossible in the absence of servant leadership. The concept, construct, models, and theories of moral leadership that we explore in this chapter are best premised on those of servant leadership.

Robert Greenleaf proposed as early as 1977 a normative theory of leadership called servant leadership.[3] In the introductory chapter of his book on *Servant Leadership*, Greenleaf wrote: "We live at a time when leaders of power are suspect, and actions that stem from authority are questioned. *Legitimize power* has become an ethical imperative. […] In this country there is a leadership crisis and I should do what I could do about it." His answer was *servant leadership*. If one is servant, either as leader or follower, one is always searching, listening, giving, and expecting. "A fresh critical look is being taken at the issues of power and authority, and people are beginning to learn to relate to one another in less coercive and more creatively supporting ways" (1977, pp. 19, 22).

A new moral principle is emerging that holds that the only authority deserving of one's allegiance is that which is freely and knowingly granted to the leader in response to, and in proportion to, the clearly evident servant stature of the leader. Those who choose to follow this principle will not casually accept the authority of existing institutions. Rather, they will freely respond only to individuals who are chosen as leaders because they are proven and trusted as servants. To the extent that this principle prevails in the future, the only truly visible institutions will be those that are predominantly servant-led (Greenleaf, 1977, pp. 23–24). The crisis of leadership continues now, after 40 years of the publication of servant leadership, in much more force and embarrassment. The need for servant leadership as a remedy to this crisis cannot be overemphasized enough.

A *servant leader* seems an oxymoron. If one is a leader, how can he be a servant? If one is a servant, how can she be a leader? The fusing of servant and leader is a "dangerous creation" (Albert Camus titled his last lecture as "Create Dangerously"!). It is dangerous for the natural servant to become a leader, equally dangerous for the leader to be a servant first, and still more dangerous for a follower to insist on being led by a servant. The servant–leader concept is not based on logic; it is based on intuition. Any intuition-based concept can be full of contradictions. It is like creating out of chaos, freedom from bondage – to have strong individualism amid community, elitism among populism, serenity amidst controversy, and logic intermixed with inconsistency. The servant leader is a servant first, followed by conscious choices that bring one to aspire to lead. That person is sharply different from one who is leader first, especially if one chooses leadership first to gain power and amass riches, and then chooses to serve (Greenleaf, 1977/2002, pp. 24–27).

A servant leader leads people on a journey. A servant leads because he wants to serve others. People follow servant leaders freely because they trust them. Like the transforming leaders, the servant leader elevates his followers. A

servant leader is blessed with an opportunity to lead and to serve. A servant leader is a leader because of influence by example. A servant leads and convinces by presence and not by rules and admonitions. Servant leaders differ from other persons of goodwill because they act on what they believe. Servant leaders know experimentally, and there is a sustaining spirit of trust when they venture and take risk. A servant leader comes to terms with the ambiguities and challenges of executive leadership. According to Robert Greenleaf, the acid test of real servant leadership that works: Do the people around the person grow? Do they, while being served, become healthier, wiser, freer, more autonomous, and more likely themselves to become servants? If so, what is the impact on the poor and the marginalized, and the least privileged in society (see Greenleaf, 2002, p. 27; Senge, 2002, p. 357).

The essence of leadership is service in a community that journeys together toward a destiny. A leader helps us come to grips with who we are, what our common destiny is, and where we are on the journey. The true leader is also a seeker – alert to new possibilities on the journey, open, listening, and ready for whatever develops. True leadership, thus, is also an inner quality as much as an exercise of authority. In the midst of seemingly unrestrained and individualized materialism, Robert Greenleaf's sense of civil community can be a preserving principle of the free market system. In creating an enterprise that stands for something beyond itself – a distinguished serving institution that is at once successful and principled – servant leadership can provide the right beacon that will light the way. Servant leadership can certainly influence a new generation worldwide to transform global capitalism, to serve better the whole of humanity and our planet earth.

According to Greenleaf (2002, p. 31), only a true natural servant automatically responds to a problem by listening first. The automatic response to any problem is to listen first. True listening builds strength in people you listen to. One can observe remarkable transformation in people who have been trained to listen. Most of us try to communicate first. The best test of whether we are communicating is to ask ourselves first – Are we really listening? Do we really want to understand? Are we listening to the one with whom we want to communicate? Are we totally silent and attentive when we listen?

The servant leader accepts and empathizes, and never rejects. Acceptance is receiving what is offered, with approbation, satisfaction, or acquiescence. Empathy is the imaginative projection of one's own consciousness into another being. The opposite of both is to reject, to refuse, and to hear or receive. A great leader accepts, empathizes, and thus deserves the interest and affection of his followers. Acceptance is often unqualified; it requires a tolerance of imperfections. Anybody could lead perfect people, if there were any. Leaders (e.g., parents, teachers, executives) who try to raise perfect children or followers are certain to raise neurotics. It is part of the enigma of human nature that the typical person is imperfect, immature, stumbling, inept, and lazy, but is capable of dedication and heroism *if* wisely led. People grow when those who lead them accept them for what they are and empathize with their shortcoming – such leaders are easily trusted (Greenleaf, 2002, pp. 34–35).

We could summarize the philosophy of servant leadership from the above with the following points (Greenleaf, 2002, pp. 21–61):

- A servant leader is servant first. It begins with the natural feeling that one wants to serve first.
- One should be first a servant and then become a leader by making conscious choices of service.
- Selfless service should define one's leadership.
- Servant leadership is not individualism but collectivism – it is a community of servant leaders.
- Servant leadership is relational and not transactional – it builds great relations (and not merely transactions).
- A servant leader, either leader or follower, is one who is always searching, seeking, listening, and expecting that a better "wheel" for this time emerges or is in the making.
- Servant leadership is prophetic, inspirational than logical, and a praxis than mere philosophy.
- Servant leadership is positive, affirmative, and empowering. It is based on faith in oneself and in humanity – "faith is the choice of the nobler hypothesis" (Dean Inge).
- The servant leader accepts and empathizes, and never rejects.
- Servant leadership enables followers to grow in faith, hope, wisdom, freedom, autonomy, self-esteem, and hence, servant leadership.

4.4.4. Leadership and Empowerment

"Empowerment is about giving people the confidence, competence, freedom, and resources to act on their own judgments" (Ciulla, 2004, p. 59). Thus, empowered people experience different relationships to leaders who hold power and with whom they share mutual goals. The industrial era with its paradigm of power leadership seems to be over. Organizations have entered a new age where employees are partners and team members. Not only are employers leaders, even employees can be empowered to be leaders.

Authentic empowerment entails a different set of moral understandings and commitments between leaders and followers. Authentic empowerment is opposed to *bogus empowerment* – this is empowerment without power. Ciulla (2004, pp. 64–65) defines bogus empowerment as the use of therapeutic fictions to make people feel better about themselves, eliminate conflict, and satisfy their desire to belong (niceness), so that the followers freely choose to work toward the goals of the organization and be productive instruments. Leaders who offer bogus empowerment are unauthentic, insincere, and disrespectful of others. They believe that they can change others without changing themselves. Such leaders do not dominate, but manipulate people into cheerful subordination. It is a submission of one's identity to group or organizational identity. Increasingly, even management theorists believe that groups and teams are the foundation of all that is good and productive (Whyte, 1956, pp. 6–7, 51, 54).

Most of the traditional empowerment programs seem to have failed to empower the employees. Reasons are many: (1) employees are a captive audience; their success in the organization is contingent on buying into these programs. (2) These programs created a short-lived sense of euphoria among employees (a Hawthorn effect) that quickly faded away. (3) The programs raised employee expectations that they will be enriched and empowered, but did not deliver. (4) Some employees felt indoctrinated and manipulated into submission by the training programs.

Honesty is a necessary condition for empowerment. The former entails a set of specific practical and moral obligations such as integrity, sincerity, authenticity, vision driven, mission oriented, truthful, and transparent. Information is power and is a source of power. The use and access to information and information technologies have empowered employees much more than in the past. Computerized control systems can impose strict self-discipline on workers and replace layers of management. Empowerment requires good faith. Empowerment is a kind of giving. Leaders do not tell people that they are giving them power that they have already gotten through structural and technological changes.

Leaders cannot empower people unless they have the moral courage to be honest and sincere in their intention to change the power of relationship that they have with their followers. If leaders want to be authentic about empowering people, they must be first honest with themselves. Hence, too many leaders are not authentic. They talk about empowerment and participation and even behave that they are participatory, but in practice, they lead to autocratic ways. For instance, you empower employees to organize their work on the one hand, but on the other hand, when they do, you manipulate them to do it your way (Ciulla, 2004, p. 79).

One of the most ethically distinct features of being a leader is one's responsibility for the actions of one's followers. An organization can always give employees more responsibility via empowerment programs, and often employees feel betrayed when they are not being given enough. But more the responsibility given to the followers, the higher is the responsibility of the leader.

Further, modern leadership consists of two ideals: trust and power that often conflict with each other. But trust seems to have taken over from power as the modern foundation of leadership. The moral concepts behind empowerment are responsibility, trust, respect, truth, honesty, and loyalty – these are reciprocal moral concepts; that is, they exist only if they are part of the relationship between followers and leaders.

Honesty is one way to resolve the tension between power and trust. It is morally wrong to lie because lying shows lack of respect for the dignity of the person. Leaders lose credibility and respect when they blatantly fail to respect their employees. If leaders do not demonstrate in substantive ways that they are loyal and committed to their employees through good times and bad, they simply cannot expect the employees to be loyal to them.

4.4.5. Max de Pree on Ethical Leadership

Max de Pree is Chairman Emeritus of Herman Miller, an international high-quality furniture company. He is an emblem of moral leadership. True leaders are sought after and cultivated. Leadership is not an easy subject to explain, comments Max de Pree (1987/2004, p. 11). The measure of leadership is not the quality of the head of the leader, but the tone of the body, the corporate community. The signs of outstanding leadership appear primarily among the followers. When the followers learn and yearn, serve and reach their potential, and manage conflict and achieve the required corporate results, there is great leadership. Leadership is a concept of owning certain things to the institution. It is a way of thinking about institutional heirs, a way of thinking about stewardship as contrasted with ownership. It is servant leadership, as Robert Greenleaf (1977/2002) defined it.

People are the heart and spirit of all that counts. Without people, there is no need for leaders. Corporations, like the people that compose them, are always in a state of becoming. The art of leadership requires us to think about the leader-as-steward in terms of relationships – relationships of assets and legacy, of momentum and effectiveness, and of civility and values. Relationships of assets include vital financial health, and the relationships and reputation that enable the continuity of vital financial health. Such relationships mean several duties (Max de Pree, 1987/2004, pp. 13–22):

- Leaders, accordingly, must deliver to their organization the appropriate services, products, tools, and creative innovations that people in the organization need to be accountable.
- Leaders must also provide the right institutional value system that leads to the principles and standards that guide the practices of the people in the organization.
- Leaders must provide clear statement of these values such that they are broadly understood, agreed on, and shape corporate and individual behavior.
- Leaders are also responsible for future leadership – they need to identify, develop, and nurture future leaders for the organization.
- Effective leaders encourage contrary opinions, an important source of corporate vitality, continuity, and institutional culture.
- Leaders owe a covenant to the organization – a new reference point for what caring, purposeful, and committed people can be in an institutional setting. Covenants bind people together by meeting the needs of one another.
- Leaders owe a certain maturity expressed in a sense of self-worth, a sense of belonging, a sense of expectancy, a sense of responsibility, a sense of accountability, and a sense of equality.
- Leaders owe the corporation rationality that grounds reason, visible order, and mutual understanding to programs and to relationships. Excellence, commitment, and competence are available to followers only under the rubric of rationality.

- Leaders provide the right value environment for people to trust each other, to respect human dignity, and to promote personal development and self-fulfillment in the attainment of corporate goals.
- Leaders owe people space, space of freedom that enables our gifts of ideas, openness, dignity, joy, healing and inclusion to be exercised, a space that enables the followers to grow, to be themselves, to exercise diversity, and a space that offers them the gift of grace and beauty.

The mark of good leaders, therefore, is an attribute that puts them in a position to show the way for others; that is, they are better than most of us at pointing the direction. A good leader that leads always has a goal. The goal is as an overarching purpose, the big dream, and the visionary concept and may be arrived at by a group consensus or by the leader acting on inspiration and aspiration, and passion and insight. A good leader knows the goal better, can better articulate it, and state it imaginatively for any who are unsure, and may provide, at times, some certainty to those who have difficulty in achieving it for themselves. The goal is something presently out of reach; it is something we strive for, to move forward, and to become. A good leader empowers us to do so. He elicits trust in us, confidence in him, and especially if the goal is a high-risk visionary purpose. Every achievement starts with a goal, but great goals are great dreams that spell great direction, great achievement, and great fulfillment. Behind every great achievement is a dreamer of great dreams (Greenleaf, 2002, pp. 29–30).

4.4.6. How We Can Train Moral Leaders

One of society's abiding needs is to develop and mature its leaders. *Mentoring*, coaching, and counseling have become the best means for identifying, nurturing, and maturing leaders. The give-and-take of mentoring seems to be the best way of guiding leaders toward expanding their potential. Mentoring a not a private management seminar. Its ultimate goal is to make mentors of mentees.[4] Mentoring is a process of becoming, not an unimpeded march to perfection.

Ethics relates to *what we ought to do* in a given situation and in a given time. Ethics is also a communal, collective enterprise. We learn ethics and morality from our homes, schools, peers, and society. The wider and deeper the web of our relationships with others, the greater is the possibility that we learn our ethics and morals from others. Given the presence of others and our need for others, ethics, said John Rawls (1985, pp. 223–251), is how we decide to behave when we decide we belong together. The paradox and central tension of ethics lie in the fact that while we are by nature communal and in need of others, we are at the same time, by disposition, more and more egocentric and self-serving. Minimally, therefore, good leadership behavior intends no harm and respects the rights of all. Bad behaviors are willfully or negligently trampling on the rights and interests of others.

Morality, argued John Dewey (1960), starts as a set of culturally defined goals and rules that are external to the individual and are internalized gradually

via habits through learning and training. Some of these goals and rules come as customs, conventions, ordinances, government laws and policies, or public opinions. Good moral leaders as independent agents need to be critical of these externally imposed goals and rules, and embrace what is best and noble in them. Ethics and morality are reflective conduct, affirmed John Dewey (1960, pp. 3–28), and a good leader discerns the distinction between what is custom and convention to what is morally and ethically acceptable and desirable. It is never enough to do the right thing (custom and conventions do this), but one must do the right thing rightly (this is ethics and morality).

A true commitment to moral leadership requires the integration of ethical concerns into all organizational activities. A moral leader must identify the living and dying edges in the organization:

- Leaders must take a role in developing, expressing, and defending civility and values. Civility has to do with identifying values as opposed to following fashions. Civility is the ability to distinguish between what is actually healthy and what merely appears to be living. A leader must tell the difference between living edges and dying ones.
- "To lose sight of the beauty of ideas and of hope and opportunity, and to frustrate the right to be needed, is to be at the dying edge.
- To be part of a throwaway mentality that discards goods and ideas, that discards principles and law, that discards persons and families, is to be at the dying edge.
- To be at the leading edge of consumption, affluence, and instant gratification is to be at the dying edge.
- To ignore the dignity of work and the elegance of simplicity, and the essential responsibility of serving each other, is to be at the dying edge" (Max de Pree, 1987/2004, pp. 21–22).
- Peter Drucker once said, efficiency is doing the thing right, but effectiveness is doing the right thing. We may add: integrity is to do the right thing rightly. Followers look up to leaders for effectiveness and integrity. Leaders can delegate efficiency, but they must deal personally with effectiveness. A leader's effectiveness comes about through enabling others to reach their potential, both individual and institutional (Max de Pree, 1987/2004, pp. 19–20).

Leaders need the ability to look at problems and reality through a variety of lenses – through the lens of a follower, of a new reality, of hard experience and failure, and of fairness and morality. We need to look hard at our future. We must stop being boxed in by national boundaries and cultural stereotypes. We need to make a commitment to civility and inclusiveness. Good leaders modulate individual rights with the common good; they think of fairer ways to distribute economic results among all people. Good leaders are not only successful, but faithful. The active pursuit of common good gives us as followers the right to ask leaders and managers of all kinds to be not only successful, but faithful.

While success is easily measured by the traditional performance criteria, faithfulness is harder to assess or measure.

One of the leader's chief concerns is the problem of betrayal. Leaders often betray followers and vice versa. Most betrayals surface after the fact, after one party clearly abandons a goal, promise, or commitment. Betrayals do not normally arise from poor motivation or outright sabotage. They spring from inertia or entropy – the tendency of everything to deteriorate; entropy creeps into an organization when a leader fails to reflect seriously on what makes important things go awry. Slothful people allow entropy to ruin things; leaders are directly responsible for the very existence of betrayal. From a leader's perspective, the most serious betrayal has to do with thwarting human potential, with quenching the spirit, and with failing to deal equitably with followers as human beings. The promises we make as leaders should resonate our beliefs and values. Otherwise, they ring false, and followers know it and reckon it as betrayal. Often leaders know that professional qualifications are not enough, their skills and techniques fail them, when promises made by them are broken owing to human fragility. At such times, leaders need to resort to deeper resources, resources beyond skills, and techniques rooted in their beliefs and values (De Pree, 1992/2008, pp. 26–28).

4.4.7. Covenantal Leadership

Contracts are a small part of business relationships. A complete relationship needs a covenant. Table 4.3 contrasts contractual leadership with covenantal leadership under several dimensions. Intelligence and education can ascertain the facts. Wisdom can discover the truth. Covenant can strengthen relationships. The life of a corporation needs all three. To give one's time does not always mean giving one's involvement. The former is contractual; the latter is covenantal.

Hierarchy and equality are not mutually exclusive. Hierarchy provides connections. Equality makes hierarchy responsive and responsible. Covenant makes both hierarchy and equality thrive together. Without forgiveness, there can be no real freedom to act within a group. Covenant facilitates forgiveness.

Opportunity must always be connected to accountability. Without the promise of accountability, there are no true opportunities and risk. Without true opportunity and risk, there is no chance to seize accountability; it will remain elsewhere. Covenant blends opportunity, risk, and accountability as never before.

Goals and rewards are only parts of the human equation; they are different parts of human activity. When rewards become our goals, we are only pursuing part of our work and covenant. Goals, objectives, rewards, and healthy and rational relationships are best achieved through covenantal relationships. All these bring joy. Joy is an essential ingredient of leadership. Leaders are obliged to provide joy to the followers (Max de Pree, 1987/2004, pp. 141–146).

Table 4.3: Leadership under Contractual versus Covenantal Relationships.

Leadership Dimensions	Contractual Relationships	Covenantal Relationships
Philosophy of leadership	Followers are factors of production, paid contracted employees, subordinates, and subjects, to be controlled and commanded, to be marched to submission, productivity and efficiency, and used for growth and profitability	Followers are persons, with human dignity and purpose and made in the image of God. God has given people a great diversity of gifts. Understanding these gifts fosters trust, respect, and human solidarity
Power of leadership	Contractual relationships foster competitive management, win-lose negotiations, and formal and distanced transactions. Leaders receive the task of leadership from policies and procedures, contracts and agreements, laws and ordinances, promotion and reward structures, and formal and bureaucratic structures	Covenantal relationships empower participative and collaborative management. Words such as love, respect, intimacy, warmth, and personal chemistry define covenantal relationships; they reflect unity and grace and poise. They express the sacred nature of relationships. Leaders receive the gift of leadership from the people they lead
Nature of leadership	Contractual relationships are the act or science of leadership. They are legal and cover the quid prop quo of working together. Contracts almost break down under the inevitable duress of conflict and change. Contractual relationships are exclusive, snobbish, clannish, and performance driven. Leadership is measured by revenue generation, cost containment, accumulation of wealth, market power and dominance, and physical growth	Covenantal relationships are the art of leadership. Covenantal relationships are relational; covenants enable us to deal with change, with conflict, and to reach our potential. They fill deep needs and enable work to be meaningful and fulfilling. Covenantal relationships are inclusive, welcoming, open, transparent, candid, intimate, caring, giving, and mission fulfillment driven

Table 4.3: (*Continued*)

Leadership Dimensions	Contractual Relationships	Covenantal Relationships
Domain of leadership	Contractual relationships foster current, short-term, quick-fix solutions to problems, physical growth than growth of its people. They do not incorporate necessarily a vision of the future, care of the people that should implement them and care of the society they impact	Covenantal relationships tolerate risk, foster maturity, long-term performance and stewardship, and forgive errors; they enable corporations to be hospitable to the unusual person and unusual ideas
Driving power of leadership	Growth in revenues, market share, market dominance, market power, independence, competitive barriers, growth in size and profitability, muzzle, and combat	Growth in relationships, intimacy, interdependence, community building, reciprocity, compassion, hospitality, ethics and morality, humane development and fulfillment, local community enhancement, and global sustainability
	Contractual relationships are a gift of the law and enforcement	Covenantal relationships are a gift of the spirit and liberation
Scope of leadership	Contractual relationships respond to efficiency and performance of business, to policies and rules, to standards and specifications, to manuals and code of conduct, and to sanctions and penalties. Legalistic relationships create an atmosphere of spiritual mediocrity – they paralyze our noblest impulses. Legalistic thinking prevents us from seeing the scale and meaning of events	Covenantal relationships respond to effectiveness and intimacy, to people and relationships, visions and missions, history and identity, social impact and progress, human dignity and fulfillment, and national and global citizenship

Limitations of leadership	"A society based on the letter of the law and never reaching higher, fails to take advantage of the full range of human possibilities. The letter of the law is too cold and formal to have a beneficial influence on society" (Alexander Solzhenitsyn)	Covenantal relationships induce freedom, not paralysis. They are open to influence. They rest on shared commitment to ideas, to issues, to values, to goals, and to management process
Future of leadership	Leadership based on contractual relationships has a bleak future for society and mankind owing to their exclusive, bureaucratic, domineering, and colonizing nature. Capitalism may soon break down under such relationships	Leadership empowered by covenantal relationships has a great future for society and mankind owing to their inclusive, transparent, humanizing, equalizing, compassionate, spiritualizing, and empowering nature. Capitalism can thrive and prosper under such relationships

Source: See also Max de Pree (1987/2004) *Leadership is an Art*. pp. 57–72.

4.5. Concluding Remarks

One of society's abiding needs is to develop, nurture, and mature its leaders. Organizations do not live on earnings alone, but they do live by its leaders and their followers. Vision is the basis for the best kind of leadership, especially ethical and moral leadership. Today, more than ever, leadership is more an art than a science, more a lived project than an academic program. Ethical leadership is more an ethical imperative than an organizational quality and more a desperate need of the day than a pious wish of the future. Moral leadership is an urgent calling than a job, more a professional clarion call for integrity than an organizational performance drive.

Today's best leaders, says Max De Pree, are *attuned to the needs and ideas of their followers* and even step aside at times to be followers themselves. Genuine leadership reveals how to hold people accountable and give them space to reach their potential; to see the needs of employees and those of the company as the same; to inspire change and innovation; and to work effectively with creative people (De Pree, 1992/2008). "I am still learning about leadership at the age of 83. I am happy to tell you that becoming a better leader is a job that never ends." Leadership is something we never completely understand (De Pree, 1992/2008, p. xv; 173).

Corporations can and should have a redemptive purpose. Leaders must realize that reaching our potential is more important than reaching our goals. We need each other in order to be learners together. We need to become vulnerable to each other. We owe each other the chance to reach our potential. "It is more difficult, but far more important, to be committed to a corporate concept of persons, the diversity of human gifts, covenantal relationship, lavish communications, including everyone, and believing that leadership is a condition of indebtedness" (Max de Pree, 1987/2004, pp. 67–72).

Similarly, leadership is often measured by corporate success. Success is fragile. Success is one of those fragile qualities of leadership. Success can expose to dangerous consequences – it tends to breed arrogance, complacency, and isolation. Success can close a mind faster than prejudice. Leaders are fragile precisely at the point of their strength, liable to fail at the height of their success. One should be aware of one's fragility – it is a step toward personal effectiveness – and do something about it – cultivate inclusive leadership (Max de Pree, 1992/2008, pp. 37–38).

NOTES

1. This raises an important debate as to whether Hitler was a leader, a ruler, or a tyrant, and if he was a leader, was he an ethical leader? Hitler inspired great devotion among his followers as Roosevelt, Lincoln, or Truman did, with relatively the same set of emotions such as trust, fealty, and loyalty. One could not, therefore, arbitrarily state that the set of emotions evoked by Hitler was inferior to those raised by other great contemporary leaders. In general, there are no standards for emotion apart from those already contained within the emotion. But in relation to values there are common standards – for

instance values that promote social harmony, solidarity, and well-being are better than those that do not. But these characteristics are not self-contained within a society, nor can they apply to one part of a society without including consideration of all other parts as well. Hence, this suggests a criterion for distinguishing between effective but evil leadership and effective but good leadership – the promotion of social harmony, fairness, and public good of all society. To the extent that Hitler did not promote social harmony and general social well-being of all, but only of a part that fitted his exclusive philosophy, his was an effective but evil or unethical leadership (see Solomon, 2004, p. 89). We could use similar analysis to weed out other questionable leaders like Jim Jones and David Koresh.

2. Weber (1947) was the first to use the term "charisma" and describe the charismatic leader as one who could bring about social change. He identified these types of leaders who arise "in times of psychic, physical, economic, ethical, religious, [or] political distress" (Weber, 1968). For Weber (1968), charisma in leaders referred to "specific gifts of the body and spirit not accessible to everybody" (p. 19). These leaders were attributed "with supernatural, superhuman, or at least specifically exceptional powers or qualities" (Weber, 1947, p. 358) and could undertake great feats. Weber (1968) believed that followers of a charismatic leader willingly place their destiny in their leader's hands and support the leader's mission that may have arisen out of "enthusiasm, or of despair and hope" (p. 49). Weber (1968) argued that charismatic authority is different from bureaucratic authority and that at the core of charisma is an emotional appeal whose "attitude is revolutionary and transvalues everything; it makes a sovereign break with all traditional or rational norms" (p. 24).

3. In presenting his theory of servant leadership, Robert Greenleaf (1977) first introduces the readers to a story from *Journey to the East* by Hermann Hesse. This story is about a spiritual journey. On the journey, a servant named Leo carries the bags and does all the chores of a typical servant. But, Leo is special: he keeps the group together with his presence and songs. When later Leo disappears mysteriously, the group falls apart and loses the way. Later in the journey, the group discovers that Leo was actually the leader – he represented a paradigm shift: from the followers following the leader, Leo the leader followed the followers serving them. He represents servant leadership – an old normative model of leadership found in ancient Eastern thought.

4. Mentor was a character in Homer's *Odyssey* who advised and helped Odysseus's young son Telemachus. The word mentor over the millennia has come to mean exactly the same – a trusted advisor and counselor. To the pianist Franz List, himself a great mentor, mentoring is about conjugating the verb "to be" and not the verb "to have." Mentoring is a two-way street, a process of being and becoming together, the mentor and the mentee (see Max de Pree, 1992/2008, pp. xxi–xxii).

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Chapter 5

The Ethics of Corporate Critical Thinking

Executive Summary

"The unexamined life is not worth living" (Socrates). That is, without critically inquiring into the knowledge of life which is well-being and valuable, life is not worth living. Critical thinking questions existing theories and their unexamined and obsessive assumptions and generalizations, constraints, and "best" practices of the prevailing system of management and tries to replace them with more valid assumptions and generalizations that uphold the dignity, uniqueness, and inalienable rights of the individual person and the community. Better outcomes result from asking the right questions than from having the right answers. In the diverse, pluralist cultural environment of today, the promise of a truly generative dialog among Occidental (Western) and Oriental (Eastern) cultures and civilizations holds great hope for the future. Critical thinking (CT) is an "inclusive" thinking system that can facilitate this dialog such that all of us have a meaningful space and place in this universe. After defining CT and arguing its importance for executives, this chapter introduces CT in two parts: Part 1: Various Approaches to Critical Thinking; Part 2: Major Theories of Critical Thinking. Several contemporary business cases will be invoked to illustrate the need, nature, and scope of corporate CT.

5.1. Introduction

The word *critical* (from the Greek word *kritikos*) means to question, to make sense of, or able to analyze. It is by questioning, by making sense of things, events, and people, and by analyzing them that we examine and improve our thinking and the thinking of others (Chaffee, 1988, p. 29). The word critical is also related to the word *criticize* that implies questioning and evaluation in a constructive way. Thus, at an initial and etymological level, *critical thinking* is *thinking that questions and challenges our past and present thinking on subjects and objects, their properties, and events.* Critical thinking (CT) is constructive thinking about the world of ours that questions and evaluates its operations, history, and management.

The word "critical" is closely associated with the concept of a threshold or a *critical point*. For instance, in physics, the critical point is the point above or

below which certain physical changes will not occur. In thermodynamics, the properties of the substance at this point are called its *critical constants*. There are numerous other instances of this application of the word critical as "limiting." Applied to business knowledge, critical point would mean a critical threshold beyond which we want the students to emerge free from their "critical constants" of management orthodoxy, apathy and malaise, value-hibernation, self-centered rigidity and individuality to thinking for others, for the six billion that are poor in the world, and the masses that our business education or capitalist system does not directly benefit.

CT thinks beyond the short-term to the long-term goals and consequences of our thinking, decisions, choices, and actions. CT, therefore, thinks beyond revenues, market share, profits, and shareholder value to other bottom lines that include the intended and unintended long-term consequences of corporate decision-making, strategies, and implementations.

CT is a discipline that questions and challenges "our prevailing system of management" and its assumptions and generalizations. In the process, it is an attempt in transforming the prevailing system of management. Dr. William Edwards Deming (1900-1993), author of Total Quality Management (TQM) believed that a "common system of management" governed our modern institutions and, in particular, formed a deep connection between work and school. From early infancy, we have been socialized in ways of thinking and acting that are embedded in our most formative institutional experiences. The relationship between a boss and subordinate is the same as the relationship between a teacher and student. The teacher sets the goals; the students respond to them. The teacher has the answer; the students work to get the answer. Students know when they have succeeded because the teacher tells them so. By the time the children are 10, they all know what it takes to get ahead in school and please the teacher – a lesson they carry forward in their later academic and management careers. Hence, Deming would often say, "We will never transform the prevailing system of management without transforming our prevailing system of education. They are the same system." In a broader role, CT questions and challenges our current system of education.

5.2. Why Do We Need Critical Thinking?

We need to own and respond to problems that we are or that we create before we pass the buck on to others. Stephen Covey said it eloquently: "If you think the problem is *out there*, that very thought *is* the problem." Lack of CT makes us either incapable of recognizing problems and their severity in ourselves or the organizations we work for, or we flatly trace their origin to others.

We have never critiqued our education and learning systems: what are we teaching, how do we teach, what do students learn, how do they use this knowledge, and what are the long-term good outcomes of our education systems on society? This is CT and its application. David Orr (1991), an environmental educator, reminded us long back that our education system could unwittingly create monsters like Hitler and Stalin. These perpetrators of the Holocaust were heirs

of Kant and Goethe. In most respects, the Germans were the most educated people on earth, but their education did not serve them as an adequate barrier to barbarity. This is lack of CT of our education system.

David Orr (1991) argues that education is no guarantee of decency, prudence, or wisdom. More of the same kind of education will only compound our problems. This is not an argument for ignorance, but rather a statement that the worth of education must now be measured against the standards of decency and human survival – the issues now looming so large before us in the decade of the 1990s and beyond. It is not education that will save us, but education of a certain kind. It should be an education that can stand the scrutiny of CT.

The *role of a teacher*, a professional role, can be kept analytically separate from the *role of a scholar*. Scholarship implies realized expertise or developing expertise in one's field, regular updating of one's skills, intellectual honesty, and respecting intellectual property. The role of a teacher is to communicate one's expertise and skills, and advances of knowledge to one's students. Both roles assume and imply ethical responsibilities.

Critical filtering of one's knowledge before it is communicated to others is important. CT makes us good and professional scholars that become the "conscience" of our discipline or field. A good scholar owes it to his/her profession to be its own objective critic. A scholar who loves his/her profession is not afraid to criticize it. A good person who loves his/her institution is not afraid to criticize it.

5.3. A Moral Canvas for Critical Thinking

In writing a preface to the new edition of *The Fifth Discipline*, Peter Senge (2006, pp. xiv–xv) summarized the maladies that afflict most organizations today. We capture and expand them in Table 5.1. Table 5.1 is fodder for CT. CT questions obsessive generalizations, constraints, and "best" practices of the prevailing system of management and tries to replace them with more valid assumptions and generalizations that uphold the dignity, uniqueness, and inalienable rights of the individual person and the community. The old prevailing system of management focused on the shareholders raising their share value and most often, at the expense of individual, social, and natural capital. Following this prevailing system of management, the gaps between the poor and the rich, the prosperous, and the marginalized are widening in almost every country of the world.

An alternative to the prevailing system of management must be based on human dignity and equality, self-respect and self-esteem, dialog and sharing, love rather than fear, curiosity rather than an insistence on "right" answers, transparency rather than secrecy, and executive privilege, a shared vision and a shared ongoing journey rather than a fixed destiny of growth targets, and learning rather than on controlling. Senge (2006, p. xviii) believes that the prevailing system of management is, at its core, dedicated to mediocrity. It forces people to work harder and harder for the corporation and its shareholders, while failing to

Table 5.1: The Prevailing System of Management with its Constraints and Regimentation.

Prevailing System of Management	**Obsessive Preoccupations, Generalizations, and Overemphasizing "Best" Corporate Practices**	**Freedom from Benchmarking against Generalizations and Corporate "Best" Practices**
Management by measurement	Focusing on short-term metrics	Focusing on long-term metrics, since "you can only measure 3% of what matters" (W. E. Deming)
	Overvaluing tangibles – devaluing intangibles	Overvaluing intangibles – devaluing tangibles
Compliance-based cultures	Getting ahead by pleasing the boss	Getting ahead by pleasing all the stakeholders
	Compliance is rewarded – noncompliance is punished	Compliance is expected and duly fulfilled
	Management by fear, rewards, and punishments	Management by intrinsic motivation
Managing outcomes	Management sets goals and targets that employees must accept them. Employees are held accountable to realize them (regardless of whether they are possible within existing systems and processes)	Management sets goals and targets together with employees who gladly own and accept them
		Employers and employees are accountable to realize them
	Realizing targets is considered success worthy of promotions	Realizing targets is considered success worthy of promotions; not realizing targets is admittance of collective mistake that can be avoided
	Not realizing targets is deemed failure and disloyalty, punishable by firing	
Problem-solving	"Right answers" versus "wrong answers"	"Right answers" and "wrong answers"
	Technical and linear problem-solving is emphasized	Nontechnical and nonlinear problem-solving should be explored and pursued
	Short-term solutions are readily accepted	Short-term solutions should be critically scrutinized for their long-term unintended effects
	Nonlinear or circular innovative thinking is held suspect	Nonlinear or circular innovative thinking is encouraged
	Diverging (systemic) problems are discounted	

Table 5.1: (*Continued*)

Prevailing System of Management	**Obsessive Preoccupations, Generalizations, and Overemphasizing "Best" Corporate Practices**	**Freedom from Benchmarking against Generalizations and Corporate "Best" Practices**
Uniformity and conformity	Diversity is either discouraged or is a problem to be solved	Diversity is encouraged as an opportunity
	Uniformity and conformity are praised and institutionalized	Uniformity and conformity are discouraged if leading to mechanization and over-institutionalization
	Consensus building is stressed at the expense of suppressing individuality	Consensus building not at the expense of dissent suppression. Conflict is accepted and expected as a way forward to of community agreement
	Conflict is suppressed in favor of superficial agreement	
	Employees are cog in the wheel or "factors of production" (Frederick Taylor)	Employees are hubs in the wheel of progress and growth
Predictability and controllability	To manage is to command and control	To manage is to commend and respect
	The "holy trinity" of management is: planning, organizing, and controlling	The "holy trinity" of management is: co-planning, sharing, and joint responsibility
	Linear analysis of data to explain, predict, and control	Nonlinear analysis of data to explain, predict, and control
	Quantitative analysis based on systematic variance in data	Qualitative analysis based on systematic variance in data
	Qualitative analysis of non-systemic variance (e.g., outliers; beyond six sigma) is discouraged	Qualitative analysis of non-systemic variance (e.g., outliers; beyond six sigma) is encouraged
Excessive competitiveness	Success is to suppress competition – win–lose game!	Success is to ignore competition – a win-win game!
	Competition between people is essential to achieve desired performance	Competition between people is not essential to achieve desired performance
	"Without competition among people, there is no innovation"	"Innovation is an ongoing exercise regardless of

Table 5.1: (*Continued*)

Prevailing System of Management	Obsessive Preoccupations, Generalizations, and Overemphasizing "Best" Corporate Practices	Freedom from Benchmarking against Generalizations and Corporate "Best" Practices
	"We have been sold down the river by competition" (W. E. Deming). Fighting competition is the only source of SCA and not "blue oceans." Bigger the better: growth is by destroying competition	competition. Fighting competition might be a "red" source of SCA besides "blue oceans." Small is beautiful – growth is by continuous creative innovation
Loss of the whole	Excessive fragmentation/ compartmentalization of functions – divide and rule	Progressive integration and non-compartmentalization of functions – unite and rule
	The efficiency of the whole is the sum of the efficiency of its parts. Optimizing each part optimizes the whole!	The efficiency of the whole is greater than the sum of the efficiency of its parts. Optimizing each part may not optimize the whole! The whole is defined by the interaction of its parts, and vice versa
	The whole is defined by its parts, and not vice versa	
	Interconnectedness and interrelationships are ignored	Interconnectedness and interrelationships are emphasized
	Interactive effects are either not considered or irrelevant	Interactive effects are always considered as relevant
Equality and inequality management	We are not equal but unequal in talents, skills, intelligence, and possessions	We are equal despite unequal in talents, skills, intelligence, and possessions
	Hence inequality of income, wealth, and opportunity is essential for progress!	Hence inequality of income, wealth, and opportunity is not essential for progress!
	Egalitarianism is a myth; it defies and negates reality	Egalitarianism is a good goal; it defines and reflects reality
	Inequalities between the rich and the poor spur growth and innovation	Inequalities between the rich and the poor are outcomes of unbridled growth and innovation
	Creation of wealth and non-redistribution of wealth are the engine of growth	Creation of wealth and just redistribution of wealth are

Table 5.1: (*Continued*)

Prevailing System of Management	Obsessive Preoccupations, Generalizations, and Overemphasizing "Best" Corporate Practices	Freedom from Benchmarking against Generalizations and Corporate "Best" Practices
	Survival of the fittest, the best, and the most productive is the law of evolution Hence cultivate the best in this limited world; flotsam and jetsam the rest (Club of Rome)	the engine of growth and prosperity Survival of the fittest, the best, and the most productive is the law of social revolution and not social harmony and human solidarity

tap the spirit and collective intelligence that characterizes working together at their best. In the diverse, pluralist culture environment, the promise of a truly generative dialog among cultures and civilizations holds great hope for the future. CT can facilitate this dialog such that all of us have a meaningful place in this universe.

Case 5.1: GAIL Pipeline Blast Kills

An explosion in a Gas Authority of India Ltd (GAIL) pipeline around 5:00 a.m. Friday, June 27, 2014, near Nagaram Village, East Godavari District, Andhra Pradesh, India, killed at least 20 people while injuring 18 others and damaging 50 houses. Massive fires gutted houses, vehicles, and coconut orchards, leaving a trail of destruction in the village. Coconut orchards were reduced to ashes and several other crops were damaged too. Over 300 birds which included several species like cormorant, pond heron, and common crane (Eurasian crane) were also killed. The injured were rushed to different hospitals nearby in the district. Chief Minister of Andhra Pradesh (AP), N. Chandrababu Naidu, who was then in Delhi, and Petroleum Minister Dharmendra Pradhan visited Nagaram and also the hospitals where the injured were being treated.

Once the blast was reported, there was almost no time to act as the damages were caused almost instantaneously. Though GAIL officials were successful in cutting off the gas supply to the suspect pipeline within 15 minutes, this duration was enough for the crisis to wreak enormous damage to the area affected, in terms of both losses to the local populace and also destruction of property and resources. GAIL dispatched multiple teams to undertake foot-patrol of every inch of its pipeline network in the KG basin to check on its deficiencies.

Allegedly, GAIL had not paid attention to the many complaints on gas leaks that were made by the Nagaram villagers. They said that the pipelines were laid 15–20 years ago and had become corroded and defective. The Oil Industry Safety Directorate (OISD), under the petroleum ministry, carries out periodical safety checks and audits of oil and gas installations across the country. Apparently, they did not detect the GAIL pipeline defects near Nagaram village. Moreover, OISD has only powers of recommendation. It is not a statutory body. Often, its recommendations have not been taken seriously. There have been talks now of giving it such an authority, but it has not materialized yet.

GAIL is a Government of India undertaking and is India's largest state-owned natural gas processing and distribution company. It procures natural gas from ONGC, Reliance Industries, and Cairn Energy. It has 850 kilometers of gas pipelines in Andhra Pradesh and supplies natural gas to 37 industrial units. A winner of the prestigious award Maharatna, GAIL is known for high standards in terms of quality. As per industry rules, GAIL did follow all statutory and safety guidelines in their operations. They also had ensured that the pipeline had been certified safe by various national and international agencies. The probability of a leak being present in their pipeline for so long without any action being taken would therefore have been very small.There are over a dozen gas-gathering stations in the area. GAIL supplies gas to 37 industrial units in Andhra Pradesh, including the Lanco Kondapalli power project near Vijayawada. Operations at Lanco, however, were not affected as they resumed gas supply through an alternative pipeline. Supply to the 1,466 megawatt Lanco power station was restored within a few hours. GAIL supplies 0.7 million British thermal units (BTU) a day to the Lanco plant.

The sudden stoppage of supply of natural gas to industries in Kakinada from the Oil and Natural Gas Corporation's (ONGC) Tatipaka terminal seems to have an adverse impact on the urea production. However, the absence of the supply of natural gas has forced the Nagarjuna Fertilizers and Chemicals Limited (NFCL), the largest manufacturer of fertilizer, to stop production forcibly in its plants located in the city. The firm that produces 4,600 tons of urea a day was in idle mode for the next two weeks, which cost Rs 1.5 crore a day in terms of halted production.

GAIL faced a dilemma as to how to address this situation in the future. Even though there is a valve at every 40 km of the pipeline and it gets shut in case of a leak, layout of pipelines through the residential area is protested by people. Though they reestablished supply to the various industries in the neighboring regions through an alternate pipeline quite briskly, their goodwill and industry standing had taken a battering. Further, the blast also resulted in major capital losses through the destruction of the pipeline and loss of the gas that is transported.

The Petroleum Minister Pradhan has ordered an inquiry into this debacle by a committee headed by a joint secretary and with representatives from the

Hindustan Petroleum Corporation, the OISD, and the National Disaster Management Authority.

A public interest litigation was filed in the High Court seeking directions to the GAIL to shift the gas control station (GCS) located in the midst of a habitation to an isolated place with immediate effect. The Hyderabad High Court on Monday, June 30, 2014, directed the central government to file its reply within three weeks to a petition that sought the shifting of gas collecting station (GCS) and pipelines of GAIL from Nagaram area of East Godavari district.

In a late-evening press release on Friday, June 27, 2014, ONGC said there could be minor gas leaks in the trunk line, which due to zero wind in the vicinity get settled over the area. During the early hours, when someone lights a stove for daily chores, the settled gas could trigger fire amounting to a pipeline explosion. The GAIL terminal was closed instantly, but it took 15 minutes for the gas source to cease. In the intervening time, the remaining gas in the pipeline might have caught fire and caused the burst of the GAIL's trunk line.

Ethical Questions

(1) Define the GAIL pipeline disaster as an ethical organizational crisis. Describe its antecedents, determinants, symptoms, concomitants, and consequences in relation to GAIL.
(2) Some crises can be recurrent and non-preventable, whether they are system breakdowns, human interventions, or natural disasters. To which type does GAIL pipeline blast belong and why? To what extent is ONGC's explanation of this blast a crisis that is recurrent and non-preventable, and why?
(3) Other crises are rare but their organizational impact is high. Effective management of such a crisis is difficult and often partial. Does the GAIL pipeline blast belong to this category?
(4) In general, most organizational crises imply and/or accompany losses of capital, human resources, revenues, and reputation. Assess these losses for the Nagarjuna village and for GAIL. Assess GAIL's moral responsibility to prevent such disasters.
(5) Hence, argue, develop, and justify an *ethics of organizational crisis* by content, goals, and objectives. Compare it to the Bhopal Spill of December 2–3, 1984.
(6) Apply CT principles: which did GAIL violate most and why?
(7) Apply ethical theory principles of teleology, deontology, distributive justice, and corrective justice: which ethical theory and its principles did GAIL (together with OISD and ONGC) compromise most and why?
(8) Hence, how would you detect, avert, and preempt such disasters in the future, especially in relation to the powerless poor villages of India?

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Case 5.2: Andy Fastow's Critical Thinking After His Prison Sentence Experience

For six years in a row, *Fortune* magazine named Enron the "Most Innovative Company," and Fastow himself was praised for his creative use of structured finance and off-balance sheet accounting.

Released from the Prison in 2011 after serving a sentence for six years, Andy Fastow, ex-CFO Enron, addressed University of New Mexico (UNM) B-students. The presentation, titled "Rules versus Principles," was put on by the Daniels Fund Ethics Initiative at UNM, which supports business ethics education. In a rare public lecture, Andy Fastow held up his "CFO of the Year" award in one hand, and his federal prison ID card in the other and said: "I got both of these for doing the exact same thing," he said before a crowd of eager UNM business students.

Fastow went on to talk about his role in the biggest corporate scandal of the century and the lessons he learned about the ethics of business. In 2001, the Securities and Exchange Commission investigated Fastow's role in hiding massive amounts of Enron's debt using off-balance sheet accounting and special-purpose entities. Fastow was eventually convicted of fraud, money laundering, and conspiracy and was forced to forfeit nearly US$24 million in assets. He was sentenced to six years in federal prison and was released in December 2011.

The collapse of Enron was a dramatic example of the failure of business people to put principles before rules, Fastow explained – a mistake that corporations and governments still make to this day. "I didn't set out to commit fraud," Fastow said. "I cannot remember any time that I ever considered I was committing fraud."

Fastow described the strange world that a CFO operates in, a gray area where the rules set by regulators are complex, vague, and sometimes nonexistent. This gray area can be seen as an opportunity, a chance for businesses to interpret the rules to suit their needs, he said. In these situations, it is incredibly important for individuals and organizations to recognize unethical behavior and determine the best ways to proceed, he

said. "I thought I was so smart; I thought I was a hero for bending the rules," Fastow said. "It comes down to individual people making a decision – we always asked 'is it allowed?' not 'is it the right thing to do?'"

"Every day, corporate accountants cut and paste numbers in spreadsheets to magically turn problems into profits, kicking the can down the road until their problems become unmanageable," he said. "The obsession of the corporate world with short-term profits, huge bonuses and stock prices has created a dangerous culture in which business people look for every shortcut and loophole they can find to make their numbers, despite the long-term consequences," he said.

- His message to the students was simple: rules and regulations are not enough. Only employees can make a difference by standing up and saying "no" when they encounter unethical practices in their business careers.
- "You can always find an attorney to get you the answer you want. You can always find an accountant to get you the answer you want," Fastow said. "There's only one gatekeeper – you."

Source: Baca, Jonathan (2014, November 25). Ex-Enron CFO gives ethics lecture. *DailyLobo.Com*. Retrieved from http://www.dailylobo.com/article/2014/11/11-25-enron-cfo-speech. Jonathan Baca is the news editor at the Daily Lobo. He can be contacted at news@dailylobo.com, or on Twitter@JonGabrielB.

5.4. Part 1: Various Approaches to Critical Thinking

The concept of "critical thinking" is variedly defined in the relevant literature. We select a few thematic views of CT, especially as they relate to business and ethics of business education.

5.4.1. Critical Thinking as Making Better Sense of the World Around Us

Chaffee (1988, p. 26) views CT as an active and organized effort to make a better sense of the world around us. *Thinking* represents "our active, purposeful, organized efforts to make sense of the world." *Thinking critically* is "our active, purposeful, organized efforts to make sense of the world by carefully examining our thinking and the thinking of others in order to clarify and improve our understanding" (Chaffee, 1988, p. 27). Thinking is the way we make sense of the world; thinking critically is thinking about our thinking so that we can clarify and improve it.

CT is not simply one way of thinking. It is a total holistic approach to understanding how we make sense of the world and the universe. When we think critically, we are actively using our intelligence, knowledge, and skills to effectively deal with our life's situations and ourselves (Chaffee, 1988, p. 30).

CT involves taking an active attitude toward the situations encountered in life. Thinking critically does not mean simply having thoughts and waiting for things to happen. This would be passive thinking – we would be letting events, others, and their thinking to control us and define us. Watching too much television or indulging in social media, for instance, is passive thinking; we allow ourselves to be influenced by the thinking and acting of others. CT is active, proactive, and interactive dialog with our world of people, properties, and events.

5.4.2. Critical Thinking as Reflective Thinking

According to Paul and Elder (2002), CT is *reflective thinking* or thinking critically. Thinking critically is reflection – to think back on what we are thinking or feeling. It is thinking back on thinking. To think critically is to think carefully about our thinking and the thinking of others. It is a serious study of thinking. It is serious thinking about thinking. You become the "critic" of your own thinking.

CT is to improve your thinking. "Critical thinking is the disciplined art of ensuring that you use the best thinking you are capable of in any set of circumstances" (Paul & Elder, 2002, p. 7). Our thinking influences everything we do, want, or feel. CT refuses biases, prejudices or stereotypes, false beliefs, myths, or illusions to influence our thinking.

There is what we might call a *first-order thinking* that is our everyday thinking, spontaneous and non-reflective thinking. It contains insights, prejudices, truth and errors, good and bad reasoning, misconceptions, and ideological rigidities. CT is *second-order thinking*: it reflects on, reconstructs, analyzes, and assesses the first-order thinking (Paul & Elder, 2002, p. 14). CT is "self-directed, self-disciplined, self-monitored, and self-corrective thinking. It presupposes assent to rigorous standards of excellence and is a careful command of their use. CT implies and empowers effective communication and problem-solving abilities" (Paul & Elder, 2002, p. 15).

5.4.3. Critical Thinking as Questioning and Challenging

According to Collins (2001), CT is *questioning and challenging what you learn*. CT is letting students question and challenge what you teach. The best students are those who never quite believe their professors (Collins, 2001, p. 16).

CT does not reject the data merely because one does not like what the data imply. CT confronts the implications. CT does not reject the data merely because it rejects the theory one espouses. CT questions one's espoused theory. CT does not reject the data merely because it rejects one's assumptions and presuppositions. CT questions and challenges one's assumptions and presuppositions about oneself, the society, and the world.

CT does not reject the theory merely because the data do not confirm it. CT sifts the data and questions its reliability, validity, and objectivity or veracity. CT is prepared to revise the theory if the data justify it. CT does not generalize when there is no evidence to back the generalization.

5.4.4. Critical Thinking as Spiritual Intelligence

According to Stephen Covey (2004), the four magnificent parts of our nature consist of body, mind, heart, and spirit that have corresponding four capacities or intelligences: physical or body intelligence (PQ), mental intelligence (IQ), emotional intelligence (EQ), and spiritual intelligence (SQ).

PQ is something that happens within our body controlling the respiratory, circulatory, metabolic, nervous, and other vital systems. PQ constantly scans our environment, adjusts to it, destroys diseased cells, and fights for survival. PQ controls and coordinates the function of roughly seven trillion cells of our body with a mind-boggling level of biochemical and biophysical coordination that controls our reflexes, instincts, drives, passions, habits, manual skills, and body routines. PQ manages the entire system, much of it unconscious. IQ or mental intelligence is our ability to reason, analyze our reasons and reasoning, think abstractly, use language, visualize, conceptualize, theorize, and comprehend. EQ is one's self-knowledge, self-awareness, social sensitivity, empathy, and ability to communicate successfully with others. It is a sense of timing and social appropriateness, having the courage to acknowledge weaknesses, and express and respect differences. Abilities such as leadership, successful communications, and relationships are primarily a function of EQ than IQ (Covey, 2004, pp. 50–51).

SQ is today becoming mainstream in scientific inquiry, philosophical, and psychological discussion. SQ is the central and the most fundamental of all four intelligences because it becomes the source of guidance of the other three. SQ represents our drive for meaning and connection with the infinite. SQ is "thinking with your soul" (Wolman, 2001, p. 26) and represents the ancient and abiding human quest for connectedness with something larger and trust-worthier than our world and us. Unlike IQ that computers and robots have, and EQ that higher mammals possess, SQ is uniquely human and most fundamental. It stands for our quest for our longing for meaning, vision, and value; it allows us to dream and to strive; it underlies the things we believe in and hope for; it makes us human.

SQ relates to the whole reality and dimension that is bigger, more creative, more loving, more powerful, more visionary, wiser, and more mysterious – than the materialistic daily human existence. While IQ relates to becoming more knowledgeable, PQ to becoming healthier and strong, EQ relates to becoming more relational and sensitive, and SQ relates to becoming a person (see Rogers, 1961).

High IQ is not enough: brilliance is not necessarily humanizing. High PQ is not enough: athletes, boxers, and heavyweight fighters have it and it did not necessarily humanize them. High EQ is good but not sufficient: it

provides passion but not humanity. High IQ may provide vision, high PQ may imply discipline, and high EQ may mean passion. Adolph Hitler had all three but produced shockingly different result (Collins, 2001, p. 69). High IQ, EQ, and SQ are a great combination: Nelson Mandela, Martin Luther King, Jr., and a few others had them. High IQ, PQ, EQ, and SQ are a perfect combination. The prophets and patriarchs of the Old and New Testaments are good examples. A contemporary example is Mohandas Gandhi or Mother Teresa.

5.4.5. Critical Thinking as Valuing Resources Hierarchically

In discussing information privacy, De George (1999, pp. 346–350) distinguishes between facts, data, information, knowledge, and understanding. These distinctions help in clarifying the language of executive ethics.

- A *fact* is defined as "a statement of the way the world is" (p. 348), the way of the world being independent of our knowledge.
- *Knowledge* can be of facts, known, or at times unknown but speculated.
- *Understanding* consists of knowledge that is integrated in some unified way and evaluated.
- *Information* is sometimes used to include data, facts, and knowledge, as when we speak of information systems.
- *Data*: Information that is entered or fed into the (computer) information system by way of codes as numbers, words, letters, or symbols.

Any individual may appropriate facts without depriving anyone else from them. In this sense, facts, information, and knowledge are infinitely shareable. However, the discovery of some facts, collecting and sorting them, often involves time and expense, and this provides a basis for claims of "intellectual property" in relation to some "facts" as proprietary, at least for a short time period. That is, while facts are common property and cannot be owned, data representing facts may be owned to the extent that one painstakingly collected and verified facts and entered such facts into the computer as classified and organized data. Data are not owned as tangible objects are owned, but printout of data can be owned to the extent one has collected, organized, and classified them and made available in a package form usable for a given target market.

Facts cannot be falsified, but data can be. Data may represent falsehood as well as facts. Such distinctions have legal implications. For instance, to what extent are mailing lists (collection of names, addresses, social security numbers, credit card numbers, and the like) stored and sorted in computers by an information broker are data that can be owned, and hence sold as a commodity? (These problems deal with the Ethics of Consumer Privacy; see, for example, Mascarenhas, Kesavan, & Bernacchi, 2003).

CT should distinguish between the following layers of intellectual resources (Mascarenhas, 2011):

- **Data/events**: Facts, figures, events, anecdotes, vignettes, information, narratives, descriptions, history, and statistics.
- **Information/meaning**: Analysis and interpretation of "data" in terms of finding trends, patterns and connections between "data," deriving inferences or conclusions from "data," and thus, seeking meaning and significance of "data."
- **Experience/knowledge**: Based on "analysis" and interpretation of data from various fields, disciplines, and domains, one derives intelligent (or empirically verifiable) propositions, hypotheses, connections, and conclusions and accordingly, builds theories, axioms, and paradigms. Knowledge can grow from theory that is verified by data (*deductive*: theory to data) or from data that ground theory (*inductive*: data to theory), and based on both theory and data to forecasting the future (*predictive*: from the past to the future).
- **Values/principles**: What are the lasting, enhancing, and humanizing values or principles in the data, and our analysis of and knowledge from it, which will make life better for all? What are also the temporal, degrading, and dehumanizing values that could make life worse for all?
- **Wisdom/freedom**: Based on data, experience, analysis, knowledge, and values, one finally derives or absorbs and cumulatively stores wisdom that discerns what is truth from error and falsehood, what is right from wrong, good from evil, just from unjust, ethical from the unethical, moral from the immoral, virtue from vice, grace from sin, life from death, lasting values from the ephemeral, and from earth to heaven, and from time to eternity.
- **Ethical and moral strategy**: Based on right discernment derived from wisdom of the previous stage, we should have the moral courage and pertinacity to speak and affirm the truth while denouncing falsehood, of doing what is right and avoiding what is wrong, of doing what is good, just, and fair and rejecting what is wrong, unjust, and unfair, of doing what is ethical and moral and desist from what is unethical and immoral, of pursuing virtue and resisting vice, of seeking grace and life as opposed to sin and death, and persistently seek perennial and universal values while downplaying the ephemeral and temporal, and thus, peacefully and collectively journey from earth to heaven, from time to eternity.

CT-based education should lead us from data/events to analysis that generates information and meaning, from information and meaning to experience and knowledge, from experience/knowledge to lasting values and universal principles, from values and principles to wisdom and freedom to pursue wisdom, and from wisdom to ethical and moral actions and outcomes.

Mere increase in knowledge does not imply a proportionate increase in human goodness, argues Orr (1991). The current information explosion in terms of increased data, numbers, words, paper, and the like do not imply an

increase in knowledge, wisdom, and virtue. Such learning does not make us better people, ethical people, especially if the knowledge of the good, of ecology, of land health, etc., is excluded from our curricula by default, if not by design. Our education may make us ignorant of things we must know to live well and sustainably on the earth.

Good CT is many sequential intellectual activities such as analyzing, conceptualizing, defining, examining, inferring, listening, questioning, reasoning and synthesizing, doing and reflecting, and growing and becoming. All these activities combined will help us to evaluate information and evaluate and refine our thought processes in a disciplined way. Thus, CT helps us to think more comprehensively and more able to identify and reject false ideas and ideologies, our flaws of thinking, our biases and prejudices of our culture and upbringing, our assumptions, presumptions, and presuppositions of cherished doctrines and beliefs, and thus to seek to be guided by true knowledge and evidence that fits with reality, and even refutes our cherished beliefs and dogmas.

CT is curiosity that widens our perspective and knowledge; it empowers us to do all the work required and to keep ourselves properly informed. CT is healthy skepticism that does not discriminate against people but doubts and suspends judgment in order to understand people better, to explain things better by testing, evidence, factual claims, and sound reasoning.

CT does not seek 100% clarity and certainty; it can handle uncertainty of knowledge, ambiguity of not-knowing, ambivalence of goals and objectives, and tolerate current levels of ignorance. CT waits for valid evidence, for evidence-based answers, and awaits further research from scientists and scholars. CT does not rely on only one solution to a problem, but investigates multiple problem formulations and multiple solutions, and finally, converges to one solution based on solid irrefutable evidence. Thus, CT avoids errors (types I, II, III, and IV) and flawed thinking. CT is prepared to make unavoidable mistakes and absorb risk so that we can learn from our mistakes. CT takes the risk of being wrong, is prepared to be wrong. If we are not prepared to be wrong, we are not prepared to be creative.

In general, type I error refers to rejecting a hypothesis, candidate, product, or a service when it is good or true; type II error relates to accepting a hypothesis, candidate, product, or a service when it is bad or false; type III error is to define a problem wrongly in terms of what is good or false in judging a hypothesis, candidate, or statement as good or false; and type IV error is finding a wrong solution to a right problem.

Type I is producer risk (e.g., a good but rejected product or market is a producer's loss); type II error is consumer risk; e.g., a wrong product or service accepted and sold can harm consumers. Type III and type IV errors are social risks or scientific flaws, as they affect consumers and producers, markets, and industries. Good CT seeks to reduce all four types of errors and their associated producer and consumer risks.

5.4.6. Critical Thinking as Building on Your Strengths

Guided by the belief that good is the opposite of bad, or right the opposite of wrong, we have unduly focused on our faults and failures in building our strengths. For instance, doctors study diseases and its symptoms in order to learn about health; psychologists investigate sadness in exploring joy; marriage therapists study causes of divorce in identifying characteristics of a happy marriage; in schools and workplaces, we are advised to look into our faults and weaknesses assuming that we can build strengths by eliminating weaknesses. Buckingham and Clifton (2001) disagree with this approach. According to these authors, faults and failing deserve investigation, but they reveal little about strengths. Strengths have their own patterns. To excel in your chosen field and to find lasting satisfaction in doing so, you will need to understand your strengths and their unique patterns.

HR managers must not only accommodate the fact that each employee is different, they must capitalize on these differences. They must watch for clues to each employee's natural talents and then position and develop each employee so that his or her talents transform into bona fide strengths. By changing the way you select, measure, develop, and channel the careers of your people, your organization can be revolutionary and could build your entire enterprise around the strengths of each person. To spur high-margin growth and thereby increase their value, great organizations need only focus inward to find the wealth of unrealized capacity that resides in every single employee (Buckingham & Clifton, 2001, p. 6).

Most organizations are built on two flawed assumptions about people: (1) each person can learn to be competent in almost anything, and (2) each person's greatest room for growth is in his or her areas of greatest weakness. Thus, if everyone can learn to be competent in almost anything, those who have learned the most must be most valuable, and hence, by design, the organization gives the most prestige, respect, and promotions based on the skills or experiences they have acquired in the company. Hence, organizations spend more money in training people once they hire them than on selecting them properly in the first place. They spend most of their training time and money on trying to plug the gaps in employee's skills or competencies, calling the latter weaknesses as "areas of opportunity." In training the incompetent, organizations prescribe work styles by emphasizing on work rules, policies, procedures, and behavioral competencies. Most organizations take their employees' strengths for granted and focus on minimizing their weaknesses. Most HRD learning experiments focus on fixing each employee's weaknesses than building on their strengths. Most often, however, this is not human development, but just *damage control*. Damage control is a poor strategy for elevating either the employee or the organization to world-class performance.

Buckingham and Clifton (2001, p. 8) offer alternative counter-assumptions: (1) each person's talents are enduring and unique, and (2) each person's greatest room for growth is in the areas of his or her greatest strength. These two assumptions should guide HR managers to select, develop, measure, and

channel the strengths and careers of their people. These assumptions should explain why great managers are careful to look for talent in every role, why they focus performance on outcomes than on work styles, why they treat each person differently, and finally, why they spend most time with their best people.

Hence, in this context, a CT exercise should start with yourself: What are my strengths? How can I capitalize on them? How can I combine them? What are my most powerful combinations? Where do they take me? The real tragedy of life is not that each of us does not have enough strengths but that we fail to use the ones we have. Benjamin Franklin called wasted strengths "sundials in the shade." Hence, identify your sundials in the shade. Look inside yourself and identify your strongest strengths, reinforce them by practice, learning and training, and then carve out a role that draws on these strengths everyday. When you do, you will be more productive, more fulfilled, and more successful (Buckingham & Clifton, 2001, p. 21).

Tiger Woods had a different strength – his length with his woods and his irons and tremendous accuracy in his putting. His ability to chip out of a bunker was no good; he did not need it either; and much less did he cultivate it. Instead, he deliberately played to his strengths. He loved what he did because he deliberately worked on his strengths.

Bill Gates's strength was at taking information technology (IT) inventions to the market and transforming them into user-friendly applications and marketing them effectively. His ability to maintain and build an enterprise in the face of legal and commercial assault was his weakness – he let Steve Ballmer handle that.

Talents, knowledge, and skills are raw materials to building strengths, but most important among these are talents. Talents are innate, while knowledge and skills can be learned and cultivated. You can never possess strengths (e.g., salesmanship, closing a sale) without requisite talents (e.g., gift of persuasion, talent for negotiation). The key to building your strengths is to identify your dominant talents and then refine them with knowledge and skills. Skills determine if you can do something, whereas talents reveal how well and how often you do it.

5.5. Part 2: Some Theories of Critical Thinking

CT is a nascent science and tradition. Part 1 has suggested various approaches to CT. We now present some doctrines that could be used as emerging theories of CT.

5.5.1. Critical Thinking and Defensive Routines

(See Peter Senge, 2006, *The Fifth Discipline*, pp. 232–240)

For more than 40 years, Chris Argyris and his colleagues have studied the dilemma why bright capable managers often fail to learn effectively in management teams. Their work suggests that success of team learning and productivity is dependent upon how a manager faces conflict and deals with the defensiveness

that invariably surrounds conflict. Argyris (1985) coined the concept in this regard and proposed the theory of "Defensive Routines" that can help us further hone our CT skills. Writes Argyris, "We are programmed to create defensive routines, and cover them up with further defensive routines. […] This programming occurs early in life."

Defensive routines are mental models that express our entrenched habits of thinking, deciding, and acting that we use to protect ourselves from the embarrassment and threat that come with exposing our thinking. Defensive routines are our deepest assumptions that not only defend us against pain but also keep us from learning about the causes of pain. The source of our defensive routines is the fear of exposing the thinking that lies behind our views. "Defensive reasoning" protects us from learning about the validity of our reasoning. We often feel that exposing our thinking is very threatening because we are afraid that people will find flaws and errors in it. This perceived threat from exposing our thinking starts early in life at home and is steadily reinforced in schools, colleges, and the workplace. Other things being equal, most of our defensive routines surround our thinking about religion, caste, color, creed, races, ethnicity, gender and age discrimination, cultural enclaves, and national exclusivity.

Top executives or senior managers, who pride themselves as skilled communicators and risk takers, may be, in fact, so brilliant at articulating their vision that they intimidate everyone around them. Consequently, their subordinates rarely challenge their views publicly. Further, people feel afraid to express their own views and opinions around them. Such CEOs may not see their own entrenchment and forcefulness as a defensive strategy, but they function in exactly that way. This strategy has become the CEOs' most effective defensive routine. Presumably, the CEOs hoped to provoke others into expressing their thoughts, but their overbearing behavior prevented them from doing so, thereby further protecting their views from challenge.

Defensive routines are a response to a problem. In general, a problem is a need to learn, arising from the "learning gap" between what a company knows and what the company should know. The "fundamental solution" is objective inquiry that eventually generates new understanding about the problem and new behavior – that is, organizational learning. However, the need for learning also creates a threat, which, in turn, leads to "symptomatic solutions" or "quick-fix band-aid solutions" prompted by defensive routines that apparently reduce the learning gap by reducing perceived need for learning.

Problems caused by defensive routines compound in organizations where to have incomplete or faulty understanding is a sign of weakness or incompetence. Deep within the mental models of managers in many organizations is the belief that managers must know what is going on. All managers are expected to know the causes of problems within their organization. Some managers respond to this expectation by internalizing an air of confidence that makes their subordinates believe they know the right answers to the most important problems in their division or company. Often, to protect their air of confidence, they will close themselves to alternative views, become rigid, and make themselves uninfluenceable, even though deep down they may be fully conscious of the

uncertainty in their understanding of the problems and the solutions. Alternatively, to maintain a façade of confidence they may even obscure their ignorance. In short, managers who must take on the burden of having to know the answers become highly skilled in their defensive routines. They play political games in their organizations. Defensive routines are like diseases – the top executives carry them, and the organizations are the hosts. Soon the organizations are infected, and they too become carriers.

To illustrate how defensive routines function within an organization, consider the case of *ATP Products*, a young division of an innovative and highly decentralized company. Tim Tabor, 33, was the divisional president, deeply committed to the corporate values of freedom and local autonomy. He believed strongly in the state-of-the-art technology products (e.g., new printed circuit boards) of ATP, rallied tremendous support from his subordinates, who in turn shared Tim's enthusiasm for their prospects. Divisional bookings grew rapidly – 30% to 50% each year until sales reached US$50 million in 1994. Accordingly, ATP doubled its capacity. In 1995, with the disastrous downturn in the minicomputer industry, ATP experienced a 50% shortfall on projected bookings. The industry did not bounce back in 1996. Tim Tabor was fired from division president to an ordinary engineering manager.

What happened? Tim's locked-in strategy was flawed owing to several defensive routines. His team had set aggressive growth targets, in part, to please the top management; he strongly believed in the product without letting his beliefs challenged; meeting these targets, he put too much pressure on his subordinates that they had no time to question what they were doing, and they relied on a few major customers upon whom they became very dependent. When the business of these customers failed, ATP was doomed.

Why did not the top management at ATP sanction a strategy that was so vulnerable, and force Tim to diversify its customer base? The top management had its own defensive routines. Although the CEO had recognized the problem of the narrow customer base, he did not want to violate the corporation's decentralized policy or interfere with the forceful strategy of the young ATP division president. Moreover, Tim had questions that he was reluctant to discuss with his superiors, as he did not want to let them down, nor was he prepared to face criticism from them. Hence, there were defensive routines throughout the organization that did not enable free inquiry and reflection.

The more effective defensive routines are: the more effectively do they cover up underlying problems, the less effectively do you face the problems, and the worse the problems tend to become. The paradox, writes Argyris, is that when defensive routines succeed in preventing immediate pain they also prevent us from learning how to reduce what causes pain in the first place. Defensive routines are "self-sealing" – they obscure their own existence. If you cannot easily identify or state your defensive routines, you do not have leverage for reducing them either.

One of the most useful skills of a learning team is the ability to recognize when we are not reflecting on our own assumptions, when we are not objectively inquiring into each other's thinking, and when we are not exposing our thinking

in a way that encourages others to inquire into it. This is CT. It is to dismantle our defensive routines and defensive reasoning and have everything exposed for checks and balances.

CT enables us to acknowledge our own defensiveness without provoking more defensiveness. Often, the stronger the defensiveness, the more important is the issue or the problem around which we defend or protect our views. If these views are made transparent, they will provide windows onto each other's thinking. It is not the absence of defensiveness that characterizes learning teams, but the way defensiveness is faced. A team committed to learning must be committed to tell the truth about our thinking and about the assumptions underlying the forceful strategies we propose. To see reality of the markets more clearly, we must also assess and see our strengths for obscuring reality.

5.5.2. Critical Thinking Applied to Human Resource Management

The most important asset in a company is the right people – the ones who provide the team and customer service behavior the organization needs. Employees represent a company's first market. If companies are not investing in and listening to their employees, as well as their customers, they are probably missing opportunities to create competitive advantage (Jones, 2000).

High turnover is a major problem that can be addressed through trust. If employees do not trust their organization to provide equitable pay, training, and advancement, they will not stay long enough to become effective and affective team members. When a company focuses on creating quality for employees and competence in employees, they can be empowered to create happy customers. And, happy customers buy more (Jones, 2000).

Human resource planning is an essential part of successful customer service, because to a customer anyone working for an organization represents the organization. Each employee is a potential customer service representative (Jones, 2000), and salespersons, particularly, are frontline company ambassadors (Sirdeshmukh et al., 2002). Customers truly enjoy having a well-trained, knowledgeable person to deal with their concerns and orders. An organization needs to know how it impresses on its customers who contact it. Much of the impression would depend upon how the organization's employees interact with the customers. Value-chain involvement enables this knowledge.

Three philosophies underlie personnel management:

(1) ***Organizational theory***: This theory believes that human needs are either so irrational or so varied and adjustable to specific situations that the major function of personnel management is to be pragmatic as occasion demands. Hence, if jobs are organized and structured in terms of clarity of job goals and objectives, favorable worker attitudes will follow.
(2) ***Industrial engineering***: Humankind is mechanistically inclined and economically motivated and human needs are best met by attuning the individual to the most efficient work process. Personnel managers should therefore concoct the most appropriate incentive systems and design specific working

conditions that maximally utilize the human machine, and worker attitudes will follow.

(3) ***Behavioral science***: Mankind is basically social, group-oriented. Hence, personnel managers should work on group sentiments, organizational, psychological, and social culture and climate. Personnel managers should focus on human values and human relations, and these in turn will generate healthy employee attitudes.

All three theories duly applied should motivate employees as evidenced by a significant reduction in absenteeism, errors, and violation of safety rules, strikes, restriction of output, higher wages, greater fringe benefits, and labor turnover.

Herzberg (1968) motivation-hygiene theory works on the same principle of industrial engineering but for opposite goals. Rather than rationalizing work to increase efficiency, his theory suggests that work be enriched to bring about effective utilization of employees. The theory advocates a systematic manipulation of the motivation factors for motivating the employees.

Applying CT to the above theories of HRM, we may ask the questions as listed in Table 5.2. Changing the way people work means changing the way they behave. Changing behavior requires changing thinking, feeling, and communicating. That is, changing the head, the heart, and the hands. Without adjustments in the way we think, feel, and act, nothing really changes. Questions that need attention under each body-part arena are:

- **Head**: Where are we? What brought us here? Where are we going? What change of behavior can get us there?
- **Heart**: Why are we here? Why do we want to go there? Why must we change? What is in it for me? Am I capable of change? Do I have the heart and the will to change?
- **Hands**: What do I need to do? What skills should I train myself in? What behavior changes do I require? Do I have the energy and the team support to acquire those behavior changes and skills?

Any strategic change requires energy, discipline, and time. A successful change process passes through three stages:

- **Coming to grips with the problem**: Do the people involved perceive and acknowledge the problem? Do they still resist or deny it? Have people's mindsets changed? Do they intellectually recognize the need for change? Do they have a sense of how their organization must respond to the problem, and the change the problem demands?
- **Working it through**: Are people intensely and honestly working to accept and internalize the required change and its implications? Have the things that must change been well communicated? How do people feel about the changes? Are they adequately ready in mind, heart, and hands for the change?

Table 5.2: Critical Questions for Managing Required Change in Organizations.

Strategy Implementation Stages	Strategic Arenas		
	The Head: One's Mindset	**The Heart: One's Emotions**	**The Hands: One's Ergonomics**
Coming to grips with the problem	• Do the people involved perceive and acknowledge the problem? • Have people's mindsets changed? • Do they intellectually recognize the need for change?	• Do they still resist or deny the problem and the need for change? • Do they have a sense how their organization must respond to the problem and the change it demands?	• Where are we going? • Why are we going there? • What change of behavior can get us there? • Do we have the energy to reach there?
Working through the problem and change	• Are people intensely and honestly working to accept and internalize the required change and its implications? • Have the things that must change been well communicated?	• Are people wholeheartedly facing the problem in all its dimensions? • How do people feel about the changes? • Are they adequately ready in mind, heart, and hands for the change?	• Is there a lead team to help them work through the problem? • Has the lead team changed enough to demonstrate to others the need for change? • Are we ready to cooperate with the lead team to change ourselves in the required direction?
Maintaining momentum through strategic change	• Is the organization committed to bring about this change? • Is the organization keeping the required pace of change?	• Is the management committing its best resources to bring about change? • Is the organization ready to incorporate the change into its management practice, climate, and culture?	• How do we know that we are really changing? • How do we measure the change in behavior and outcome? • How do we know we have really changed for the better?

- **Maintaining momentum**: Is the organization committed to bring about this change and support it with all its resources? Is the organization keeping the required pace of change? Is the organization ready to incorporate the change into its management practice, climate, and culture?

How do I know that my team, the organization, and I are really changing? Is there an appreciable difference between the "before" and the "after"? What is this difference? Is this the real change we want? Measuring change is a powerful change management technique. Implementing strategic change requires that people learn new ways of thinking, feeling, and behaving. We know that people learn and change much more efficiently when they receive fair and objective feedback on how they are doing.

Table 5.2 lists the critical questions when the three body-part arenas are crosschecked against the three stages of implementing change. One can develop a scorecard that measures progressive change in response to the relevant questions raised in each of the nine cells of Table 5.2. This is a *change process tracking scorecard* and not an outcome realization scorecard. The change implementation scorecard can diagnose problems that arise while the people learn (head), internalize learning (heart) and live, witness, and communicate (hands) learning.

5.6. Critical Thinking as Identifying and Combating Biases, Prejudices, and Presumptions in Business Thinking

A quick analysis of all these definitions and approaches to CT reveals that CT identifies biases, prejudices, and presumptions in our thinking and rectifies them by replacing them with strong normative imperatives. Hence, our approach to CT is to identify typical biases, prejudices, presumptions, and presuppositions inherent in the Capitalist Free Enterprise System (CFES) that grounds our business enterprise, business schools, the MBA, and the PGDBM programs and to help executives and students to identify them, analyze them, and correct them. In the following sections, we analyze CFES from this perspective.

According to the *Webster's New World College Dictionary* (2000):

- A *bias* is a mental leaning or inclination, partially bent. From a statistical viewpoint, a bias is any systematic error that contributes to the difference between statistical values in a population and a sample drawn from it. Hence, we define bias as the systematic leaning of one's thinking that deviates from the norm.
- A *prejudice* implies a judgment or opinion formed before the facts are known. It is a preconceived idea, mostly unfavorable, marked by a suspicion, intolerance, or irrational hatred for other races, creeds, and occupations.
- An *assumption* is a more basic act of assuming a fact, property, or event for granted without critically assessing its accuracy and veracity, reliability, and validity.

- A *presumption* is a subset of assumption and implies taking something for granted or unjustifiably accepting it as true, usually on the basis of improper evidence.
- A *supposition* is the act of assuming something to be true for the sake of an argument or to illustrate a proof. It is regarding something as true without actual knowledge, hence, often tantamount to conjecture, guessing or mere imagination. In this sense, it is a subset of assumption.
- A *presupposition* is an act or statement of supposing or assuming beforehand. It also means to require or imply as a preceding condition for something.

All of the above, biases, prejudices, assumptions and presumptions, and suppositions and presuppositions can be wrong inclinations or systematic errors in our thinking. CT intends to unearth them, confront them, and rectify them or eliminate them.

Based on the discussions thus far, Table 5.3 captures some major themes of the capitalist business system where unhealthy biases, prejudices, and presumptions can arise and contaminate human thinking. To counteract these wrong drifts of thinking, we need some strong human imperatives, some of which are listed in the last column of Table 5.3. Table 5.3 examines the biases, prejudices, presumptions, and presuppositions in our business education and learning.

According to Godel's theorem (Hofstadler, 1979), as a formal system, no theory can be both complete and consistent. Consistency is the condition under which symbols acquire meanings; consistency seeks to derive true statements. Completeness, on the other hand, is the confirmation of these meanings; completeness seeks all true statements. Formal theory systems have to balance inconsistency and incompleteness. No theory is intended to answer all questions. Theories that seek too much comprehensiveness can become so overextended as to become ambiguous and complicated. As a social science, marketing theory can best develop through layered assertions into an integral theory. Just as a collection of sentences does not necessarily make a story, nor can a collection of assertions, even when verified, necessarily becomes a theory (Sutton & Staw, 1995). CT accepts Godel's theorem and its practical realism in formulating a comprehensive business turnaround management theory.

5.6.1. Legal, Ethical, and Moral Issues of GAIL (Case 5.1)

With the advent of capitalism, environment ethics has become somewhat skewed toward the viewpoint of corporate anthropocentrism. The GAIL case is a classic example where the local interest of life and safety were not considered while corporate goals got undue prominence.

- **Legal**: Agreed that the Laws of the Land were not technically and strictly violated, there are other ethical and moral obligations such as the duty and right of regular and quality maintenance of the pipeline and its environment, especially when GAIL was alerted by several complaints of the locals.

Table 5.3: A Set of Biases, Prejudices, Presumptions, and Human Imperatives.

Thinking Base	Biases	Prejudices	Presumptions	Value Imperatives
Wealth	Wealth is limitless possessions of the few. Wealth is individual aggrandizement	We are the world We are the superpower The world is for USA	America is or should be the wealthiest and most powerful nation in the world Wealth is power	The wealth of the nations is the prosperity of all people. The primacy of human dignity is the condition of all progress
Profit	Profitability is the necessary condition for growth	Profits of one corporation are the losses of its competitor (the win–lose prejudice)	Profit is the bottom line of all business High buying power and high market demand assure profitability	Shared profitability is the engine of growth The poor can be profitable too (CK Prahalad)
Productivity	The primacy of productivity is a supreme principle Humans are mere factors of production	Productivity is the increased efficiency of all resources	Industrial concentration spurs productivity	All human beings are ends in themselves and cannot be used for the ends of others
Scale	Big is better	Limitless growth is corporate prosperity	Larger corporations are more productive than small ones	Small is beautiful
Control	Mastery over nature is critical Technology is conquest of nature	Mankind will always achieve a technical breakthrough into all the problems that arise in its technical environment	Human life and the life of our environment will always adjust to each other	Harmony with nature is growth Respect for nature is civilization

Research and experimentation	We ought not to create a new humanity that intends to solve all the problems of nature	Manipulation of the world and its resources (which includes humans) for the betterment and survival of mankind is not only a human right and duty, but is essential for a better understanding and realization of human destiny	Science and technology in themselves are neutral (a moral or transethical) and must be freed from any ethical or moral impositions of a few, lest humanity's progress be impeded	Our commitment to quality life and moral values should impose limits on human inquiry on the one hand, and on technological progress on the other hand
Globalization	The mobility of employment, capital, produce, and technology across countries and trade regions is critical for globalization	Respect for the dignity and interests of all its stakeholders are fundamental to globalization	Current international laws and market forces are necessary but insufficient guides for global business conduct	Shared values, including a commitment to shared prosperity, are as important for a global community as for communities of smaller scale
Responsibility	Our responsibility is for ourselves	Compensating peoples and nations for the harm that our global greed and actions cause is global justice	The only responsibility of corporations is to make profits	Accepting global responsibility for the politics and actions of business is imperative
Rights and duties	Limitless consumption is our birthright	Individual claims of rights are more important than claims of duties toward others	Global social and economic betterment is the duty of all	Scarce resource conservation is our global duty
Happiness	Limitless possession is supreme human happiness	Happiness is the fulfillment of all our wants and desires	Money is the root of all unhappiness	Happiness doubles when shared

- **Ethical issues**: No transfer of benefits to the locals except for employment of a few when the pipeline was routed through their village properties. Also no proactive responsibility was designed and executed even when it was known that explosive gas-bearing pipelines would jeopardize surrounding villages and their livelihoods.
- **Moral**: The intention of ignoring the complaints of the poor smacks of power and might of big corporations. Not taking responsibility for the well-being of the local villages is a serious omission. Narrowing duty to mere law compliance regarding protecting pipes, and not considering it as a true safety issue, is lack of CT. Mere cost-containment and growth-expansion strategies at the expense of locals are exclusive and not inclusive growth strategies.

Hence, problem resolution alternatives:

- Giving statutory powers to OISD.
- Merging Petroleum and Explosive Safety Organisation (PESO) to OISD.
- Increasing the accountability of industries to the communities they impact.
- Setting up quick action response teams for natural and man-made disasters.
- Strong investigating and complaints body to address local concerns.
- Awareness on safety and hazards to the locals living close to oil and petroleum set-ups.
- Triple bottom should be implemented: ecology, safety, and profitability. Workplace and operational safety should be top priorities coupled with taking care of the community interests.
- Consequences for all internal and external stakeholders should be foreseen and avoided.

The case of GAIL pipeline blast is clearly a question of moral lapse. Every organization has certain values that it needs to prioritize because its presence in the ecology itself is an intervention. Value is something which characterizes the way we behave. The very fact that the GAIL, OSID, PESO, and ONGC authorities treated the matter as a mere compliance issue and not a village safety issue made them overlook the very nature of the problem that jeopardized the lives of the powerless locals.

Analysis of harmful consequences:

- Lack of statutory obligations and regulations by government may partially explain lack luster behavior of GAIL, ONGC, PESO, and OSID regarding the GAIL pipeline consequences.
- Mostly focused on short-term cost-containment and marginal maintenance strategies in relation to the pipelines, the officials did not plan nor try to check the safety or replace the pipelines wherever required.
- Possibly, they did not foresee the impact any possible mishap could cause to the people living in the vicinity and how it would negatively impact the reputation of their public institutions.

- Precautionary steps and proper maintenance could have averted the whole situation. Poor maintenance often leads to future breakdowns. Hazardous systems if not managed with due care can be very detrimental to human lives.
- It is a collective responsibility of GAIL, ONGC, PESO, and OSID to detect and preempt disasters, failing which to own and compensate for the fatal consequences of the pipeline tragedy.

5.6.2. Ethical Analysis of Consequences

Teleological analysis: The GAIL pipeline service strategy is a moral action if it produced decidedly more benefits than costs to the largest number of stakeholders. Judged by the manifold harmful consequences to the villagers in terms of deaths, injuries, and environmental degradation, the unsupervised and unchecked GAIL pipeline project fails to be ethical and moral on teleological grounds. The final outcome was a huge systems breakdown or man-made disaster for the villagers, while pipeline project continues to be beneficial to the industrial units it was serving.

Deontological analysis: The GAIL pipeline service strategy is a moral action if it upholds the rights of the powerless much more than it upholds the rights of the powerful across the largest number of stakeholders. Judged by the violated rights of life, community life, safety, village property, village ecology, and the like in terms of harmful consequences of deaths, injuries, and environmental degradation, and disproportionate number of rights of GAIL and its industrial clients in Andhra Pradesh upheld, the GAIL pipeline strategy, unsupervised and unchecked, fails to be ethical and moral on deontological grounds. It is the right of the industrial clients to get essential supplies of Compressed Natural Gas (CNG) but that does not mean that they can sacrifice the safety and security of others. It is gross negligence of duties by the authority. Lack of responsibility of GAIL Authorities and the government led to deaths and loss of many who were not directly related to the whole business. The gainers did not do much to alleviate the lot of those who suffered untold damages.

Distributive justice-based analysis: Regardless of the nature and magnitude of the benefits and costs, rights and duties of the GAIL pipeline tragedy, the GAIL service strategy is a moral action if it distributes benefits and costs, rights and duties equitably across the largest number of internal and external stakeholders. Judged by the disproportionately high costs (including deaths, injuries, and environmental degradation) and duties (of safeguarding life, safety, property, ecology and livelihood of Nagarjuna) violated of a very great number in Nagarjuna village, and the disproportionately high benefits realized and many rights upheld of GAIL and its 37 industrial clients in Andhra Pradesh, the GAIL pipeline enterprise grossly violated distributive justice principles. Though the pipeline supplied essential CNG used for transportation in the surrounding cities including Hyderabad, and helped thereby GAIL earn profits and growth, it does not

justify the miseries of families of several people who died and others who suffered injuries.

***Corrective justice-based analysis**:* Regardless of the nature, magnitude, and distribution of the benefits and costs, and rights and duties of the GAIL pipeline tragedy, the GAIL service strategy is a moral action if it set up just processes and procedures to correct the existing violations of rights and duties, and unjust distribution of costs and benefits in relation to the largest numbers of internal and external stakeholders. Judged by the lack of any corrective processes and procedures, disproportionately high costs (including deaths, injuries, and environmental degradation) and duties (of safeguarding life, safety, property, ecology, and livelihood of Nagarjuna) violated of a very great number in Nagarjuna village, and the disproportionately high benefits realized and many rights upheld of GAIL and its 37 industrial clients in Andhra Pradesh, the GAIL pipeline enterprise grossly violated corrective justice principles.

First corrective step to take in this case is to stop using the pipeline any further until it has passed all health integrity checks and maintenance work. Lives can never be returned, but at least the government and GAIL authorities should take responsibility of the family members of the deceased by compensating them and providing them with livelihood. Precautionary steps and proper maintenance could have averted the whole situation. Poor maintenance always leads to final breakdown one day or the other. Hazardous things if not handled with enough care can be very detrimental to human lives. Second, for the disabled and injured, they should provide best medical and health care so that they can recover quickly and help them to get employment, either through jobs or through skill trainings. Third, all victims should be more than adequately compensated. However, instead of distributing huge compensation to the victims, if government and GAIL authorities had used the same money for maintenance and pipeline health integrity checks, we would not have to sacrifice 21 lives and accept sufferings of so many. Fourth, for all losses to crops and houses and other public utilities, they should rebuild all the facilities and houses of the people, help them rehabilitate, and also compensate at market rate all their losses.

As part of corrective justice procedures, government should form a high-priority committee to check all pipelines laid across the country immediately within next couple of months and the ones which are not fit should be replaced and repaired as necessary. Petroleum and Natural Gas Regulatory Board of India should come up with stringent guidelines for safety and security and penalize any corporation or firm whether public or private for any negligence in this regard. Officials handling such sensitive operations which can cause havoc if neglected should be periodically sensitized about all safety measures. More invigilation of pipelines and general awareness among people staying in areas where the pipeline is laid is also very important. Proper safety message boards should be installed at the major junctions all along the pipeline so as to make people aware of the risks in those areas and what are the preventive measures.

Virtue ethics-based analysis: Virtue ethics is a framework that focuses on the character of the moral agent rather than on the rightness of an action. In considering human relationships, emotional sensitivities, and motivations that are unique to human society, virtue ethics provides a fuller ethical analysis and encourages more flexible and creative solutions than deontological or consequentialist teleological analysis. In order to do something, we must first perceive that an action is necessary, and often, mere cost-benefits analysis (teleology), or rights-duty analysis (deontology) may not trigger quick action. We must observe what is going on and study a crisis situation like the GAIL pipeline disaster from a person-based ethical and moral perspective such as virtue ethics. Emotional reactions make us sensitive to particular circumstances, and virtue-based sensitivities illuminate our perceptions. It is possible to perceive a situation dispassionately but we would then have an incomplete appreciation of the circumstances. Thus, perception and affect are closely intertwined in informing our choices. Virtues of honesty, integrity, due care, and compassion would have precipitated proactive actions that were remedial, preemptive, and reactive.

Trust ethics-based analysis*:* Among virtues, one of paramount importance is the executive virtue of trust and the practice of building trusting relations among critical stakeholders. Trust has both intrinsic and instrumental value. Trust is intrinsically important because it is a core characteristic that affects the emotional and interpersonal aspects of owner/stakeholder relationship. As an instrumental value, trust is widely believed to be essential for effective emotional encounters. Sadly, in this situation, the executives did not pay heed to or trust the complaints of the local residents which led to the tragedy. The village of Nagarjuna might have gradually lost its trust in GAIL, OISD, PESO, and ONGC owing to their inactions, insensitivities to their concerns, and their general malaise in dealing with their GAIL pipeline-related problems and concerns. Lack of mutual trust and trusting relations can precipitate tragedy; the converse is also true.

5.7. Concluding Remarks

To summarize the main imperatives of CT, a turnaround executive should be a critic of one's own thinking and test the validity and reliability of one's turnaround thinking and solution against the following heuristics:

- Does this thinking and your "best solution" make a better sense of the world? (Chaffee, 1988).
- Does the best solution help me to be unbiased and unprejudiced in my thinking? (Paul & Elder, 2002).
- Does it help me to understand the assumptions and presuppositions behind this thinking? (Collins, 2001; Collins & Porras, 1989).
- Does it help me to appreciate the positive and normative content in this thinking? (Hunt, 1991, 2002).

- Does it inspire me with spiritual meaning, vision, value, and motivation to reach out to others? (Covey, 1989).
- Does it help me to rise beyond data, information, and knowledge to lasting values and wisdom? Does it empower me to be a servant leader for others? (Kahl & Donelan, 2004).

A hundred years from now, the economic system may be very different. Technology may be unrecognizable; education and consumption levels will be far greater. New information and media technologies will continuously modify human behavior. Will this be still a capitalist system? The present imbalance between a scarce supply of capital and employment opportunity and an abundant supply of labor is producing a substantial shift of income growth from wages to profits. The modern corporation has shown considerable ability to shift incremental taxes forward to customers through higher prices, shift them backward to workers through lower wages, or shift them to Washington by finding new loopholes to avoid taxes.

Chapter 6

The Ethics of Corporate Stakeholder Rights and Duties

Executive Summary

Rights and duties are involved in every area of business and markets, and society and governments. Most often, rights and duties involve serious ethical and moral issues of conflict. A good theory of the ethics of rights and duties, obligations, and responsibilities will empower us to understand the impact of our actions on various stakeholders. Additionally, a deep understanding of rights and duties could help us to analyze better the impact of our executive actions on various stakeholders and, in particular, to fathom the damaging effects of rights and duties violated by the man-made current financial crisis when seen from an ethical and moral point of view. Our coverage on the ethics of corporate rights and duties will comprise of two parts: Part 1: The Nature of Corporate Business Rights and Duties, and Part 2: Respecting Corporate Rights and Duties. The chapter will feature Newcomb Wellesley Hohfeld's framework of legal interests such as claims, privileges, power, and immunity and its various applications to contemporary market and corporate executive situations. We illustrate the theory of rights and duties using several cases from the current turbulent markets.

Case 6.1: Apple's Rights versus those of FBI or Terrorists

Tim Cook, CEO Apple, has been tweeting for months playing on media interest. On February 16, 2016, after consulting with his cabinet of advisers, Tim Cook made a vigorous statement on privacy rights that attacked the governments. He vowed to fight government "overreach" and help "people around the country to understand what is at stake." "We feel we must speak up in the face of what we see as an overreach by the US Government," said Tim Cook, when he explained on February 16 why he felt his firm should refuse to comply with an FBI request to break into an iPhone used by Fyed Sharook, a dead terrorist, but one of the terrorists involved in the San Bernardino, California, shootings in December 2015. Sharook and his wife Tashfeen Malik, who were sympathizers with the Islamic State (IS), shot and killed 14 people in San Bernardino, CA, December 12, 2015, before both were gunned down by the police. The US government dismissed Tim Cook's letter, tweet, and statement as a stunt to bolster Apple's sales.

Ever since 2013, Edward Snowden leaked sensitive information to the public, the issue of public security and private privacy has been surfacing and getting to be conflicting and expanding. Lately, the problem has taken national and global dimensions.

The files on any phone or iPhones are encrypted. Unless the correct code is entered to unlock the phone, the files are meaningless gibberish. By itself, such a code provides little security. It is, by default, a mere four-digit-long passcode, easy to memorize, but it has 10,000 possible combinations. One could try every combination until by chance you hit the right one, a process called "brute-forcing." Of course, there are methods to make brute-forcing harder. For instance, after six wrong tries, a user has to wait a minute before trying a seventh. That delay rises rapidly to an hour. That is, on an average, brute-forcing a four-digit iPhone passcode could take 5,000 hours – nearly seven months. This could be surmountable for some hackers, but for the fact that some computers automatically wipe themselves clean after every ten failed attempts to log in.

But all this process of brute-forcing can be circumvented by the phone's internal operating system (IOS), and an IOS can be changed. Apple does so regularly, issuing updates that add new features or fix bugs. In essence, the FBI is just asking for such an update, which can brute-force quickly (albeit with reference to Farook's phone). Theoretically, the FBI's office could write such an update, but it can do so only with Apple's help, as Apple itself uses a special cryptographically signed certificate. Currently, only Apple possesses this long, randomly generated number code as a key to this process.

FBI's request for that code may not be that simple. Many security officials are skeptical; they do not believe looking inside Farook's phone is the only motive of FBI. Possibly knowing this, Farook and his wife destroyed two phones and a laptop, while leaving the iPhone intact. The iPhone, incidentally, belonged to Farook's employer. In fact, a few weeks before the rampage, Farook did disable the phone's online backup feature, data from which the FBI would have access to.

The Apple–FBI Confrontation Problem

When public security is threatened, whose rights should prevail: Apple or FBI? Do citizens have a right to privacy or security, both or none? The issue at stake is as old as mass communication: how much power the governments should have to subvert regular innovative communication products and services that citizens and companies use to keep their private business private?

The problem endangers the rights and duties of at least four groups: (1) privacy and security rights of the American public; (2) the right and duty of American IT firms who create privacy-security devices to safeguard them as strictly as possible; (3) the right and duty of the US government represented in this case by the FBI to protect the safety and security of the American

people, and do whatever it takes to fulfill their duty; and (4) the rights of over a billion phone and iPhone users (such as Syed Farook) to remain private and secure in the use of their devices.

The problem arises when two or more sets of rights are in conflict. Indeed, such is the case with Apple and FBI, and on a larger scale, the rights of American information technology (IT) firms that have been locked in battle with their own government in this regard, and the safety-security rights of the American public.

On the other hand, the issue of "trade-off is not security versus privacy, but security for everyone versus the police's ability to investigate specific crimes," argues Dr. Kenneth White, a director of the Open Crypto Audit Project, an American Charity (*The Economist*, February 27, 2016, p. 70).

Some Defend Apple and for Valid Reasons

Apple, arguably the most valuable company in the world, has refused to comply with a court order from the FBI as the order fundamentally compromises the privacy of its users.

Those who defend Apple argue: the firm has the right to appeal against a court order, especially when that court order seems to be an overreach by the US government. If Apple eventually loses the legal battle, it will have to comply. But currently, Apple is right in refusing to comply.

FBI's request to Apple will create a precedent that cannot be justified on legal or moral grounds. As a legal precedent, the FBI case would let policemen and other spies break into private computers and iPhones more easily and wantonly. Moreover, soon defense lawyers would use the unlocking code, and so would court-appointed experts given the job of checking crimes or verifying evidence. Hence, where does this forced breach into people-privacy stop?

Apple is global. It has governments beyond that of USA that it must respond to. Deliberately compromising its security for the Americans will encourage other countries to make similar, even perhaps broader requests for access, says Dr Kenneth White. Having conceded the point once, Apple will find it hard to resist in the future. In countries less concerned with human rights, civil liberties, and the rule of law, this compromise would have even more serious consequences.

Once Apple succumbs to PR pressure that the FBI's request is staging and creating, it will find impossible to refuse similar requests from domestic and foreign governments. In fact, the Department of Justice (DOJ) was demanding Apple's help in at least nine similar cases, seven of which Apple has been resisting. Some IT experts fret that the FBI might even require Apple to start sending subverted codes to specific suspects over the air, using the technology it employs to distribute legitimate updates. Cyber-security experts feel aggrieved that policemen and politicians do not seem to grasp

what they view as a fundamental point: weakening security for the benefit of the police will inevitably weaken it for everyone.

Some Defend FBI and Governments and for Valid Reasons

FBI, the most famous law enforcement agency in the USA, feels right in ordering Apple to help it to unlock an iPhone used by Syed Farook. It is a request to unlock a specific device, akin to wire-tapping a single phone line. Apple and other tech firms regularly cooperated with the authorities on criminal cases; this is no different.

FBI has argued many times that encryption can thwart the legitimate investigation, leaving vital clues undiscovered. But security experts also argue that what works for the good guys can also for the bad guys. If a subverted operating system managed to escape into the "wild' even once, then the security of every iPhone could be at risk.

The phone as a public service belongs to the government department, not Farook. Farook was a government servant.

The FDI wants help unlocking Farook's iPhone because it may contain information on the motive or contacts of a dread terrorist. What could be more reasonable?

FBI says that Apple's defiance jeopardizes the safety of Americans. National security is more important than a private firm's patents and IPR, or Farook's right for privacy!

The Apple and FBI Debate Implications

Will FBI's request create a precedent? The law enforcers say: No. This is not an attempt to build a generic flaw in Apple's encryption, through which the government can walk as needed.

Yet Apple feels it is being asked to do something new: to write a piece of software that does not currently exist in order to sidestep an iPhone feature that erases data after ten unsuccessful password attempts. But Apple and IT firms have other commercial interests as well: they have made privacy and security important selling points for their products and services.

If the court order is upheld, it signals that firms can be compelled by the state to write new operating instructions for their devices. That breaks new ground. If the courts rule against Apple, it will work to make its devices so secure that they cannot be overridden by any updates. On the other hand, if courts succumb, legislators will be tempted to mandate backdoor access via the statute book. If Tim Cook is not to hasten the outcome he wishes to avoid, he must lay out the safeguards that would have persuaded the firm to accede to the FBI's request. If Apple rejects FBI's request, then it must propose its own solution.

Another major issue is when and whether a precedent is justified. This entails a judgment call on whether security would be enhanced or weakened by Apple's compliance. In the short term, security will be enhanced. Farook was a terrorist; his phone is the only one being currently unlocked; and the device may reveal the identity of other malefactors. If information is needed to avert a specific and imminent threat to many lives, then the end justifies the means, as long as the means are not something intrinsically evil. But in the long term, this invasion of privacy may lead to other cybercrimes. Are cryptographic backdoors and skeleton keys the only way to unlock terrorists?

Moreover, security does not just mean protecting people from terrorism, but also warding off the threat of rogue espionage agencies, cybercriminals, and enemy governments. If Apple writes a new software that could circumvent its password systems on one phone, that software could fall into the hands of hackers and be modified to unlock other devices.

Concluding Thoughts

All these arguments will be rehearsed when Apple meets FBI in court, March 22, 2016. That will not be the last word on the matter. It could reach the Supreme Court. Meanwhile, Apple and other IT firms are taking steps to lock themselves out of their own customers' devices, deliberately making harder to fulfill official requests for access.

Perhaps, the ultimate question would be if the American government could be trusted not to abuse its powers of surveillance. People now trust businesses more than their governments, according to surveys by Edelman, a PR agency. Firms like Google and Facebook have taken over the role of dissemination of information that governments once claimed. Tim Cook and Mark Zuckerberg often publish their views in blog posts rather than give interviews, often taking no questions (*The Economist*, February 27, 2016, p. 58).

Ethical Questions

(1) What is the crucial legal issue in this case: legal compliance? Apple's defiance? Legality and legitimacy of FBI's request, or brute-forcing total transparency?
(2) What is the crucial ethical issue here: What is the "right thing to do"? Using legal defiance as a sales-stance? Defense of free-enterprise capitalism? Force industry-government noninterference?
(3) What is the critical moral issue here: How to do the "right thing rightly"? Moral obstinacy? Moral courage? CEO statesmanship? Moral corporate citizenship?
(4) Of the four parties identified in this case, whose rights/duties should prevail and why? Under what circumstances: non-emergency?

Emergency of a national threat because of persistent IS-related terrorism? Under peaceful negotiations?

(5) In light of your answers to questions 1–4, if you were Apple's head, how will you resolve this matter and most effectively?

(6) Terrorism thrives on global networking of the IS, conspiracy, complicity, secrecy, information, financing, and arms. What should be the collective roles of various agencies involved, including IT companies, Swiss banks, Private Equity Funds, Airlines, NGOs, NRIs, and private and public investigative agencies?

(7) Or, is the real solution to this global threat beyond law, ethics, and morals? Should we have recourse to corporate executive spirituality that surpasses corporate egos, to political transcendence that goes beyond political agenda, and to national and international cooperation for religious tolerance, racial harmony, human solidarity, and global peace?

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Case 6.2: The Debacle of "Paid News" Media in India

India is the largest democracy in the world, and the media has a powerful purpose and presence in the country for safeguarding its democracy. Of late the abuse of "paid news" has corrupted the media. *Paid news indicates favors toward the institution which has paid for it. The news is more like an advertisement praising the person or hiding the faults of the institute or ruining the reputation of the opposition party, all these for some significant payment.* Paid news is also called as one-sided news in which privilege is given to an individual or group of individuals. Paid news is advertorial, that is, it is an advertisement in the form of an editorial. The advertorials are designed to look like articles of objective new which they are not.

Sometimes, there is no money paid: media houses show favoritism toward the groups having more power. Paid news became widespread during the 2009 elections. Most campaigning politicians paid media heavily for positive

coverage and for ignoring obvious skeletons in the closet. Also, the mode of payment in the paid news can violate tax laws and election spending laws of the country. It can seriously buy and bias national and state elections thus ruining democracy at its roots.

The alarmingly increasing phenomenon of "paid news" transcends the corruption of individual journalists and media companies. It is omnipresent, structured, and highly organized; it has been steadily destroying the concept of democracy in India. For instance, in the April–May 2009 general elections to the Lokh Sabha, despite the clear guidelines of the Press Council of India, a number of political candidates had started paying generous sums of money to the media personnel for giving them benevolent spotlights. Such "paid news" disables the public in making right franchise decisions. The paid news phenomenon was ten times worse during the 2014 general elections.

With massive paid news by the powerhouses, the Indian media is not available to the powerless in India for self-publishing newsworthy items. Open confessional criticisms by marginalized people include:

- "I offered to pay for positive coverage."
- "A TV channel demanded Rs 2.5 lakhs to cover a Rahul Gandhi visit."
- "I was told to pay up like others had."
- "No one covers my party (BSP). So we pay."
- "I paid Rs 50,000 for three featured articles."
- "Every paper in my constituency was on sale."
- "Take an ad if you want to get in the news, we were told."

It was advertising that financed the media originally and set it free from government subsidies. Now that advertisements liberated the press for giving us objective and accurate news, we hope the advertisements via *paid news* will not take this freedom back via corporatization.

Indian media has grown tremendously in the last two decades. Over 100 million copies of newspaper are sold every day. The number of news channels has grown to 80 dedicated ones, whereas originally there was just one national news channel, Doordarshan. From the black and white TV broadcasting on a single national TV channel (Doordarshan) in the 1980s, the Indian TV broadcasting media has grown to almost 600 channels with about one-third operating in the General Entertainment Channels (GEC) space. Exhibit 6.1 provides a brief timeline of the growth of the Indian Media Empire.

Paid news has increased with the increase in media power concentration. Most of the media are controlled by a few corporate and politician powerhouses. For instance, the father-in-law of Congress MP Naveen Jindal holds a 15% interest in NDTV. Aditya Birla Group owns 27.5% in India Today Group. CA Media owns 49% stake in Endemol India (famous for Big Boss). Reliance Industries Ltd (RIL), India's largest private corporation, transferred Rs 2,100 crore to enter into India's media industry with strategic associations with the Network 18 Group and the Eenadu Group.

Exhibit 6.1: A Timeline of Indian Media Growth.

Year	Media Growth Event
Up to 1980s	Doordarshan was the national single broadcaster
1992	Five new channels were introduced by Hong Kong-based Star TV
1996	More than 50 channels were available to Indian viewers
2002–2003	More international channels such as Nickelodeon, Cartoon Network, VH1, and Disney were introduced in India; the number of channels increased to 100
2003	Entry of authentic news channels such as AajTak and Star News
2006	Two million digital TV households in India.
2009	394 TV channels. Non-news and current affairs TV channels grew from 0 to 183 news and current affairs TV channels grew to 211
2010	Over 500 channels in India and another 100 waiting to go live. Launch of HD channels, Food First, Movie Now; launch of HD feed of Star, Zee Channels
2013	The Indian press is over 220 years old, the Indian radio, about 100 years going, and Doordarshan was half a century strong
2010–2015	Annual growth rate for the TV industry is projected to be 12% over the next five years

The business tycoons control news coverage. The presence of conglomerates in the Indian media is currently posing a serious threat to democracy. Collusion may erode the plurality of ideas and diversity of opinion, both of which are essential for the smooth running of a democracy. However, the ownership patterns of the media in India and abroad are alarming. A higher concentration of media increases the risk of a monopoly and hence, the phenomenon of captured media. Worse, major national newspaper editorials in India are biased, and even controlled by politicians, and corporate powerhouses that own them. This has seriously endangered media objectivity and credibility in news coverage and in serving public interest. Paid news is a serious malpractice as it deceives the innocent citizens into believing a paid political campaign or product advertisement as real news.

Few years back, the Radia Tapes clearly indicated the cross-linkages between industrialists and politicians and how the media acts as an interface between them. Over the years, Securities and Exchange Board of India (SEBI) has observed and warned that media companies have been entering into agreements with listed companies and in return were providing coverage

through favorable news reports, editorials, and advertisements – a clear case of conflict of interest and dilution of independence of the press.

A major news report on the phenomenon of paid news in India's media was submitted to Parliament in 2013 by the Standing Committee on Information Technology. The report pointed out that self-regulation by India's media has failed to stop the practice of paid news. It suggested a more powerful regulator and stiffer penalties, including criminal charges possibly leading to imprisonment, for those who accept payment for news. It lambasted the Ministry of Information and Broadcasting for "dithering" by failing to tackle the issue. "The rise of 'Paid News'," the report says, "has undermined the essence of a democratic process." But the document, submitted to the Lok Sabha on May 6, generated little media coverage.

Bennett Coleman was among the few media companies mentioned by name in the report. The quoted portion named Bennett Coleman as a pioneer of the private treaty agreement, an arrangement by which Indian media firms accept an equity stake in an advertiser's company in lieu of payment for ad space. The committee report found this practice, initially meant to pay for marketing, as being used by companies to ensure "favorable coverage."

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Ethical Questions

(1) How can paid media reflect objective reality when it is obliged to patronize the views and news of the owners or of those who pay? Explain.
(2) What is the overall positive and negative impact of paid media upon people's right for all important and objective news? Discuss.
(3) How do "paid media" violate the rights of the Indian consumer public? Explain.

(4) How do "paid media" violate the duties of the Indian media to the consumer public?
(5) How do "paid media" compromise news reporting and coverage rights in a democratic country?
(6) Can media assume to be the national or state conscience of India without jeopardizing individual and collective consciences resulting from one's religions and cultures?
(7) What corrective justice measures would you suggest for immediate enforcement such that democracy and freedom of the press and of the citizens are safeguarded?

Case 6.3: Women Discrimination: Violation of Human Dignity Rights

Male dominance and consequent deep prejudice against women assume different forms in different cultures. For instance, the second oldest institution in the world is prostitution. Girl babies have been less than welcome in certain societies even to this day. Female feticide is over 95% among infanticides. Other atrocities in certain societies include female child labor, females being deprived of education beyond elementary level, dowry deaths, overworked home keepers, women used as baby-producing machines, women trafficking, women paid a lesser wage for the same work, and more recently, gang rape, murder, and brutal domestic violence against women. Women are commonly treated as sex objects in advertising and in the media, and are used as mistresses in promoting international sex tourism. Moreover, there is systematic discrimination against women in economic, social, educational, ergonomic, political, religious, and even linguistic structures of our society; it is often part of an even deeper cultural prejudice and stereotype. Many women feel that men have been slow to recognize and honor the full humanity and dignity of women.

This situation, however, has begun to change, chiefly because of the critical awakening and courageous protest of women themselves. Men too have joined hands with women in fighting such attitudes which offend against the dignity of men and women alike. Nevertheless, the systematic legacy of discrimination and alienation of women continues unabated. In many parts of the world, women already disadvantaged because of civil war, poverty, religious intolerance and bigotry, persecution, economic migration and ethnic cleansing suffer a double disadvantage precisely because they are women. There is a distinctive feminine face of oppression (see "Jesuits and the Situation of women […]," General Congregation 34; Decree 14, #s 361–384).

The *Convention on the Elimination of All Forms of Discrimination against Women* (CEDAW) adopted by the UN General Assembly in 1979 is often considered as an international Bill of Rights of Women. It consists of a

preamble and 30 articles; it defines what constitutes discrimination against women, and sets up an agenda for national action to fight such discrimination. It was only 20 years later in 1999, that following CEDAW (General Recommendation No 19), the Indian Supreme Court in the Vishaka vs. State of Rajasthan case recognized for the first time that sexual harassment (SH) was a violation of human rights, and that gender-based systemic discrimination affects women's right to life and livelihood (Chandra, 1999). The Court defined SH very clearly as well as provided guidelines for employers to redress and prevent SH in the workplace. The Court also recognized that equality in employment can be seriously impaired when women are subjected to gender-specific violence, such as SH at the workplace.

Ethical Challenges

(1) In recognizing and restoring equality and dignity of men and women, what model or strategies would you design and justify?
(2) How would this model incorporate and recognize the dedication, sacrifice, generosity, and joy that women bring to home, schools, and colleges where they teach, to places where they work, and other social, technological, and political fields where they have made significant contributions?
(3) How will you render your men–women equalizing model to be delicate and sensitive to women, and avoid alienating them in their own culture?

6.1. The Ethics of Business Rights and Duties

Thomas Jefferson once wrote, "We hold these truths to be self-evident, that *all men are created equal*, they are endowed by their creator with certain inalienable rights, which among these are life, liberty and the pursuit of happiness" (*Declaration of Independence of the United States of America*, July 4, 1776). The Declaration said that "all men are created equal," it did not mean that all were of equal ability. It possibly meant that all men should be equal in their political rights. Even this was not clear in the USA when even though every citizen had a right to vote, the rules of the game affected the ability and likelihood of exercising that right, for instance, by making it more difficult to register to vote, or even to vote, for certain groups (e.g., those without driver's license, the usual ID in the USA) who were discouraged from voting (Stiglitz, 2015, pp. 71–72).

Thus, in the *Declaration of Independence*, the founding fathers spoke of the "natural" inalienable rights of life, liberty, and the pursuit of happiness. Today, we prefer to call these rights "human." The American Constitution upholds some fundamental God-given human rights. Currently, almost all nations and their constitutions grant human beings the rights of life, liberty, property, and

the pursuit of happiness. To begin with, all corporate executives should recognize, protect, and respect the human or natural rights of all their stakeholders for life, liberty, property, and the pursuit of happiness.

We discuss the topic of rights and duties under two heads: Part I, The Nature of Corporate Rights and Duties, and Part II, Respecting Corporate Rights and Duties.

6.2. Part 1: The Nature of Corporate Rights and Duties

Rights are important to our lives. We are ready to defend them, to demand their recognition and enforcement, and to complain of injustice when they are not complied with or violated. We use them as vital premises in arguments that proscribe courses of action. When we receive no redress for violations of our natural rights, we even consider civil disobedience. At a larger collective level, we are even prepared to undertake civil war. Thus, human rights were the justification for the American and the French Revolutions in the eighteenth century and for a succession of revolutions for political independence in the nineteenth and twentieth centuries. The basic motivation for the American civil rights movement in the 1960s and the women's movement in the 1970s was also the defense of human rights.

There are many approaches to the subject of rights and duties. One is based on prima facie principles such as autonomy, non-malfeasance, beneficence, and justice (Beauchamp, 1983, 1993; Beauchamp & Childress, 2001). The others, in contrast, are based on the development of character and virtue, as well as on social, religious, and cultural determinants of moral experience and moral agency (e.g., Dubose, Hamel, & O'Connell, 1994). The former is more Western or Occidental, while the latter is more Eastern or Oriental. We advocate a combined orientation, focusing on the plus points of both approaches.

6.2.1. What are Rights?

The term "rights" is used in many different ways in relation to different types of rights versus duties we have. Much would depend upon what legal, social, ethical, moral, philosophical, or theological principles from which we derive our rights (and duties). Often legal, ethical, social, and moral rights come into conflict, and hence, a common universal definition of "rights" is not possible or necessary.

A right is a claim we make on others regarding something about us, our human dignity, our life and its basic needs, our talents and our accomplishments, and certain objects and property. Every right implies a freedom to possess a claim, and a claim to safeguard that possession. Thus, a right is a conjunction of a freedom and a claim-right.

Some regard rights as *entitlements.* Rights entitle you that you act in some way or that others act or treat you in some way without asking permission of anyone or being dependent on other people's goodwill. *Entitlement enables and empowers us to make claims* on other people either to refrain from interfering in what we do or to contribute actively to our well-being. Voting, K-12 education,

access to colleges and universities, unemployment compensation, disability claims, veteran claims, pension claims, severance compensation claims, senior citizen claims, healthcare claims, gainful employment claims, safety and privacy claims, and the like may be better explained as entitlements or privileges rather than rights. Entitlements are bestowed on us for being bona fide and one-time contributing citizens. Some philosophers explain rights this way (e.g., McCloskey, 1966; Wasserstrom, 1964).

In this connection, moral philosophers distinguish several types of rights:

- *Natural rights* are those fundamental human rights we have because of our human nature. These rights accrue to us naturally because of our inalienable God-given human dignity. Such rights include the right to life, liberty, and the pursuit of happiness. These natural rights are inalienable rights – i.e., nobody can take them from us nor can we abdicate them.
- *Moral rights* are those rights justified by a moral system (e.g., Deontologism, Utilitarianism, and Distributive Justice Canons). For instance, the right to work is not guaranteed by the American Constitution, but is based on the deontological moral principle that all human beings have a right to work in order to sustain themselves and their families. Similarly, rights to education, health care, shelter, welfare, and the like basic necessities may be construed as moral rights that belong to us as humans in a civilized society.
- *Positive rights* or legal rights are those that law or society and state or government provide for its members; e.g., the Bill of Rights for Americans; e.g. the right to freedom of speech, the right to practice one's religion, and the right to vote. Economic rights (e.g., rights to subsistence, welfare, education, employment) are often positive rights. Legal rights derive from and are rooted in the laws of a given nation.
- *Negative rights* require others to forebear acting in certain ways such that the bearer of the rights can act without impediment (e.g., all humans have negative rights not to be killed, raped, maimed, abused, or emotionally destroyed). Positively stated, I cannot kill, rape, abuse, or maim others because of their right to life and the pursuit of happiness; I cannot trespass on my neighbor's property since it impedes the neighbor from using it. These negative rights are important, precisely because they protect the basic preconditions of participation in society. Often, the line between positive and negative rights is not clear. For instance, the state may have to legislate (positive rights) in order to protect our negative rights.
- *Prima facie rights* are presumptive rights that may not necessarily be actual or written rights in a given situation but they just seem obvious (e.g., my right to listen to loud music in my car or backyard may be overridden by somebody's prima facie right to peace and quiet).
- *Absolute rights* are those rights that cannot be overridden (e.g., right to life, right to basic freedom) by any utilitarian considerations. Most agree that few rights are absolute, total, and without infringement on the rights of others (e.g., right to life, right to marriage, right to procreation, right to subsistence,

and other basic necessities). In principle, these absolute rights are inalienable and cannot be overridden by other rights. Most of these are natural rights that God endows us with.

Since rights often conflict with one another and there is no widely accepted hierarchy of rights, some moral philosophers have concluded that rights should be accorded prima facie validity. That is, rights should be respected unless there are good moral reasons for violating them; the moral force of a right depends on its "strength" in relation to other moral considerations applicable to the context in question (Jones et al., 2007, p. 139).

6.2.2. A Hohfeldian Analysis of Rights and Duties

According to Newcomb Wellesley Hohfeld, an early twentieth-century American philosopher and jurisprudential scholar, the nature and extent of a person's rights are dependent upon the correlative duty of others. Hohfeld (1913, 1919) argued that any legal right or interest we have could be of four types: claim, privilege, power, and immunity, and reasoned that each legal right type relies on a structure of correlatives and opposites. That is, each type of legal interest (e.g., claim, privilege, power, and immunity) is accompanied by a matching interest held by at least one person. Hohfeld called this matching interest a "jural correlative." Thus, Hohfeld argued that the correlative of a claim is a duty, the correlative of a privilege is no-right, the correlative of a power is a liability, and the correlative of immunity is a disability.

Further, each legal interest has also a "jural opposite." Like jural correlatives, *Jural Opposites* are fourfold: right versus no-right; privilege versus duty; power versus disability; and immunity versus liability. Whereas a jural correlative is what others must have if I have a legally protected interest, a jural opposite is *what I cannot have* if I have a legally protected interest, both with respect to a certain type of act (Hohfeld, 1913, pp. 32–33). Thus, if one has a right, one cannot simultaneously have a no-right; if one has a privilege, one cannot also have a duty; having a power precludes having a disability, and having immunity precludes having a liability (Hohfeld, 1913, p. 30).

Thus, Hohfeld distinguished four different levels of legal interests or concepts of rights and identified each with its appropriate "jural correlative" and "jural opposite."

(1) The first concept of "right" is that of "claim." Hohfeld uses the word "right" (or claim, demand) specifically for the case in which one says: "X has a right to something from Y," and its correlative is duty (obligation) whereby "Y has a duty to do something for X, if X demands so." This does not imply that every right has a corresponding duty. What characterizes a right–duty relationship is that Y is obliged to act only if X demands that Y should do so. There are some duties, however, such as duties of benevolence or compassion, where no one has a corresponding right to demand their performance.

(2) The second concept of right is a "privilege" or a "liberty," the opposite of a duty, and its correlative is "no-right." Thus, "X has the liberty to do L" entails both that X has no duty to do or not to do L and that Y has no right (i.e., no basis for claim) that X shall or shall not do it. Consistent with this, however, is that Y has no duty to urge or prevent X from doing L. This is the case with two people in legitimate competition. Hence, a no-right is distinct from a duty not to interfere, and correlatively X may possess both a liberty to do L and a right (claim) that Y (and others) should not interfere.

(3) The third concept of right is a "power," a legal capacity for altering the jural relations of another person; e.g., the power to make a will, power to transfer ownership by sale, or power to appoint an agent. For instance, "X has power against Y" implies that X can change Y's legal relations in some way, and Y has liability with respect to X. For example, an employer has power against the employee if the latter signs a contract of employment under which he/she will work for the employer; the signing of the contract generates a set of claim-rights and duties (as specified in the contract) between the employer and employee. The correlative of power is "liability" (risk or subjection) that one's jural relations may be changed, for better or for worse, at the instance of the other person.

(4) The fourth concept of right is "immunity" (or no-liability) when Y is "disabled" from making (or has no power to make) changes in X's jural relations. For instance, X has an immunity against Y means that Y cannot change X's relations in some way; i.e., Y has a "disability" with respect to X. For example, A has signed a contract of employment with employer B, but A is a minor. Then, A is immune from liability from B; i.e., B does not have power to bring the set of contractual claim-rights between A and B.

From (1) follows: The [claim] right and the duty share the same content (e.g., "that Y stay off X's land"). They share a content that is satisfied by "Y's staying off X's land" (Sreenivasan, 2002). In this sense, there cannot be a right without a duty; right in one person presupposes a duty in another person or institution. The concept of right without corresponding duty is meaningless. As a corollary, it also follows that there is no right unless there is someone who is subject to that right *accepts* that duty (Cooray, 1998).

From (1) and (2) follow: A right is an entitlement, while a privilege is available from sufferance; the latter is a discretion vested in the person granting it. Hence, what are commonly called rights to education, employment, welfare, healthcare, etc., are not rights, but privileges given to certain persons by those who had the discretion to grant them, such as employers or the government. A right to employment or welfare is meaningless because there is no person under a duty to employ you or provide you with welfare (Cooray, 1998).

Hohfeldian analysis can be easily applied to everyday events or properties. A simple assertion such as "As a shareholder, I have voting rights" implies the following embedded legally protected interests or rights:

(1) Right: "The board must have elections each year." I have a RIGHT to demand elections be held in a timely way. The board has a correlative DUTY to hold elections. Without this right, I would have NO-RIGHT.
(2) Privilege: "Shareholders may vote as they please." I have the PRIVILEGE to vote as I choose, or just not to vote. The board has NO-RIGHT to demand that I vote in a certain way. Without this privilege, I would have a duty to vote only in a particular way.
(3) Power: "Shareholders can vote to mend the bylaws." I have POWER (shared with other shareholders) to amend the bylaws; for instance, to change the venue, date, and timing of annual meetings. The board has a LIABILITY to abide by shareholder-initiated bylaw changes, if so specified. Without this power, I would be DISABLED from changing the bylaws; that is, I would be disempowered.
(4) Immunity: "The board cannot manipulate the voting process during an insurgency." I have IMMUNITY from the board manipulating with the voting process. That is, the board is DISABLED from interfering with my voting rights. Without this immunity, I would be LIABLE to (i.e., forced to accept) the board's actions.

Hohfeld insisted on the differences between natural and legal relations; he even believed that there was a world of legal relations alongside the world of natural relations. However, Hohfeld's four distinctions of right express primarily "legal relations" between persons and not natural relations. That is, the law lays down the rules and conditions under which persons may enter into binding relations with another, by contract, joint venture, marriage, sale, alliance, and so on. Hohfeld also believed that most jural relations could be satisfactorily analyzed only as complex bundles of relations of different types.[1]

6.2.3. Hohfeldian Analysis and Legal Realism

Based on Hohfeld's analysis, a distinction might be made between *first-order relations* (such as claims-duties and privileges-no-rights) and *second-order relations* (such as power liabilities and immunities disabilities). The first-order relations can be expressed in terms of prescription or the absence of them (permissions), while the second-order relations define the conditions under which actions will be legally significant, and hence, under which new rules and changes in legal relations can be made. If powers and immunities can be treated as rights at all (e.g., the power to offer a sale, and immunity of ambassadors from libel proceedings are often referred as rights), then some rights are neither correlated to sanctioned duties nor expressive of the absence of such duties. Such rights require a conception of law that is not simply prescriptive and permissive but regulatory, in the sense that the law lays down conditions under which persons can enter into binding relations with one another.

It follows from Hohfeld's work that what constitutes a legally protected interest (e.g., claim, privilege, power, or immunity) is arbitrary and is not defined by the nature of things; rather, it is defined, shaped, and created by mutually defined legal and political rights, powers, and duties. Concepts like private property, consent, and liberty do not simply re-present previously existing things in the world; rather, they result from the system of differences between legal and moral concepts, and in so doing constitute the political world we live in (Balkin, 1990, p. 5).

Thus, according to Hohfeld, a right is an entitlement, while a privilege is available from sufferance. The latter is a discretion vested in the person granting it. Hence, what we commonly call rights to vote, education, or employment are not really rights but *privileges* given to certain persons by those who had the discretion to grant it, such as employers or governments. A right to employment is an abstraction that is meaningless because there is no one who has an enforceable duty to employ us. Table 6.1 is a Hohfeldian Analysis of Corporate Executive Rights and Duties in the specific context of imminent bankruptcy.

Exhibit 6.2 is a Hohfeldian Analysis of Corporate Rights and Duties in the context of the paid media (Case 6.2).

6.2.4. Stakeholder Hohfeldian Rights in Corporate Situations

The conflicting rights involve basically two parties: the corporation which undertakes merger, acquisition, or turnaround and its executives versus the

Table 6.1: A Hohfeldian Analysis of Corporate Executive Rights and Duties.

Hohfeldian Concept of Right as	**Jural Correlates/ Opposites**	**Corporate Executive Duties and Responsibilities under Bankruptcy Situations**	**Stakeholders' Duties and Responsibilities under Bankruptcy Situations**
Claim	Duty	Corporate executives have a duty to respect the rights of all stakeholders by providing them all material financial information on corporate performance, if they so demand it	Duty for seeking and studying clear and adequate information on corporate financial performance and related business activities before acting upon it
	No-right	Corporate executives have no-right to deceive stakeholders by exaggerated financial statements of corporate performance	No-right to claim ignorance on unintended consequences that are reasonably foreseeable in companies under a bankruptcy or turnaround situation

Table 6.1: (*Continued*)

Hohfeldian Concept of Right as	Jural Correlates/ Opposites	Corporate Executive Duties and Responsibilities under Bankruptcy Situations	Stakeholders' Duties and Responsibilities under Bankruptcy Situations
Privilege	No-right	Corporate executives have no-right for legal approval or social legitimacy if distressed corporations arbitrarily close plants and force massive layoffs	No-right but a privilege to invest or disinvest in distressed companies either as employees, customers, suppliers, or creditors
	Duty	Corporate executives have a privileged duty to safeguard the corporation and not to abuse Chapters 7 or 11 bankruptcy provisions but honestly strive to save the company for good	Privileged duty to protect themselves and other stakeholders when they suspect decline, distress, or insolvency of corporations they have a stake in
Power	Liability	Power to operate, downsize, or close plants or parts of the corporations or sell them to others under stipulated conditions, but as long as these are the last and only alternatives	All legitimate stakeholders are empowered for equitable compensations, as also be prepared for incurring substantial losses
	Disability	Despite power to manage and operate corporate situations, executives are disabled from harassing their stakeholders by deceptive financial reports and other fraudulent business practices	Stakeholders are normally disabled from harassing turnaround executives by the severe public and social scrutiny or interference, especially, when the latter are honestly trying to save the corporation
Immunity	Disability	Once legally approved for bankruptcy or business re-organization, corporate executives are immune from external interference, unless they seriously violate stakeholder rights	Disable stakeholders of losing corporations from further losses by providing timely warning and counsel on imminent bankruptcy consequences

Table 6.1: (*Continued*)

Hohfeldian Concept of Right as	Jural Correlates/ Opposites	Corporate Executive Duties and Responsibilities under Bankruptcy Situations	Stakeholders' Duties and Responsibilities under Bankruptcy Situations
	Liability	Despite legal approval, corporate executives may be held liable for generating disproportionate losses or injustices in the fulfillment of their Corporate duties	Despite legal protection, stakeholders could be liable for harassing turnaround or bankruptcy executives in the fulfillment of their reorganization or liquidation duties

corporation's stakeholders (e.g., customers, employees, governments, creditors, and suppliers). The rights and duties of each stakeholder group are predicated along (1) the four Hohfeldian concepts of right: claims-right, privilege, power, and immunity and (2) under each concept, along corresponding jural correlates and jural opposites.

Thus, for instance, under a *claim-right* and its jural-correlative *duty*, the responsibilities of executives include respecting the rights of all stakeholders by providing them the right financial information (e.g., accurate financial reports such as profit and loss statements, balance sheets, and cash flow statements) at the right time, by not over-marketing or inappropriately promoting the company when it is declining or bankrupting, and the corresponding duties of the stakeholders would include seeking clear and adequate information on corporate performance, studying it, so that they could make timely decisions of investing or disinvesting in the said corporation. Assuming an equally balanced relationship between the turnaround executives and the stakeholder public, under *claim-right* and its jural opposite *no-right*, turnaround executives have "no-right" to deceive stakeholders by false financial statements, round trip sales, exorbitant compensations (e.g., high severance compensations such as golden parachutes or handshakes), or any other fraudulent practices or declarations, while the stakeholders cannot claim ignorance of the turnaround situation when by due diligence they must assess their commitments to the failing corporation.

Under the third concept of right as "power," different rights and duties follow. Turnaround executives have the power to withdraw their operations anytime or sell them to approved buyers under prior stipulated conditions, but they also bear the liability for creating "ghost towns," significant labor layoffs, and other undesirable social externalities. Similarly, stakeholders are empowered to equitable compensations for what the corporation owes them. The jural opposite of power is *disability*. If stakeholders claim too much power and interfere with honest turnaround operations, then they could disable turnaround executives from the proper functioning of their duties. At the same time, if turnaround

Exhibit 6.2: Analyzing Case 6.2 using Hohfeldian Analysis of Rights and Duties.

Legally Protected Interest or Right		**Paid Media**
Claim	Jural Correlate as Duty	Paid media may have some *duty* to satisfy their paying clients in terms of covering news and information that positively features them, especially if the latter demand them
	Jural Opposite as No-right	But by the same token, paid media has *no-right* to feature the clients exclusively nor portray the competition or opponents negatively, or deny the general public's right for a broader coverage of news and services
Privilege	Jural Correlate as No-right	Media may have some *privilege* to accept paid media contracts but they have *no-right* to give them exclusive coverage on several channels thus virtually shutting the public from alternate news and information sources
	Jural Opposite as no Duty	In fact, paid media has the *duty* not to exclusively feature the client at the expense of other claimants and the general public's right for news on other parties and issues
Power	Jural Correlate as Liability	The paid media has some *power* to cover their clients in news coverage, but it is under *liability* not to harm by blocking the completion and opponents thereby
	Jural Opposite as Disability	Paid media has some *power* to cover its clients in coverage, but it is thereby *disabled* from exclusively doing it because of its duty to protect the rights of the general public, competition, or opponent parties
Immunity	Jural Correlate as Disability	The paid media has some *immunity* from being sued for over-covering its paying clients, but it can also be *disabled* from doing so, especially if thereby it is forced to undercover or not cover opponents or competition
	Jural Opposite as Liability	The paid media has some *immunity* from being sued for over-covering their paying clients, but they can also be under *liability* for doing so, especially when thereby they undercover opponents or competition

executives deluge stakeholders with false financial reports or other fraudulent business practices, they equally disable the stakeholders from their honest involvement in and compensation from the failing corporation.

Lastly, under the fourth concept of right as "immunity," there arise several forms of possible "disability" and "liability" outcomes to both executives and stakeholders. Thus, on the one hand, while legally approved turnaround executives are immune from unfair external interference from stakeholders and governments, they are also disabled from immunity and thus held liable for unjust and illegal turnaround operations (e.g., deprivation of rightful compensation to stakeholders or for degrading the social and/or physical environment). Equivalently, legally approved stakeholders may seek immunity from disability of further losses by being timely warned and counseled on the distress or bankruptcy situation of the company they have invested in, and they will incur liability if they unduly interfere with business turnaround operations. When immunity is linked with its jural opposite of liability, then turnaround executives may be held liable for generating too many losses or engaging in too many unjust practices in bringing about turnarounds and transformation. Under the same conditions, stakeholders would not be immune from liability if they unduly stall executives in the execution of their duties.

6.3. Part 2: Respecting Corporate Rights and Duties

We need to understand the different ways in which rights implicate responsibility and irresponsibility and the interplay of notions of responsibility as accountability and as autonomy. Libertarians justify rights by asserting that responsibility should be understood as the opportunity to exercise one's moral and intellectual capacities, which requires individual freedom. On this account, loss of the opportunity to develop and exercise moral responsibility, to take responsibility for and act on one's life plan, is a casualty or cost of not protecting individual freedom. In this context, responsibility is understood as autonomy. Although protecting responsibility as autonomy may entail some irresponsible decisions, this conception considers it a more serious cost to move the locus of such responsibility from the individual to the community or state.

According to Chris Argyris (1986, 1991), we need to redesign organizations for a fuller utilization of our most precious resource, the workers, and in particular, their psychological energy. Giving up the pyramidal and hierarchical structure of decision-making, Argyris (1993) suggests that decisions should be undertaken by small groups rather than by a single boss. Satisfaction in work will then be more valued than material rewards. Work should be restructured in order to enable individuals to develop to the fullest extent. At the same time, work will become more meaningful and challenging through self-motivation. Rensis Likert confirms this trend of thought. He identified four different types of management styles: exploitative-authoritative, benevolent-authoritative, consultative, and participative. He found the participative system to be most effective since it satisfied a whole range of human needs. For instance, if major decisions

are taken by groups, this results in achieving high standards and targets and excellent productivity.

Participative management can generate complete trust within the group, and high participation can lead to a high degree of human motivation and conflict resolution (Weiss & Hughes, 2005). As Rosabeth Kanter (2003) observes, open dialogue in a group setting where decisions are made fosters mutual respect. When employees feel self-confident enough to actively participate and where corporate leaders move them toward respect and reconciliation, the organization is more likely to transform itself from a dysfunctional, underperforming organization into one that raises the quality of its products and services, formulates stronger customer relations and interface, and thus, improves its strategic financial position. All this success emanates from small group team work. In any organization, once the beliefs and energies of a critical mass of people are engaged, conversion to a new idea will spread like an epidemic (Kim & Mauborgne, 2003, p. 62).

Corporate negative behaviors destroy employee rights, duties, and responsibilities. According to Theory X of McGregor, common such behaviors include:

- Being intolerant, vindictive, recriminatory, and punitive;
- Being aloof and arrogant, distant, and detached from the workers;
- Unconcerned about worker welfare, morale, and family problems;
- Blaming, finger-pointing, and imposing guilt upon workers;
- Being unjust, unsympathetic, not-listening, short-tempered, proud, elitist, and antisocial;
- Being non-participative, non-team-building, one-way communicating and not fostering worker-learning.
- Not inviting suggestions, feedback or interactions, and being ungrateful.
- Taking criticism badly from one's reports or peers, and tendency to retaliate.
- Poor in delegating, but good in giving orders and commands.
- Issuing threats to enforce people follow instructions;
- Issuing mandates, directions, and edicts to force worker obedience and submission.
- Withholding pay, rewards, bonuses, commissions, and other remunerations to demand obedience.
- Suppressing pay-raises, promotions, recognitions, and acknowledgments of challenging workers.
- Scrutinizing work expenditures to the point of mistrust and false economy.

Obviously, the opposite of these negative behaviors (i.e., positive corporate behaviors) will produce positive effects of empowering and upholding everyone's rights, duties, and worker and management responsibilities. Opening channels of communication and transparency, starting from the top, is the best way for resolving problems. Open dialogue means that everyone deserves a response; it exposes facts and tells the truth. It is hard to play politics when everyone discusses and everything is discussed openly. Successful turnarounds and transformations arise from long-term relationships built on mutual trust and reciprocal openness (Kanter, 2003, p. 64).

According to Herzberg's (1968) two-factor theory of motivation, workers are affected by biological or hygiene factors, and psychological or motivation factors. *Hygiene* factors are extrinsic to the job and relate to dissatisfaction-avoidance; hence, they indirectly motivate the worker on the job (such as pay, safe working conditions, non-boredom, and social interaction on the job). *Motivation* factors are intrinsic to the job and make the job interesting, enriching, and rewarding (e.g., training, recognition, respect, promotion, and personal growth on the job). In energizing, motivating, and empowering workforce, one could emphasize on the psychological and motivation factors, however, not to the exclusion of hygienic factors. The former empower rights, duties, and responsibilities.

How do employees find work exhilarating and perform best on their job? According to Mihalyi Csikzentmihalyi, who pioneered the research on workflow, the key to worker exhilaration is not the task itself (which often could be routine), but a *special state of mind* that the workers create as they work, a state called "flow." Csikzentmihalyi (1990, 1997) found that the most successful workers were in flow most of the time, while those who were apathetic and dissatisfied were the least in flow. The feeling of workflow is analogical to the feeling or emotion of being in the zone or in the groove. The flow state is an optimal state of intrinsic motivation, where the person is fully immersed in one's work or duty. Following Csikzentmihalyi, we must first define "workflow" in a firm, its nature and properties, especially in the critical departments. Next, one could incorporate the following findings in order to optimize the workflow in your employees under a rights-duties claim situation:

- Those who control and organize their job had the maximum flow.
- Flow is maximized with control of critical parts of the job.
- For some, excellence and pleasure in work are the same, and workflow was very high.
- Flow moves people to do their best at work, no matter what work they do.
- Flow blossoms when the workers' skills are fully engaged.
- Flow enhances when the challenges of work stretch workers to new and creative ways.
- Flow is heightened when workers are fully absorbed in their work, handle the demands of work effortlessly, and nimbly adapt to shifting demands.
- It is not so much the work, but what you bring to the workplace, your mind and heart, skills and talent, passion and emotions, and commitment and dedication that create the flow.
- Workflow itself is a pleasure.
- Encouraging and supporting supervisor presence can increase workflow.
- Intensifying one's psychological presence by being empathetic, understanding, recognizing and rewarding, and compassionate and caring can empower and maximize workflow and best performance.
- Psychological absence, on the other hand, characterized by suspicion, mistrust, eves-dropping, interference, and impersonal vigilance can minimize workflow, productivity, and worker involvement.

In general, the higher the workflow and its internalization, the higher is the perception of worker duties, worker rights, and worker responsibilities. Similarly, Amabile and Kramer (2007) believe strongly that job performance is positively linked with inner work life of the workers. People perform better when their daily work-day experiences include more positive emotions, passion for work, and more favorable perception of their work, their team, their leaders, and their organization (Amabile & Kramer, 2007, p. 77). The dynamics of inner work life of people, their mind and heart, their emotions, perceptions, and motivations do affect work performance, and hence, by implication, the organization.

Every worker's performance is affected by the constant interplay of perceptions, emotions, and motivations triggered by workday events, including managerial action – yet inner work life mostly remains invisible to management (Amabile & Kramer, 2007, p. 75). The knowledge-based worker's inner life is "the dynamic interplay among personal *perceptions*, ranging from immediate impressions to more fully developed theories about what is happening and what it means; *emotions*, whether sharply divided reactions (such as elation over a particular success or anger over a particular obstacle) or more general feeling states, like good and bad moods; and *motivation* – your grasp of what needs to be done and your drive to do it at any given moment" (Amabile & Kramer, 2007, p. 76).

6.3.1. Human Solidarity as a Commitment to Human Rights

To defend and recognize human rights, it is not enough to respect other human beings as possessing fundamental human dignity. In a spirit of real human solidarity, we next need to recognize them as partners or fellow members of a community.[2] There are various degrees of solidarity with our fellow human beings:

- On the negative extreme, we may totally ignore them or refuse to see them – this is crass neglect.
- To see them as mere pawns in our own plans and purposes – we use them as "factors of production"; we use them as "instruments with a work capacity and physical strength to be exploited at low cost and then discarded when no longer useful" – this is exploitation or slavery.
- We can use legal rules as "masks" to render human beings invisible. In the legal realm, to pierce the legal constructs that "mask" the plight of other human beings, and reckon the persons and faces that are forced to lie behind suck masks.
- We can see the world of "others" as moral agents with plans and purposes of their own.
- We can recognize our commonality with all humans, despite differences in culture or native ability.
- Willingness to imagine ourselves in the concrete circumstances of the other in order to reshape our perception of the other and of the right course of action.
- We maintain a community in which all persons are able to participate in a productive manner.

- We pledge to observe the Golden Rule in all that we do: Do unto others what you want to be done unto yourself.

Merely honoring human rights does not necessarily imply appropriate and effective action. Each community or corporation needs to strategize a step-by-step concrete approach to identifying, recognizing, and fulfilling human rights of all its members for the common good of all its inhabitants. Table 6.2 lists a set of consumer rights and a corresponding Bill of Rights and Duties of corporate executives and stakeholders. The commonest consumer rights in relation to market offerings include rights to product safety, to know (i.e., to be informed about the product or service), to product choice or variety, to be heard, to redress, to full value, to education and representation and participation. While the first four rights are normally provided by any constitution, the remaining four are still being debated as a Bill of Constitutional Rights.

6.3.2. The Debate about Moral Rights

Nobody disputes about positive and negative rights. The debate surrounds moral rights. Some philosophers (e.g., Bentham, 1845) reject the idea that citizens have any rights (positive or negative) apart from what law happens to give them. Others (e.g., Dworkin, 1977) following John Locke (1632–1704) defend citizens' rights (e.g., natural or human rights) quite apart from any law. These rights are inalienable or non-prescriptive; that is, we do not give them to people, nor can we take them away or give our own rights away. Some rights can be even moral rights against the government (e.g., conscientious objector's rights against war-draft). Dworkin (1977) argues that the collective goals of the state (such as prosperity, legitimate national defense, and political efficiency) are not a sufficient justification for denying individuals their rights; rights are like *trump cards* that prevail over all other political considerations.

Moral rights are important, normative, justifiable claims, or entitlements, often argued from a moral or ethical theory, but are rooted in morality and in the nature of the members of the moral community. They are rooted in the fact that human beings are rational beings that are *ends-in-themselves* (Cfr. "ens pour soi" of J. P. Sartre) and not *means* unto others, that they are worthy of respect, and should be treated with dignity. Hence, human rights cannot be overridden by other rights or by considerations of utility. Legal rights are rooted in law and protected by it. In a just society, moral and legal rights often overlap.

Rights are valid moral claims that give us inherent human dignity (Feinberg, 1970). Conversely, the dignity of the human person means nothing if by virtue of natural law, the human person has no human rights apart from any law (Maritain, 1944). Finally, there are others who hold that rights are simply entailments of moral obligations (e.g., Frankena, 1973; Kant, 1964; Ross, 1930) or are simple derivations from our understanding of utility (e.g., Mill, 1974). Gewirth (1984) argues that rights are the basis of morality; based on generic features of action, freedom, and purposiveness, we can conclude that there are universal human rights.

Table 6.2: Bill of Rights and Duties of Corporate Executives and Stakeholders.

Hohfeldian Consumer Privileges	Corporate Executive Privileges	Corporate Stakeholder Privileges	Corporate Executive "No-rights"	Corporate Stakeholder "No-rights"
To safety	Privilege to safe entry in the legally approved competitive corporate market; privilege of safety from public harassment	Privilege to corporate strategies, products, and services that are personally and socially safe and just	"No-right" not to protect corporate customers and non-customers from all personal and social harm of unsafe and addictive products	Society and public have "no-right" not to provide safe market entry to responsible corporate executives even though they may not ensure socially safe corporate products and services
To know (i.e., to be informed)	Privilege that corporate executives receive objective feedback on the firm's products and operations	Privilege to truth in corporate advertising and promotions without information overload or under-disclosure	"No-right" not to truthfully inform and instruct corporate stakeholders through objectively clear and meaningful promotions and products. Hence, no over-marketing and deceptive corporate offerings!	"No-right" not to search, shop, and compare corporate products and services from representative competitive corporate offerings and thus learn about their justice and equity
To choice	Privilege to offer a wide variety of competitively good and socially safe	Privilege to choose from a variety of socially safe corporate products and service packages	"No-right" not to offer a wide variety of corporate product bundles that are socially and competitively	"No-right" to demand or expect access and choice to a variety of competitively and socially safe corporate

	corporate products and services		safe. Hence, build justice before variety	products and price packages. Hence, choose cautiously
To be heard	Privilege to be heard by proper authorities when unduly harassed by corporate stakeholder and non-stakeholder public	Privilege to complain to proper authorities about corporate abuses and be heard	"No-right" to immunity when legitimately opposed by corporate stakeholder and non-stakeholder publics. Hence, avoid corporate abuses and seductions	"No-right" to be heard and acted upon by proper authorities when complaining about corporate abuses. Hence, negotiate redress prior to corporate contracts
To redress	Privilege to adequate compensation when unduly maligned or vandalized by corporate stakeholder and non-stakeholder public	Privilege to recourse and adequate compensation when unjustly tricked into attractively deceptive corporate packages	"No-right" to demand undue compensation when unjustly maligned or vandalized by corporate stakeholder and non-stakeholder public	"No-right" to undue compensation when justly or unjustly tricked into attractively deceptive but losing corporate packages
To full value	Privilege to advertise and deliver full value of corporate product bundles that include no harm	Privilege to receive on purchase full value of corporate product bundles that include no harm	"No-right" to assume that corporate stakeholder and non-stakeholders will not expect full value that includes no harm. Hence, sellers beware!	"No-right" to assume that corporate products will always deliver full value that includes no harm. Hence, buyers beware!
To education	Privilege to educate corporate stakeholder and non-stakeholders about the costs and benefits of corporate	Privilege to educate yourself on corporate products and services. Hence, learn when to say "no"	"No-right" to demand that current and prospective stakeholders will seriously educate themselves about the costs and benefits of	"No-right" to educational and counseling programs that enable better education on corporate products and services.

Table 6.2: (*Continued*)

Hohfeldian Consumer Privileges	Corporate Executive Privileges	Corporate Stakeholder Privileges	Corporate Executive "No-rights"	Corporate Stakeholder "No-rights"
			corporate. Hence, counsel them	Hence, also work on your own
Representation and participation	Privilege to an objective representation and unbiased participation of corporate stakeholders when serious corporate product/service issues arise	Privilege to represent objectively serious corporate stakeholder issues as and when they occur to proper corporate or government authorities	"No-right" to an objective representation and unbiased participation of corporate stakeholder and non-stakeholders when serious product/service issues arise Hence, preempt problems	"No-right" to demand to be heard and redressed when corporate executives rightly represent to the right stakeholders with just procedures. Hence, act much before problems arise

Rights can conflict. I compromise my right to life when I unjustly kill another. The right to life of the unjust attacker may be overridden by the right of life of the innocent victim. In general, the right to life is superior to the right to private property, and, in a conflict, the former takes precedence. For instance, Jean Valjean (in Victor Hugo's *Les Miserables*) steals a loaf of bread because he is starving and that is the only way he can survive. Jean's right to life overrides the baker's right to private property (e.g., the loaf). The conditions necessary for one right to override another, however, are very stringent. The point of the story of Jean Valjean is not so much to justify his taking or stealing the bread as it is to condemn an unjust society that makes it impossible for people to exercise their right to life (De George, 1999, p. 100).

6.3.3. Labor Law Reform and Labor Rights and Duties in India

During the last decade, the corporate world has argued that labor laws in India are excessively pro-worker in the organized sector, and this has led to serious rigidities and adverse consequences in terms of productivity. Hence, the corporate world has asked for labor law reform. One of the chief reasons for such a reform is that many labor laws in India are ancient, irrelevant, and do not reflect the requirements of the day. For instance, the Industrial Disputed Act and the Trade Unions Act, among many others, were crafted in an era when concepts like liberalization, privatization, and globalization were not either fully evolved or understood. Indian labor laws need reform to give appropriate flexibility to the management side to compete with the international world markets of intense competition. Existing laws are also less employment friendly – despite GDP growth, there has not been proportionate growth in employment in India as robotics, automation, outsourcing, and plants redesign and relocation have adversely affected jobs in India.

While labor law reform has been on both supply and demand sides, and employee and employer sides, the exact content and direction of labor reform are far from clear. The pluralist industrial relations paradigm (traced to Sidney and Beatrice Webb in England, to John R. Commons, the father of US industrial relations, and to members of the Wisconsin School of Industrial Relations in the early twentieth century) analyzes work and the employment relationship as a bargaining problem between stakeholders with competing and conflicting interests. John Commons proposed a balancing paradigm that focused on the need for equilibrium between capital and labor rather than the dominance of one over the other.

Whatever and whenever the labor law reform in India, it should safeguard all stakeholders, especially labor and customers as human beings and not as economic agents, as partners in production and not economic factors of production. That is, rights and duties on both sides must be recognized, upheld, and enforced. Moreover, labor law reform should consider the nature of work and the lives of workers. A new industrial relations paradigm is needed that explicitly considers the interest of the employees, employers, the employment relationship, humanization of labor and labor markets via equity and self-actualization, and

not mere productive efficiencies and profitability. John Budd (2004) extends the content of labor reform by including efficiency and equity with "voice." Equity reflects fair employment conditions and standards, while voice is the ability to have meaningful input into employment-related decisions, including both industrial democracy and personal autonomy.

6.3.4. "Paid" Media's Violation of Rights and Duties

"A free press should be neither an ally nor an adversary […] but a constructive critic" (Mahatma Gandhi). Media is the bridge between the ruler and the ruled for transport of information inputs. The media, particularly the press, the radio, the television, and the cinema, together or independently, have the potency to either make or mar, and reform or deform the society.

The advancement and diffusion of knowledge are the only guardian of true liberty (James Madison). Media, one of the four pillars of modern democracy, is entrusted with the responsibility of providing and diffusing truthful and objective information to all people. By definition, media collects, frames, and objectively communicates nontrivial worthy information to the public it serves. The way information is collected, stored, sorted, structured, and disseminated has a deep impact on how it is read and interpreted by the public. Hence, the media can and does wield much power and control in informing the public and even in "forming" its economic, ethical, and moral conscience. People form views, beliefs, values, and lifestyles often on the basis of what they see and hear in the media. "Whoever controls the media, controls the mind" (Jim Morrison). Knowledge is power, and the media that collects, stores, and disseminates knowledge is power. Hence, the critical need of media scrutiny and media ethics – an ethic of rights and duties.

In general, information has four dimensions: structure, content, provision, and dissemination understood as follows:

(1) *Structure*: This determines what of the information (if at all) will be remembered by the audience and how. It encompasses not only the mode of presentation, but also the modules and the rules of interaction between them.
(2) *Content*: Incorporate ontological (reality) and epistemological (truth) elements; "hard" data that can be verified represent the reality; "soft" data or data interpretation offered with the hard data represent the truth of reportage. A message comprises both worldview (theory) and an action and direction-inducing element (practice).
(3) *Provision*: This comprises the intentional input of structural content into information channels. The equation of provision also includes the timing, quantities of data fed into the channels, and their quality.
(4) *Dissemination*: These are channels that bridge between the information providers (media) and the information consumers. Some channels are merely technical with respect to bandwidth, noise to signal ratios, and the like. Other channels are metaphorical, and the relevant determinants are effectiveness in conveying content to target consumers.

Today in 2018, the Indian press is over 225 years old, the Indian Radio is about 100 years going, and Doordarshan is half a century strong. Media has about five main functions: information, interpretation, education, entertainment, and evaluation. While some of these functions are still provided, the Indian Media Empire is indulging in sensationalism, yellow journalism, paid news, TRP domination, politician control, and corporatization. The Press Council of India that is supposed to enforce values and ethics in the print medium is seemingly passive and teethless. "The sole aim of journalism is service. The newspaper press is a great power, but just as an unchained torrent of water submerges the whole countryside and devastates crops, even so an uncontrolled pen serves but to destroy. If the control is from without, it proves more poisonous than want of control. It can be profitable only when exercised from within" (MK Gandhi).

Article 19(1) of the Indian Constitution states that, "everyone has the right to freedom of opinion and expression." And so is the media – the Free Press. This right includes freedom to hold opinions without interference and to seek, receive, and impart information and ideas through any media, regardless of frontiers. The successful survival and flourishing of the world's largest democracy owe a great deal to the freedom, power, and vigor of the press. However, the freedom of the media is not absolute. Article 19(2) puts reasonable restriction on the media in the interest of the sovereignty and integrity of the country, the security of the state, public order, decency or morality, or in relation to contempt of court, defamation or incitement to an offense, and the like. The right of freedom of speech of individuals and of the media is a great power, but with great power comes great responsibility.

Corresponding media duties toward the public include: freedom of publications, plurality in media ownership, diversity in information, culture and opinion, support for democracy, support for public order and security, universal reach, quality on information and culture disseminated to the public, avoiding harm to individuals and the society, respect for human rights, and informing citizens about current events and developments in society. Media should be a fact-finding body engaged in firsthand reports whenever possible and presenting the facts to the public without much interpretation or representation. Media can get into argumentation. More information is required to support the truths that the media claims in a given case. But arguments are not correct if the media does not back them with accurate facts, figures or events, laws, and doctrines. Arguments are not correct if the media neglects facts that actually support a different claim.

The World Media Ethics Code specifies the following media duties:

- Honesty and fairness: Duty to seek the views of the subject of any critical reportage I advance of publication; duty to correct factual errors; duty not to falsify events and facts or to use them in a misleading direction.
- Duty to provide an opportunity to respond to critical opinions as well as to critical factual reportage.
- Appearance as well as reality of objectivity; in this connection, some codes prohibit members of the press to receive gifts.

- Duty to respect privacy.
- Duty to distinguish between facts and opinion.
- Duty not to discriminate on such grounds as race, religion, nationality, color, gender, or language; some codes call on the press to refrain from mentioning the race, religion, or the nationality of the subject of news unless relevant to the story; some codes call for coverage that promote tolerance.
- Duty not to use dishonest means to obtain information.
- Duty not to endanger people.
- General standards of decency and taste.
- Duty not to prejudge the guilt of an accused and to publish the dismissal of charges against or acquittal of anyone.

In India, the legislature makes laws, the judiciary interprets them, and finally, the executive body executes them. These are three pillars of democracy. The media can become a fourth pillar of democracy by being a watchdog of all the three pillars. Unfortunately, in the last decade the media has become a fourth pillar instead on its own right by being selective about news, by subjecting itself to "paid news," by faking sting operations to settle personal scores with rival firms, and by tabloidization of news. Further, by assuming partisan affiliation with certain political parties, the Indian media has patronized those parties and failed to objectively represent them to the voter public. By focusing on TRP ratings and due to fierce media rivalries, the ethics of journalism has been seriously compromised.

Often media writes many articles in order to push an agenda. Some media writers try to convince us what they believe by a collection of facts that support their proposal or agenda. There is a huge difference between decision-based evidence making versus evidence-based decision-making. There is a difference between truth when an agenda is pushed and when the media lets the facts speak the truth. When media content is biased toward a certain race, sex, gender, religion, nationality, region, or political party, then media begins to lose its independence to observe and collect facts, and worse, it is difficult for the media to "represent" truth with accurate facts and figures. A neutral and objective presentation of news is the duty of the media and the right of the public.

India is the largest democracy in the world, and the media has a powerful presence in the country for safeguarding its democracy. Of late the abuse of "paid news" has corrupted the media. Paid news indicates favors toward the institution which has paid for it. The news is more like an advertisement praising the person or hiding the faults of the institute or ruining the reputation of the opposition party, all these for some significant payment. Sometimes, there is no money paid: media houses show favoritism toward the groups having more power. Paid news became widespread during the 2009 elections. Most campaigning politicians paid media heavily for positive coverage and for ignoring obvious skeletons in the closet. Also, the mode of payment in paid news can violate tax laws and election spending laws of the country. It can seriously buy and bias national and state elections thus ruing democracy at its roots.

6.4. Concluding Remarks

Perhaps, the most basic institution of civil society, the family, which should be a moral educator schooling the next generation of citizens in the interplay of rights and responsibilities, is in peril and that "the second line of defense" (schools and colleges) cannot alone prevent the decline of a responsible citizenry. Although schools are reluctant to engage in moral education and character formation, they must do so to combat the "moral deficit" among young people. There seems to be among the young an increasing tendency to express needs and wants in terms of rights and to invoke rights talk, a tendency summed up by social critics and popular media as "rights inflation" or a "rights explosion." For example, people call for new rights without regard to the duties and obligations that a right creates (e.g., asserting affirmative rights to healthcare without considering the implications for the public finance). Exaggerated rights talk only shuts down debate and makes compromise difficult but also devalues rights. We need a return to a language of social virtues, interests, and, above all, social responsibilities that will reduce contentiousness and enhance social cooperation.[3]

Any discussion of rights and duties must be prefaced by a discussion of certain principles that rights and duties are based upon: principles of distributive justice, contributory or participatory justice, and social and family justice. The approach allows for balancing the responsibilities of individual (contributive or participatory justice) with that of family need (social and family justice) and that of institutions and governments (distributive justice, corrective justice). An optimal situation of rights and duties should, accordingly, include strategies for avoiding poverty, as well as emphasize the social duty emerging from private property, all this in spirit of solidarity and subsidiarity. Lastly, any discussion of rights and duties should be framed within the context of global and ecological sustainability.

Moreover, the discourse on human rights should be a systematic attempt to work out the implications of the Golden Rule in political and social life. "Do unto others as you would have them do unto you" – this rule encapsulates an ethic of reciprocity and serves as the logic of rights and duties. By this golden rule, executives need to shift their consideration from the implications of their strategies for their lives and that of the company to the implications of these actions for the lives of employees, their families, and local communities.

NOTES

1. This notion comes very close to that of H. L. A. Hart. Hart (1954) argued that it is a mistake to ask for a definition of "right" or "duty" because legal words can only be illustrated by considering the conditions under which certain statements (such as "X has a right to $10 from Y") are true. The conditions are: (1) there is a legal system in existence, and (2) under the rules of that system, some person Y, given the events that have actually happened, is obliged to do (or abstain from doing) something for X provided X or his agent chooses that Y should. Under these conditions, the statement "X has a right" is used to draw a conclusion of law in a particular case falling under those rules. However,

not all rights are conclusions of the law. For instance, the Second Amendment to the US Constitution (the right of the people to keep and bear arms shall not be infringed) and the Sixth Amendment (in all criminal prosecutions the accused shall enjoy the right to a speedy and public trial) are not conclusions of law, but "rules" of law.

2. One of the best definitions of human solidarity was provided by Pope John Paul II in his 1987 Encyclical *Solicitudo Rei Socialis*: "Solidarity helps us to see the 'other' – whether a person, people, or nation – not just as some kind of instrument, with a work capacity and physical strength to be exploited at low cost and then discarded when no longer useful, but as our 'neighbor,' a 'helper' (Gen 2: 18–20), to be made sharer, on a par with ourselves, in the banquet of life to which all are equally invited by God." (Pope John Paul II (1987), Solicitudo Rei Socialis, No 39; (http://www.vatican.va/holy_father/john_Paul_ii/encyclicals)).

3. Communitarians appeal to use the moral voice of the community to exhort people to meet their responsibilities. They claim responsibility originates in community. There is an implicit certitude about what the responsible choice is and a striking lack of attention to the problems of conflicting responsibilities and values, particularly for people who are members of many communities and who find themselves pulled by conflicting obligations. Moreover, the particularity with which some communitarians are willing to spell out what responsibility requires and what fosters community seems to replace the role of personal autonomy, of taking responsibility for one's own conception of the good life, with accountability to the prescriptions of the community. But what they mean by "community" is far from clear. Often such definitions and discussions are amorphous and wishful. Communitarians are vague on such issues as the relationship between community and polity, the possibility of consensus on values and responsibility, the role of law in achieving a communitarian moral revival, and the role of rights in responsive communities.

Chapter 7

The Ethics of Corporate Moral Reasoning, Moral Judgment, and Moral Justification

Executive Summary

This focal chapter deals with the understanding of important ethical theories used in executive moral reasoning such as teleology, deontology, distributive justice and corrective justice, virtue ethics versus ethics of trust, from the perspectives of intrinsic versus instrumental good, moral worth versus moral obligation, and moral conscience versus moral justification. Ethical and moral reasoning will power executives to identify, explore, and resolve corporate moral dilemma, especially in the wake of emerging gray market areas where good and evil, right or wrong, just or unjust, and truth and falsehood cannot be easily distinguished. We focus on developing corporate skills of awareness of ethical values and moral imperatives in current otherwise highly commoditized and turbulent human, market, and corporate situations. The challenges of morality are multifaceted and diverse. Professionals usually have self-discipline and self-regulation abilities, ego strength, and social skills. Morality in the professions is not concerned with the issues of rudimentary socialization; rather, the issues involve deciding between conflicting values, where each value represents something good in itself. There are problems in both *knowing* what is right, good, true, and just on the one hand, and on the other hand, in *doing* what is right and avoiding wrong, doing good and avoiding evil, and being fair and just while avoiding being unfair and unjust. Several contemporary cases will illustrate the challenging dimensions of ethical and moral reasoning, moral judgment and moral justification embedded in executive decision processes, and corporate growth and profitability ventures.

Case 7.1: Waksal and Stewart

Samuel D. Waksal, founder of cancer-drug company Imclone Systems, and his acquaintance, Martha Stewart, founder of Martha Stewart Living Omnimedia, were two phenomenally successful business persons who overnight ruined their reputation and nearly destroyed two multi-billion dollar enterprises, simply by selling a few Imclone shares just before the release of the bad news that the FDA had de-licensed the cancer drug. Both were accused of insider trading, were driven out of the businesses they had founded, fined heavily, and served prison sentences for years. Imclone shares

fell initially after the FDA adverse decision, but within two years they rebounded to new highs. In 2009, the company was sold to Eli Lilly for US$6.5 billion. Had Waksal and Stewart been patient, acted on their better instincts, the outcomes would have been totally different. What they gained by insider trading was nothing compared to the losses they incurred in terms of gossip, ridicule, loss of human dignity, and freedom. Martha Stewart's brand eroded in value substantially and has yet to regain original credibility and renown (Gor, 2012, pp. 65–66).

Case 7.2: Hindustan Lever

Latent demand for low-priced, high-quality goods is enormous. Consider the reaction when Hindustan Lever, the Indian subsidiary of Unilever, recently introduced what was for it a new product category – candy – aimed at the bottom of the pyramid. A high-quality confection made with real sugar and fruit, the candy sells for only about a penny a serving. At such a price, it may seem like a marginal business opportunity, but in just six months it became the fastest-growing category in the company's portfolio. Not only is it profitable, but the company estimates it has the potential to generate revenues of US$200 million per year in India and comparable markets in five years. Hindustan Lever has had similar successes in India with low-priced detergent and iodized salt. Beyond generating new sales, the company is establishing its business and its brand in a vast new market. There is equally strong demand for affordable services. TARAhaat, a start-up focused on rural India, has introduced a range of computer-enabled education services ranging from basic IT training to English proficiency to vocational skills. The products are expected to be the largest single revenue generator for the company and its franchisees over the next several years. Credit and financial services are also in high demand among the poor. Citibank's ATM-based banking experiment in India, called Suvidha, for instance, which requires a minimum deposit of just $25, enlisted 150,000 customers in one year in the city of Bangalore alone (see Prahalad & Hammond, 2002).

Case 7.3: Can Making Profits Be Moral? Here Are Some Reasons

- A firm has a social obligation to maximize profits. Firms buy the goods and services they need for production. What they buy they pay for. What they receive in payment for selling their goods and services, they receive because the buyers consider them worthwhile. This is a world of voluntary contracts; nobody has to sell or buy. If they choose to sell or buy, they must be deriving benefits from the transactions measured by

the price paid or received. Hence, profits really represent the net contributions that the firm makes toward the social good, and the profits should therefore be made as large as possible – this regardless of the unequal distribution of income that results from unrestrained profit maximization.

- When firms compete with each other in buying or selling, they may have to raise or lower prices in order to get more of the market to themselves. In either case, benefits accrue both to the firms, the suppliers and the customers, and hence society gains from competition.
- Adam Smith in his *Wealth of Nations* (1776) wrote more than two centuries ago, "To widen the market and to limit competition is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally might be, to levy for their own benefit an absurd tax upon the rest of their fellow citizens" (p. 211).
- A producer of luxury suitcases uses behavioral inputs (e.g., management, marketing, labor, and craftsmanship) and physical inputs (e.g., machines, plastics, leathers, and brass) at a cost of US$200. The customer is willing to pay US$400 for it, and so it is priced at US$400. The surplus US$200 generated in the process may be primarily attributable to the value added by the behavioral assets and can be consumed or transformed into either value paper (e.g. bank deposit, commercial paper) or into a physical asset (e.g., building a new plant), thus adding to the wealth of the firm. By continuously creating new value for the customers, the firm also creates value for its owners – it increases the wealth of the owners (Falkenberg, 1996, p. 6).
- If defect-free used cars of a certain vintage are worth US$5,000 (Class 1) and similar cars with an average number of defects are worth US$3,000 (Class 2), and if prospective buyers of such cars cannot tell which cars belong to which Class, two behaviors will result. Owners of Class 1 cars will not bring them to the market for fear of receiving Class 2 price. Second, if Class 1 cars are not available in the market, and only Class 2 cars are offered for sale, then prospective buyers will come to know that, and their refusal to buy them will force Class 2 prices down, even eliminating Class 2 cars from the market. Soon only worst cars (lemons) will be offered for sale. If the cost of car repair exceeds US$3,000 to US$5,000, the used car market will collapse entirely. Hence, the absence of reliable information about individual used cars can result in substantial market inefficiencies (Noreen, 1988).

For a good distributive justice analysis of arguments (1) and (2), see Nobel Prize economist Kenneth J. Arrow (1993). Argument (5) is similar to the "lemon problem" first stated and discussed by another Noble Prize winner Akerlof (1970). All five arguments uphold competitive rights and free enterprise markets, thus promoting market justice.

7.1. The Ethics of Executive Moral Reasoning and Moral Judgment

Most of our activities center around feeling, thinking, and choosing, and all three are connected. In every act of reason, in every act of affect or experience, and in every act of choice, there is a link between the activities and the one who performs them and owns them. We are more than our thoughts, experiences, and choices, even though all three activities are ours. Our transcendence unites them, owns them, and takes responsibility for them. There is an intimate connection between what we do and what we are. We transcend our actions while they still remain "our" actions (Flanagan, 1991, pp. 134–136). There is a unity between the person who acts and the actions performed that lasts over time and integrates them all into the context of what we have been before, what now, and what we will be in the future. The condition for the possibility of this abiding unity between us and all that we do over time is the *transcendent principle of human personhood*. This principle brings unity to our life and actions, and gives coherence and meaning to what we do and what we become. Personhood as transcendence is an existential condition for the possibility and interpretation of our personal unity, individuality, sociality, ethicality, and morality (Von Hildebrand & Von Hildebrand, 1966, p. 88).

We revisit major ethical theories of teleology, deontology, distributive justice, and corrective justice that we briefly stated in an earlier volume on corporate ethics. We now study them from the viewpoint of intrinsic versus instrumental good, moral worth and moral obligation, moral conscience, and moral justification. Such advanced reviews and synthesis of major ethical theories can provide additional insights as practical and readily applicable principles for ethical reasoning and moral assessment. The focus throughout this chapter is how to apply ethical theories of moral reasoning and moral judgment to executive decisions and moral obligations. Some practical "business executive exercises" for ethical–moral reasoning and assessment are added. This chapter has two parts:

- Part 1: General Application of Moral and Ethical Theories to Executive Decisions and Moral Dilemma; and
- Part 2: Applying Specific Moral and Ethical Theories to Executive Decisions and Moral Obligations.

7.2. Part 1: General Application of Moral and Ethical Theories to Executive Decisions and Moral Dilemma

Ethics is all about making good and moral decisions. As a corporate executive, our moral and ethical concerns, and decisions and dilemmas should be:

- What should I do? What should I not do?
- What ought I to do? What I ought not to do?
- What am I obliged to do? What am I not obliged to do?
- What should I become? What should I not become?
- What should I be? And what should I not be?

All the five sets of questions deal with executive commissions (the first question under each set) and omissions (the second question in each set) from the viewpoint of executive duty (first two sets), obligation (sets three and four), and responsibility (set five). The first two sets of questions refer to executive inputs of action; the next two relate to processes of executive action, and the fifth set deals with executive action outcomes. Various ethical theories of moral reasoning help us in answering these questions.

7.2.1. Kohlberg's Theory of Phases in Moral Reasoning

It is generally agreed among psychologists (e.g., Kohlberg, 1969, 1984; Rest, 1979) that ethical reasoning attains full maturity through three main phases as one's decisions and actions get predominantly based on:

(1) The immediate consequences of an action such as rewards and punishments (*Pre-conventional Phase*);
(2) Social approval, compliance, or conformity (*Conventional Phase*); and
(3) Personal, moral, or ethical standards (*Post-conventional Phase*).

We assume that most corporate executives have reached the second stage of conventional or the third stage of post-conventional moral reasoning. During the third stage, maturity increases through the internalization of moral judgments, and the standards of society are often a subject of criticism. Executives may use, more implicitly than explicitly, some major ethical theories (e.g., teleology, deontology, distributive justice, corrective justice, virtue ethics, and ethics of trust) for ethically analyzing and justifying corporate decisions and strategies. For instance:

Pre-conventional Phase: **We do things because of the immediate consequence of an action such as rewards and punishments.**

- I work hard lest I should be fired (reward/punishment).
- I work hard as it benefits both the company and me (cost/benefits).
- I work hard that I may learn and grow on my job (instrumental).
- I work hard for my colleagues and superiors (interpersonal).

***Conventional Phase*: We do certain things for social approval, compliance, or conformity.**

- I work hard, as everybody does it (social compliance).
- I work hard, as I need to be recognized (social approval).
- I work hard, because of my contract to do so (contractual).
- I work hard, as this is my duty (obligation).

***Post-conventional Phase*: We do certain things based on personal, moral, or ethical standards and convictions.**

- I work hard, for work unites humankind regardless of race, color, age, gender, or creed (sociological).
- I work hard, because everybody should work for a living (deontological).
- I work hard, for work is human and humanizes me (philosophical).
- I work hard, for work is a divine mandate (theological).

As corporate executives, we could check where we stand in relation to the above sets of motivations. For instance:

- Personally, where would we like to be on this ethics phase, and why?
- Ideally or normatively, where should we be at this stage of our executive life?
- How do we argue for higher forms of ethical and moral reasoning from the pre-conventional to the conventional to the post-conventional phase, and why?
- Does our executive moral reasoning become more objective, universalizable and reversible (in the Kantian sense of categorical imperatives) as we ascend from the pre-conventional to the conventional to the post-conventional phase, and why?

These are equivalent, if not identical, ethical questions that a book or course in business or corporate ethics should include. These questions relate to commissions and omissions, rights and duties, moral obligations, and responsibilities. The word "I" in these questions can easily be substituted by institutions such as a business, a venture, a corporation, a B-school, a university, a church, a government, and the like. The main purpose of any ethical theory is to provide consistent and coherent answers to these practical questions.

In general, an ethical theory is *the reasoning process by which we justify our particular ethical decisions.* An ethical theory helps us to organize complex information regarding an ethical problem (or dilemma) at hand, the competing values and alternatives available to resolve the problem, and thus, arrive at a solution to the above ethical questions.

7.2.2. Major Normative Ethical Theories or Systems

A well-developed ethical–moral reasoning process or methodology should be guided by a framework of theories, moral principles, moral rules, or norms, whereby moral judgments regarding right or wrong, good or bad, fair or unfair,

and just or unjust may be derived and assessed. There are various theories in ethics that attempt to do so. These theories try to answer the basic dichotomous questions of what is right or wrong, truth or falsehood, ethical or unethical, moral or immoral, good or evil, and just or unjust, or the more general question: *What should I do and what should I not do?*

In general, ethical scholars distinguish at least three positions in judging the moral rectitude of human actions (Beauchamp, 1993; Frankena, 1973; Schüller, 1976):[1]

7.2.2.1. Teleological Moral Reasoning

- The moral correctness of all actions is determined *exclusively* by its consequences. To the question: "*What should I do?"* this theory responds by the following guideline: *Act in a such way that your action brings about the greatest number of advantages over disadvantages, more benefits over costs, or the greatest good for the greatest number of people*. This theory justifies an ethical action by the outcomes or consequences of the action in a given situation. Hence, this position is often called utilitarian *teleology or consequentialism or situation ethics.*

This is an output-based version of teleology since it judges the moral correctness of the executive action from its outcomes of benefits versus costs, and advantages versus disadvantages to the greatest number. But the problem is when and how does the executive know the nature and degree and seriousness of benefits versus costs, or advantages over disadvantages? Often, it may take days, weeks, or months to do that moral and ethical assessment. In general, there is a distance of space and time between causes and effects. Victims of asbestos white-lung disease discovered the harmful effects of asbestos particles they inhaled while working in asbestos-using environments only 25–35 years later. Similarly, coal-mine workers inhaling crystalline coal dust suffered from black lung disease decades later during retirement.

Hence, this version of outcome-based teleology fails to be a useful rule of moral assessment of executive judgment or action. Moreover, when are you sure that you have exhausted search and study all the costs or benefits of an action, especially when there could be unforeseen and unintended consequences to many executive actions. A later version (Broad, 1946) of teleology argues thus: Act in such a way that your action is geared to produce at least more good consequences than evil ones, or more advantages than disadvantages to the greatest number. This traces the morality of the act to the *process* than to the outputs. But even this version begs or urges the same question: how and when do you know that your action is geared to produce better consequences?

7.2.2.2. Deontological Moral Reasoning

A second theory of moral reasoning, deontology, argues thus:

- The moral correctness of all actions is *always also, but not always only*, determined by its consequences. Certain conventions, principles, rules, rights, and

duties of involved subjects also determine it. To the question, "*What should I do?*" this theory offers the following guideline: *Act* in such a way that you violate no moral conventions or pacts, rules or principles, rights or duties, and, at the same time, you uphold and fulfill most of your obligations, responsibilities, and duties toward others. This position is called *deontology* (*deon* = *"duty" in Greek*) *or existentialism or situationalism.*

This is a process-based version of deontology since it judges the moral correctness of an executive action from its conformance or fulfillment of moral conventions or pacts, rules or principles, and rights or duties that concern the greatest number. But the problem is when and how does the executive know the nature, content, extent, and seriousness of moral conventions or pacts, rules or principles, and rights or duties that matter, especially if they are nonexistent or not fully evolved and accepted? Often, it may take years and decades to arrive at such pacts and conventions. For instance, despite our rapid globalization, digitization, and ubiquitous networking, we still do not have a corpus of international laws to rule and adjudicate our international and intercontinental behavior other than through a few pacts and conventions of the IMF, UNO, World Bank, WTO, and the like. The existence and operation of international courts are far from desirable and effective. International labor laws, patents, trademarks, and copyrights are still not taken seriously, while counterfeiting and trademark infringements are very common and often overlooked. International financial products and markets are still opaque, confusing and deceptive leading to unnecessary financial crisis as those of the Great Depression of October 1929 and the September–October 2008 collapse of mega investment banks.

Hence, this version of process-based deontology often fails to be a readily applicable rule for ethical and moral assessment of executive judgment or action. Hence, Emmanuel Kant would argue thus: Act in such a way that your action is a norm for all mankind whatever you do and wherever you are. This traces the morality of the act to the universalizability principle of Kant that we internalize as an input to all our actions. With utilitarianism, we may be concerned with maximizing the good in society, and most of us would not consider this alone as right. No doubt, an efficient society is one that is most capable of maximizing the good of its citizens, but such a society is not a moral one unless its goods are justly distributed (Grassian, 1992, p. 88). Hence, teleology and deontology need to be supplemented by distributive justice, and distributive justice by corrective justice.

7.2.2.3. Distributive Justice-based Moral Reasoning

The third theory of ethical and moral reasoning is distributive justice:

- The moral correctness of *at least some actions* is in no way determined by their consequences. Thus, while teleologically an action may have positive net benefits, and while deontologically the same action may not violate any

known moral principles, rights, or duties, yet in the distribution of these net benefits, rights, and privileges, there may be gross injustice: the rich may become richer while the poor become poorer. Hence, the need for a third ethical system: that of *distributive justice*. To the question: *what should I do?* This theory answers: *Act in such a way that, while fulfilling most of your duties and moral obligations, the benefits of your action clearly exceed the costs, and that the costs and benefits, rights and duties are equitably spread across all people affected by the action.*

This is once again an output-based version of teleology-deontology combined since it judges the moral correctness of the executive action from its benefits versus costs, rights versus duties, and conformance to pacts and agreements that bring greater advantages than disadvantages to the greatest number. But the problem is when and how does the executive know the nature and degree and equitable distribution of benefits versus costs, of advantages over disadvantages, rights over duties, pacts, and agreements over nonexistent ones? Often, it may take days, weeks, or months to do that. Hence, this version of process or output-based distributive justice also fails to be a useful rule of moral reasoning and assessment of executive judgment or action.

The Rawlsian concept of justice mandates giving to others what rightfully belongs to them (Rawls, 1971). Justice, therefore, has both deontological and teleological (utilitarian) aspects. The theory of distributive justice is particularly relevant when different people put forth conflicting claims on society's rights and duties, and benefits and burdens and when all claims cannot be satisfied. In such cases, the standards of distributive justice are generally taken more seriously than utilitarian considerations (Hare, 1978; Rawls, 1958). The moral right to be treated as free and equal persons is the basic egalitarian foundation of distributive justice (Vlastos, 1962).

7.2.3. Corrective Justice-based Moral Reasoning

The fourth theory of ethical and moral reasoning is corrective justice:

- Regardless of costs and benefits, rights and duties, and their existing distributions, that executive action is moral if it sets up legitimate laws, and effective procedures and processes to rectify unjust structures in society that inequitably distribute costs and benefits, and rights and duties across the greatest number of affected stakeholders. Thus, while teleologically an action may have positive net benefits, and deontologically the same action may not violate any known moral principles, rights, or duties, yet if in the distribution of these net benefits, rights, and privileges, there is gross injustice, then executive actions should rectify such unjust structures whereby the rich may become richer while the poor become poorer. Hence, the need for a fourth ethical system that of *corrective justice*.
- To the question: *what should I do?* The corrective justice theory answers: *Act in such a way that, while fulfilling most of your duties and moral obligations,*

the benefits of your action clearly exceed the costs, and that the costs and benefits, rights and duties are equitably spread across all people affected by the action, and if not, set up processes and procedures to rectify unjust distributions of costs and benefits, and rights and duties among the greatest number of affected stakeholders, especially, the marginalized and the poor.

7.2.4. The Theory of Equality and Corrective Justice

The problem underlying all forms of justice (e.g., distributive, retributive, and corrective) is the content or domain of equality. The fundamental problem, however, is, as Amartya Sen (1979, p. 307) expressed it, "equality of what?" That is, what is the appropriate *equalizandum* (the entity to be equalized)? There is hardly a consensus among egalitarians justice theorists. For instance, some egalitarians define the domain of equality as *resources* (Dworkin,1981), as *primary goods* (Rawls, 2001, pp. 62, 92), as *opportunity for welfare* or *access to advantage* (Cohen, 1989, p. 99), or as buyer–seller information asymmetry reduction (Mascarenhas, Kesavan, & Bernacchi, 2008).

The next question is, given an equalizandum such as opportunity for education, earning, health care, and property, what limitations should be imposed on its distribution? For instance, what would justify a deviation from equal opportunity to basic education or basic health among citizens of a given country? Alternately, what is the role of justice, liberty, or responsibility in the distribution of the equalizandum? Most egalitarian theorists of distributive justice attempt to design a distributive policy that is *endowment-insensitive* but *ambition-sensitive*. That is, any equalizing of opportunity should not be based on individual endowments such as wealth, race, color, power, social status, and other such considerations, but on the needs, wants, and use of that opportunity for all citizens (Cohen, 1989; Dworkin, 1981).

7.2.5. Virtue Ethics and Moral Reasoning

Frankena (1973, 1980) maintains that virtue ethics cannot be an independent method of moral reasoning. For him, virtues merely augment an existing method; they do not supply specific directives for determining right or wrong conduct. Principles and rules direct, while virtues merely enable us to perform what the principles command. But Nussbaum (1986, 1988) counter-argues that the Greeks used virtues precisely to judge moral conduct. That is, virtues can provide the standards of morally right conduct, and hence, virtues, not moral principles, are the source for understanding normative conduct. In fact, principles and rules are derived from virtues: they are directives that obtain their content from the virtuous activity which humanity enjoins (Nussbaum, 1988). Dunfee (1991), on the other hand, considers virtue ethics theory as an alternative to the stakeholder theory or the social-contracts theory.

Developing a virtue-based ethics for business, Solomon (1992a, p. 104) argues that mere wealth creation should not be the purpose of any business. "We have

to get away from 'bottom-line' thinking and conceive of business as an essential part of the good life, living well, getting along with others, having a sense of self-respect, and being part of something one can be proud of." Individuals are embedded in communities and that business is essentially a community activity in which we work together for a common good, and excellence for a corporation consists of making the good life possible for everyone in society (Solomon, 1992a, p. 209).

Some argue that a true understanding and living the virtue concept will be antithetical to competitive economic activity. Thus, corporate executives fundamentally engaged by their profession in the competitive acquisition of wealth, opportunity, and growth could only exercise simulacra of the true virtues (Dobson, 1998). According to MacIntyre (1984, p. 254), "the tradition of the virtues is at variance with central features of the economic order." According to MacIntyre (1984, p.187), a necessary condition for a business person to be "virtuous" is cooperative or communal business activity within the firm that qualifies for "internal practice." The concept of "internal practice" involves that "any coherent and complex form of socially established cooperative human activity through 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" (1984, p. 187).

7.2.6. Moral Judgments and Moral Justification

Judgments express a decision, verdict, or conclusion about a particular action or about a person's character based on our intuition or learning. *Moral judgments* express a decision, verdict, or conclusion about a particular action or about a person's character based on our understanding of moral theories and/or their principles. The average executive in most circumstances has no difficulty making moral judgments such as whether to tell the truth, whether a given decision is morally right or wrong, whether there is conflict of interest, and so on. Our moral life is usually composed of a rich blend of directives, experiences, parables, vignettes, and virtues that suffice to guide us to moral judgments.

Moral reasoning is a process of arriving at moral judgments. Moral judgments are followed by moral justification of our moral judgments, decisions, and their outcomes. A typical *moral justification* starts with a moral judgment. It upholds the judgment by moral rules specific to the context and restricted in scope. The moral rules are justified by certain moral principles, which are more general and fundamental than moral rules. Finally, the moral principles are justified by moral theories, which integrate bodies of principles, rules, and action guides. The theories backing moral principles may themselves need to be defended unless they are already well accepted among moral philosophers. If the proclaimed ethical theories and moral principles are not commonly accepted, then one could further inquire if they need to be replaced, rejected,

revised, or expanded. Most executives defend their moral judgments in terms of rules; few in terms of principles; and very few relate them to ethical theories.

Moral justification goes further to deliberate about these moral judgments and justifies them or the principles underlying them. *Moral dilemmas* occur at the level of moral justification and not so much at the level of moral judgment. An ethical "dilemma" is not seen as an abstract problem with only one ethically "correct" solution that can be agreed on by impartial observers applying universally accepted principles (Gilligan, 1982). Instead, solutions can and should emerge from mutually caring relationships and the contexts in which the problems are embedded. *Particular* human beings in *particular* settings should generate "caring" solutions appropriate to unique situations (Jones et al., 2007, p. 139).

7.2.7. The Process of Justifying Executive Moral Judgments

In general, any moral justification of one's corporate judgment and decision involves five supporting sets of beliefs and values held by a particular person in one or more of the following hierarchical series of moral values:

A. A set of *normative ethical theories.*
B. A set of *moral principles* derived from set A.
C. A set of *moral standards* derived from sets A and B.
D. A set of *moral rules* derived from set C.
E. A set of *moral judgments* resulting from applying sets A, B, C, or D while assessing concrete actions.

Briefly, each set may be described as follows:

- ***Moral or ethical theory*** is the reasoning process that one uses to justify one's moral judgments and ethical actions. Major moral or normative ethical theories are deontology, teleology, and distributive and corrective justice. More recent theories include personhood ethics (see Chapter 1), virtue ethics (Chapter 2), ethics of trust (Chapter 3), ethics of leadership (Chapter 4), ethics of rights and duties (Chapter 6), ethics of moral reasoning (Chapter 7), and ethics of moral and ethical responsibility (Chapter 8).
- ***Moral principles*** are more general moral axioms or guidelines derived from moral theories that pertain to human or social welfare (teleological moral principles), to personal or social rights/duties (deontological moral principles), to social justice (distributive justice moral principles), or to a sense of personal and spiritual fairness or righteousness (e.g., virtue ethics, responsibility ethics). Example: The deontological principle of non-malfeasance: *Do not harm others*; or the Golden axiom: *Do unto others what you would like others to do unto you.*
- ***Moral standards*** are less general or more specific moral norms of behavior that require, prohibit, or allow certain actions. Such norms are derived from

moral theories and their moral principles. Moral standards are teleological if they relate to social costs and benefits; they are deontological if they uphold rights and duties; they are related to distributive justice if they deal with issues of fairness and justice, and fourth, they are related to virtue ethics if they promote a general sense of physical, functional, and moral well-being. Examples of deontological standards: be honest; do not lie; do not kill; do not steal; do not be avaricious.

- ***Moral rules*** are concrete applications of moral principles and moral standards to a society, corporation, government, or any social institution, given the situational context of economy, politics, culture, science, and technology. Example: Do not produce or market harmful products since every consumer has a right to product safety (deontological), a harmful product harms consumers and society (teleological), harmful products bring about serious injustices to the public (distributive justice), and any harm destroys the physical, functional, and moral well-being of people (virtue ethics). Table 7.1 provides some well-known distributive justice moral rules.

Table 7.1: Some Practical Distributive Justice Principles.

Distributive Justice Theory	**Distributive Justice Principles**	**Critical Comments**
Egalitarianism	Equal access to the goods of life that every rational person desires based on need and equality	What needs: real, felt, or created? What equality: human, economic, social, racial?
Libertarianism	Equal access to social and economic liberty to all	Advocates fair procedures and systems rather than substantive outcomes
Utilitarianism (J. S. Mill)	Equal access to the goods of life such that public utility is maximized	The free and equal access could be abused, thus reducing public utility
Fair Opportunism (Rawls,1971)	No person should be granted social benefits based on undeserved advantage (e.g., royalty, inheritance, status) or disadvantage (e.g., gender, age, race, color, disability, religion, and nationality)	This is a universalizable and reversible principle (by Kantian criteria) and very appropriate in a situation
Non-malfeasance Frankena (1973)	(1) Above all, do not harm (non-maleficent justice) (2) Protect or remove people from harm (protective justice)	Morality and goodness of the executive act increase from the first to the fifth principle. Beneficent justice is voluntary; it cannot be

Table 7.1: (*Continued*)

Distributive Justice Theory	Distributive Justice Principles	Critical Comments
	(3) Prevent people from harm (preventive Justice) (4) Set up procedures that minimize harm (corrective justice) (5) Do good whenever possible (beneficent Justice)	legally mandated, but parenetically or morally urged
Well-being by Due Care (Jonsen,1977)	The act should serve the well-being of all stakeholders by carefully employing standards of due care and assessing risk-benefits and detriment-benefits of the act	This can be a good and practical management principle that seeks welfare of all affected stakeholders
Libertarian theory of justice, Nozick (1974)	There is no pattern of just distribution other than that of the unpatterned free-market system based on three principles: acquisition, transfer, and rectification: • *The principle of justice in acquisitions*: it is the principle and process, whereby originally "unheld things" began to be appropriated in the first place • *The principle of justice in transfers*: it is the principle and process, whereby people acquire and transfer holdings from one to another • *The principle of rectification in acquisitions*: it relates to rectification of acquisitions and transfers if the original principles and processes of acquisitions and transfers were unjust	Distributive justice should have two components: *from each* and *to each*, and the two component principles are related. What society chooses to do for one may be a function of what one chooses to do for society A person who acquires a holding in accordance with any of these three principles is entitled to that holding. If principles (a) and (b) are just, then we have a just distribution of holdings; given (a) and (b), the complete principle of distributive justice states that a distribution is just if all are entitled to the holdings they possess under a given distribution

- ***Moral judgments*** are practical moral assessments of concrete executive decisions, strategies, and actions based on sets A, B, C, and D. Some of these could be "considered moral judgments" applicable to several actions over longer time periods; then, these are tantamount to corporation standards of ethical conduct or the corporate code of ethics. Statements of corporate codes could be typically moral standards or norms, which are also derived from moral theories, but they are less general than moral principles or moral rules. Some examples of moral judgments: human "enhancement" is playing God. Capital punishment is wrong. Child labor is evil. Sweatshops are dehumanizing.

Two criteria characterize moral principles:

(1) ***Supremacy***: Moral principles override other considerations such as contingencies, situations, self-interest, group interest, or politics. Examples: Do not harm. Keep promises. Speak the truth. Do not lie.
(2) ***Universal***: Moral principles apply to all people under comparable conditions with no exceptions based on any socio-biological factors such as gender, age, race, color, creed, nationality, or social status. Examples: Kant's universalizable principle: Whatever you do should be a moral rule for all others. Kant's reversible principle: What all others do should be a moral principle that you should follow. The Golden Rule: Do unto others what you would like others do unto you.

Besides moral theories, principles, standards, and rules, there may be specific conditions and circumstances that render a given moral judgment morally defensible. Moral justification is needed when one has to defend one's moral convictions or judgments under a given situation.

We distinguish two processes of moral judgment calls in this connection: Forward Moral Judgment, and Reverse Moral Judgment. Exhibits 7.1 and 7.2 illustrate these two moral reasoning processes as corporate exercises.

Thus, particular judgments are justified by moral rules; moral rules are justified by moral standards; moral standards are derived from moral principles; and moral principles are derived from appropriate ethical theories. Table 7.1 captures this hierarchical process of moral reasoning. The derivation of moral justification based on ethical theories is *deductive*. Moral justification based on the application of moral principles is *deductive-inductive*, since this process may have some inductive elements of deriving the moral principles through empirical inquiry. Moral justification via moral rules is *inductive*, as both moral rules and their concrete applications to a given situation require search and empirical inquiry. Moral justification through moral judgments is *situational*, as most moral judgments consider the concrete business situation.

Exhibit 7.1: A Framework for Forward Corporate Moral Judgment Call.

Step	Forward Moral Judgment Call	Assessment of Judgment Call
A	Study a given Case thoroughly, holistically, and identify the critical problem that defines and undergirds the Case. What *ethical theories* would you invoke in understanding, characterizing, and defining this problem? What are the key subjects, objects, properties, and events (SOPE) of the Case? Why?	Be sure you have invoked the best ethical theories relevant for the Case. How do you justify the selection of ethical theories to resolve this Case? Are you sure your selection has the most important and relevant theories to resolve the Case? Otherwise, go through Step A again and revise your set of theories selected for a better understanding of the Case
B	From these ethical theories, what *specific moral principles* would you derive that will enable you to explain, analyze, and morally assess the key subjects, objects, properties, or events (SOPE) of this problem, and why?	If your derivation and selection of moral principles are inadequate to understand the Case Problem, then go back to Steps A and B and revise your selection of ethical theories (Step A) and the derivation of moral judgments (Step B) for a better and more holistic understanding of the Case
C	What *specific moral standards* would you derive from the moral principles derived at Step B in order to justify your explanation, analysis, and moral assessment of SOPE under Step B, and why?	If your derivation and selection of moral standards from the moral principles and ethical theories are inadequate to understand the Case Problem, then go back to Steps A−C and revise your selection of ethical theories (Step A), the derivation of moral principles (Step B), and the specification or derivation of moral standards (Step C) for a better and more holistic understanding of the Case
D	Fourth, what *specific moral rules* would you extract from the moral standards (Step C), moral principles (Step B), and ethical theories (Step A) to further justify your explanation, analysis, and moral assessment of SOPE under Steps B and C, and why?	If your derivation and selection of moral rules from the moral standards, moral principles, and ethical theories are inadequate to understand the Case Problem, then go back to Steps A to D and revise your selection of ethical theories (Step A), the derivation of moral principles (Step B), the derivation

Exhibit 7.1: (*Continued*)

Step	Forward Moral Judgment Call	Assessment of Judgment Call
		of moral standards (Step C), and the selection or derivation of moral rules (Step D) for a better and more holistic understanding of the Case
E	Given Steps A–D, and the moral assessment of SOPE under each, what specific moral judgments can you arrive at regarding key SOPE in the Case, how and why? How can you thereby justify this moral judgment and the rules, standards, principles, and ethical theories it is based on, and why?	Be sure you think clearly, objectively, and rationally before you arrive at this moral judgment regarding SOPE in the Case. Why do you judge so? Why is this moral judgment critical and important for the understanding, analysis, and resolution of the Case? If no acceptable moral theories, principles, standards, or rules justify your moral judgment at this stage, then go back to Steps A–E and look for other moral theories (Step A), sound moral principles (Step B), sound moral standards (Step C) or moral rules (Step D), and thereafter, revise your moral judgment (Step E) and/or re-justify your moral judgment. This iterative process may be continued till you arrive at the best, moral, and just judgment.
Steps A–E	What have you learnt in this iterative moral reasoning and forward moral judgmental justification process?	In general, how would you frame, compose, and formulate your considered moral judgment about a given case so that it is morally (forward) justifiable to the greatest number of affected persons in this Case?

7.2.8. Rule versus Act Applications of Ethical Theories

Application problem: Teleology, deontology, distributive justice, and corrective justice are all based on principles. However, what is the ultimate source of appeal under each theory for the determination of morally right and wrong actions? In this regard, it is conventional to distinguish between *Act application* and *Rule application* of ethical theories.

Exhibit 7.2: A Framework of Reverse Corporate Moral Judgment Calls.

Step	Reverse Moral Judgment Call	Assessment of Judgment Call
E	Start with a specific *moral judgment* based on a given Case (see examples of several moral judgments under Set E above)	Be sure you think clearly, objectively, and rationally before you arrive at this judgment. Why do you judge so? Why is it critical and important for the understanding and analysis of the Case?
D	What *specific moral rules* justify this moral judgment and why? (see Set D above)	If no acceptable moral rules justify this moral judgment at this stage, then go back to Step E and revise your judgment, or look for other rules (Step D)
C	What *specific moral standards* justify this moral judgment and the rules it is based on, and why? (see Set C above).	If no acceptable moral standards or rules justify this moral judgment at this stage, then go back to Step E and revise your judgment, or search for other sound rules (Step D) or moral standards (Step C)
B	What *specific moral principles* justify this moral judgment and the rules and standards it is based on, and why? (see Set B above).	If no acceptable moral principles, standards, or rules justify this moral judgment at this stage, then go back to Step E and revise your judgment, or search for other moral rules (Step D), sound moral standards (Step C), or moral principles (Step B)
A	What *specific moral or ethical theories* justify this moral judgment and the rules, standards and principles it is based on, and why? (see Set A above)	If no acceptable moral theories, principles, standards, or rules justify this moral judgment at this stage, then go back to Step E and revise your judgment, or look for other moral rules (Step D), sound moral standards (Step C), or moral principles (Step B), or ethical theories (Step A)
Steps E–A	What have you learnt in this iterative moral reasoning and backward judgment and justification process?	In general, how would you frame, compose, and formulate your considered moral judgment about a given case so that it is morally justifiable (backward) to the greatest number of affected persons in the Case?

The ACT application judges the morality of an act by applying a given moral principle directly to the human act without any intermediary rules, while the RULE application judges the morality of a given act only after verifying if the act conforms to firm and publicly advocated moral rules derived from that moral principle or moral standards set up by past considered moral judgments. Thus:

Rule application: Apply principles to rules and rules to particular judgments or actions and then judge the morality of the executive action.

Act application: Apply principles directly to particular actions or judgments to judge the morality of the executive action.

Figure 7.1 traces the process that links the four sets (A: moral theories; B: moral principles; C: moral standards; and D: moral rules]to the derivations of moral judgments. This process may be based directly on the normative moral theories and moral principles as ACT ethical applications; application of these via moral standards (considered moral judgments) or moral rules is designated as RULE ethical applications.

From everyday executive moral judgments result executive moral choices, decisions, and strategies, which in turn may be ethically assessed using ACT or RULE assessments as indicated in Figure 7.1. From executive actions follow the action effect complex of consequences, which we also need to assess by ACT or RULE applications of the four belief sets A, B, C, and D. Finally, resulting from executive action effect complex of consequences are executive responsibilities, which also may be ethically assessed by ACT or RULE ethical application processes. In other words, one could start with ethical and moral theories and arrive at moral judgments deductively using Figure 7.1 downward.

Alternatively, one could start with one's actual moral judgments and decisions, and work one's way upward in Figure 7.1 and derive moral judgments and justification via moral rules, moral standards, moral principles, and moral theories. The vertical bidirectional arrows in Figure 7.1 indicate this forward (see Exhibit 7.1) and reverse (see Exhibit 7.2) dynamic of assessing executive decisions.

Figure 7.1 characterizes the process of deriving and assessing executive moral decisions and actions by linking belief sets A, B, C, and D with the corresponding act and rule applications. Act applications can derive from the interaction (indicated by a bidirectional arrow) of both ethical theories and their moral principles. Similarly, rule applications can arise from the interaction (also indicated by a bidirectional arrow) of both moral rules and considered moral judgments. Executive moral decision actions can result from either act or rule applications of major normative ethical theories such as deontology, teleology, distributive justice, and virtue ethics with their respective moral principles.

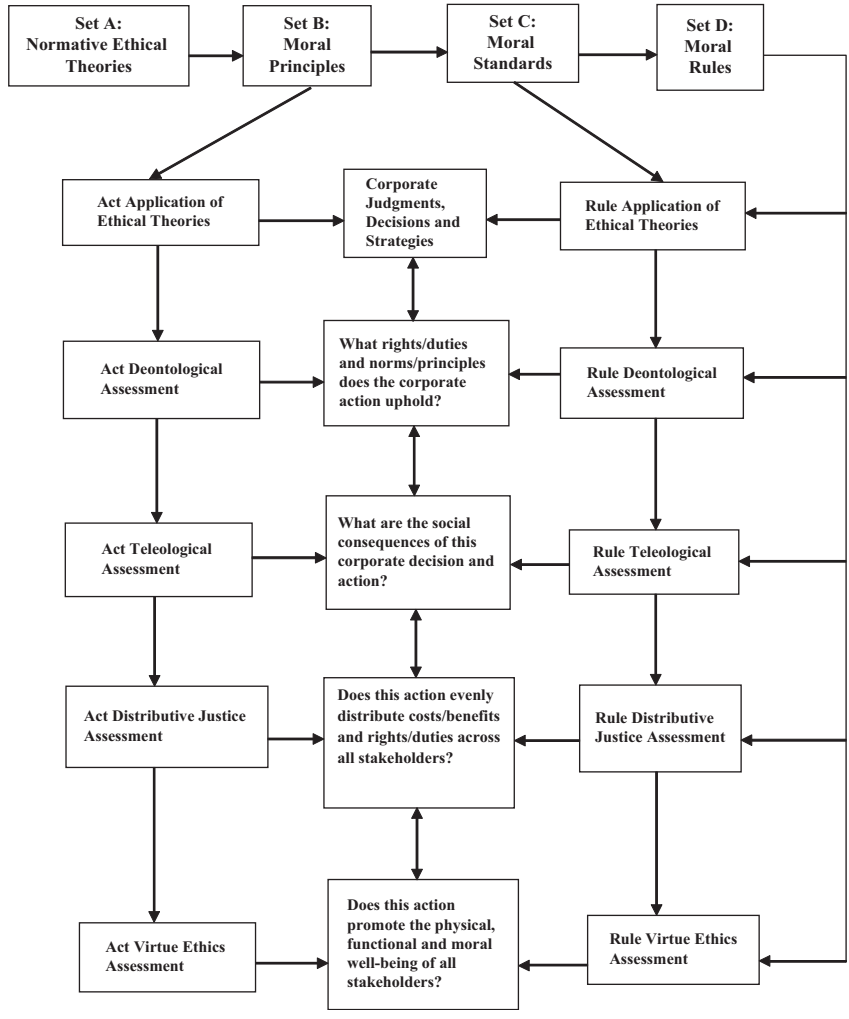

Figure 7.1: The Process of Deriving and Justifying Corporate Executive Moral Judgments and Decisions.

7.2.9. Corporate Moral Dilemma and Executive Challenges

The word dilemma is commonly understood as a "challenging problem" implying a "forced choice" for the agent between two or more equally unfavorable (or fatal) choices or alternatives. Most moral problems are usually posed as irreducible value-conflicting dilemmas, quandaries, predicaments, or as a multiple-choice problem (Whitbeck, 1992). The attempt to force most moral problems into dilemmas stems from one's neglect of what actually goes into the agent's

deliberations, intentions, motivations, and reasoning processes. Kohlberg (1969) seems to assess one's moral development by one's forced choice among limited alternatives proposed (Gilligan, 1982).

Many business situations involve moral dilemmas where executives experience moral perplexity, moral conflict, or moral disagreement. As stated earlier, *moral dilemmas originate at the level of moral justification and not so much at the level of moral judgment*. Executive moral dilemmas involve concerns of moral obligation or moral rightness of a given executive action.

Business problems in general are best described as ethical–moral dilemmas that involve multiple constraints, all of which may not be simultaneously satisfied but which are definitely not just dichotomous or multi-chotomous choices (Whitbeck, 1992). Most business situations imply a *real human narrative form that extends over time*, and not just faceless theoretical dichotomous dilemmas.

An *ethical dilemma* is an undesirable or unpleasant choice relating to a moral principle or practice (Maxwell, 2003, p. 5). What do we do in such situations – the easy thing or the right thing? What should I say when a convenient lie can cover a mistake? How far should I go in my promises to win a business contract? How do I deal with executive pressure – by cutting corners and over-rationalizing my downsizing decisions? How far should I go in my promises to win a client?

In such circumstances, do we do the easy thing (ethics of convenience) or the right thing (ethics of morality)? Many people believe that embracing ethics would limit their options, their opportunities, and their very ability to succeed in business. In today's culture of high debt and me-first living, ethics may be the only luxury some people are choosing to live without! Hence, morality becomes a private and costly luxury. In order to be ethical, we must be honest with ourselves before we can be honest with others. And this could be very challenging and inconvenient. Practicing the honesty discipline is inconvenient. Paying a high price for success is inconvenient. Losing a high potential client or a much desired promotion is inconvenient (Maxwell, 2003).

There are really only two important challenges when it comes to ethics: (1) a standard to follow and (2) the will to follow it. Such a standard can be the Golden Rule. This Rule has been expressed in every living culture. Using this standard, we should have the ability to discern right from wrong, good from evil, just from unjust, fair from unfair, and propriety from impropriety. The second challenge is that we have the dedication and commitment to do what is right, good, just, fair, and proper and that we have the moral courage to consistently avoid what is wrong, evil, unjust, unfair, and improper. Ethics entails decision and action, and commission and omission (Maxwell, 2003, pp. 24–25).

7.2.10. Moral Dilemma and Executive Decisions

If we believe, we have only two choices: (1) win by doing whatever it takes, including being unethical, and (2) to be ethical and lose – we are faced with a real moral dilemma.[2]

A *moral dilemma* is a situation in which an agent is morally obliged to do an action X and is also morally obliged to do another action Y, when at the same time the agent is precluded by circumstances from doing both. For instance, if X is to "win" by doing whatever it takes, even if it is unethical, Y is to be ethical and lose! Few executives set out with a desire to be dishonest, but nobody wants to lose (Maxwell, 2003, p. 7). At the same time, while we desire honesty and plain dealing, we are still not winning the battle of ethics. Companies are even teaching "remedial ethics" to employees via online ethics courses, not because they need ethics, but in order to evade punishment. Under federal guidelines, companies that have ethic programs are eligible for reduced fines if convicted of wrongdoing (Ryan, 2002).

The reasons supporting X and Y are weighty, but neither set of reasons is dominant to force action. That is, each set of reasons, considered in itself, is a good set, but may not be sufficient to oblige or justify an action. If one acts on one set of reasons, the action will be desirable in some aspects but undesirable in others. Hence, one needs both good and sufficient reasons to act morally.

In general, moral dilemmas may take two forms:

(1) Some evidence indicates that act X is morally right, while some evidence suggests that act X is morally wrong, and the evidence on both sides is inconclusive; e.g., seeking downsizing via massive layoffs and seeking bankruptcy to resolve chronic insolvency.
(2) The agent believes that on moral grounds act X ought or ought not to be performed; e.g., plant closing and forced retirement of employees.

Moral dilemma of form (a) deals with the *rightness* of the act, while that of form (b) concerns *obligation*. Most moral dilemmas are created by conflicting moral principles that generate conflicting demands.[3] Moral dilemmas and disputes not only involve conflicts between moral rules, principles, and theories but also on factual beliefs about the situation to which the rules, principles, and theories are concretely applied. Often factual beliefs reflect our current scientific, metaphysical, and theological (religious) thinking. The latter underlie our beliefs and help us to interpret current phenomena that create moral dilemma. Factual beliefs often revolve around cost and benefits, and risks and uncertainties associated with obliging actions.[4]

7.2.11. Resolving Moral Corporate Executive Dilemmas

Many situations involve ethical dilemmas created by conflicting moral principles, which in turn generate conflicting moral demands. Typical examples are:

- John, a recently hired salesperson, is sure of a serious product flaw in a medical drug that the company has been selling to generate revenues. If he does not continue to sell it, he may be fired; if he pushes it well, he may

turn the company around and reap high "success" bonuses. What should he do?

- Jane, another salesperson in the same company, finds that Jack Doe has been doing exceedingly well in prospecting and realizing sales of that flawed medical drug. Jane has also found that Jack has been bribing purchasing managers (e.g., offering kickbacks) to stimulate purchasing. Should Jane let Jack continue his marketing strategy, or should she discourage him from bribing, even at the risk of depressing sales?
- Jim, a recruiter, has the authority and responsibility of filling a position in his firm. His friend John applied and was qualified. However, another applicant, Jane, seems even more qualified. Jim wants to give the job to John, but he feels guilty. He applies the moral principle that one should be impartial. Nevertheless, Jim also argues from the virtue of friendship: friendship has a moral importance that permits, or even requires, partiality in some circumstances. He hires John and rejects Jane. Was he morally right?

In resolving these dilemmas, corporate executives may adopt the following moral reasoning procedure:

(1) Specify the conflicting moral (teleological, deontological, distributive justice, and virtue ethics) *principles* involved in the dilemma.
(2) Identify the conflicting moral (teleological, deontological, distributive justice, and virtue ethics) *obligations* involved. Thus, for Case (a): duty to users, to prescribing doctors, and to USDA; also duty to the corporation, to his own sense of executive integrity (virtue ethics), job security, and performance. Case (b): duty to code of ethics and virtue ethics that forbids bribes in the form of kickbacks; duty to consumers who must eventually pay for the kickbacks; on the other hand, duty to the company, to the consumers of the drug, to self, and duty to perform well. Case (c): duty to be impartial in hiring; duty to both John and Jane; duty to the company that needs best skills; and duty to perform well as an executive. Hiring John in the place of Jane may involve conflict of interest.
(3) Identify other feasible *alternatives* to the one in question. Case (a): rectify the product flaw; warn the doctors; warn prospective users; withdraw the product from the market. Case (b): let Jack progressively reduce kickbacks; change kickbacks to alternative favors that are accepted by the corporation; change Jack's sales territory. Case (c): recommend John to another company; hire Jane now, but John later if Jane proves inefficient; or hire John and Jane on a part-time basis dividing the budgeted salary between them.
(4) Consider which alternative would you choose if by fulfilling one obligation (alternative) another must be contravened, and why?
(5) What crucial circumstance would change the priority of obligations (alternatives) you have identified under (1)–(3)?

Other things being equal, an executive choice is more ethical if he or she seriously investigates more competing alternatives before selecting the most socially beneficial alternative.

7.2.12. Executive Moral Conflict Management and Moral Reasoning

Conflict has been perceived as a major problem in all organizations throughout the centuries. Classical organization theorists argued that conflict produced inefficiency and was therefore undesirable, even detrimental to organizations, and hence should be eliminated or minimized to the extent possible. But with the emergence of social systems and open system theory, the older view of conflict has changed. Organizational conflicts are now considered as legitimate, inevitable, and sometimes even positive and desirable indicators of effective management (Rahim, 1983). It is even believed that within certain limits conflict may be essential to heighten productivity. Lobel (1994) even argues that the absence of conflict might be a sign of an unhealthy organization. When dealt constructively, conflicts enhance creative definition, formulation, and solution of problems (King, 1999, p.1); conflict can lead to change, adaptation, and survival.

However, much would depend upon two factors: the intensity of the conflict and the way the conflict is managed. In general, if the conflict intensity is moderate and if managed well will impact the organization positively (Schermerhorn, 2001, p. 339). The issue then is to design and engage techniques that empower individuals and organizations to handle conflicts productively (McNary, 2003). In fact, most scholars view today that conflicts, if properly channeled, can be an engine of innovation and change.

People respond to conflicts in different ways, depending upon the degree of assertiveness versus cooperation people bring in to conflict management. Assertiveness is the desire to satisfy one's own needs, desires, and dreams. On the contrary, cooperativeness is the desire to satisfy another's needs, concerns, and desires.

7.3. Part 2: Applying Specific Moral and Ethical Theories to Executive Decisions

The first questions moralists want to ask are, "what actions are morally correct?" and "what actions are morally wrong? "That is, what actions are morally right or what actions are morally obligatory? Specifically, moral questions relative to corporate business executives are: As a corporate executive what should I do? What should I not do? What ought I to do? What I ought not to do? What am I obliged to do or not obliged to do? These are equivalent, if not identical, ethical questions. Other moral general questions include "what things in life are worthwhile or desirable?"

Various theories of *moral value* or *obligation* respond to these questions, as well as the moral dilemmas we illustrated in *Part I*. In addressing concerns such

as these, moral philosophers make a distinction between instrumental and intrinsic good.

- An *instrumental good* is good because of its consequences, e.g., work is good because of the wages it earns, and wages are good because they provide buying power; buying power is good because it can satisfy one's consumer needs, wants, and desires, and satisfying one's needs, wants, and desires is good as it makes us happy and contended, and so on.
- An *intrinsic good* is good, by and of itself, e.g., happiness, honesty, integrity. These are terminal goods sought for themselves. These are ends in themselves and not means toward further ends.

The concepts of moral value, obligation, instrumental, and intrinsic good are important in understanding the free enterprise business system. Normative ethical theory is the *reasoning process* that one uses to justify the moral (instrumental or intrinsic) goodness of judgments, actions, or institutions, given a free enterprise market system. Ethical scholars distinguish at least two primary positions (e.g., teleology, deontology) when evaluating moral rectitude of decisions, actions, and institutions (Beauchamp, 1993; Frankena, 1973).

According to teleology, a right conduct is determined solely by what is achieved by the conduct; that is, by the *intrinsic good,* it brings into the world. Consequently, a teleological theory of moral value or obligation is dependent on some theory of intrinsic good (Grassian, 1992, p. 51). Some teleologists define intrinsic good as pleasure (these are called hedonists); others define it as *happiness* (these are called *eudemonists*); others, as one's own greatest good (this position is called *ethical egoism*), and yet others, as the greatest good for everyone (this theory is called *utilitarianism*).

Teleologists further distinguish whether an intrinsic good is *commensurable*; that is, whether there is some common unit or benchmark by which one can assess or rank the intrinsic good in terms of relative value. Those utilitarians who are consequentialists affirm this common unit. Those who do not agree are non-consequentialists who invoke the *natural law theory*. According to this natural law theory, there are several independent (*non-commensurable*) intrinsic goods such as human life, children, and the family that one cannot trade off for another good by some common scale of comparison.

The intrinsic goodness of life, child, family, and society, according to the natural law theory, either comes:

- From the laws and purpose of nature upon which human nature is patterned (this was the position of ancient Greek philosophers like Plato and Aristotle); or
- From our innate conscience that is implanted and informed by God (this is essentially the moral theology of Christian moralists such as Aquinas or the Dharma philosophy of the Orient).

Both positions are called "absolutist" since the immutable laws of physical and human nature are finally traced to the immutability of God. Obviously, atheists, agnostics, and those who do not want to "assume" God in moral discourse do not accept the natural law theory.

7.3.1. Kant's Theory of Moral Obligation

Justice is the cornerstone of Kant's theory of moral obligation. In his theory, the notion of justice is inseparably tied to the notions of freedom and rationality (Grassian, 1992, p. 88). Justice involves treating individuals fairly, and this, in turn, involves considering them as rational moral agents who have the right to make their own choices unless these choices interfere with the freedom of others. Justice demands, therefore, that people cannot be used as means but treated as persons, free and rational moral agents. Demands of morality are categorical imperatives. They are not means for achieving any desires or objectives as such, but are pursued for their own ends; they are values or actions that are objectively necessary by themselves without regard to any other ends. That is, moral demands are not conditional or hypothetical imperatives. For instance, our moral obligations to keep our promises are in a way dependent upon whether we desire to keep them.

Kant claims that specific categorical moral demands follow from a supreme categorical moral principle that he calls the *categorical imperative*. This categorical imperative (CI), Kant claimed, is so basic to moral thinking that all rational persons who understand what it means would accept it as binding, regardless of their specific psychological, political, or religious beliefs. Kant presents five formulations of CI that he claims have an equivalent meaning. Some formulations are as follows:

- Act as if the maxim of your action (the subjective principle under which you act) were to become through your will a universal law of nature (i.e., that everyone could not but follow that maxim).
- Act in such a way that you always treat humanity, whether in your own person, or in the person of any other, never simply as a means, but always at the same time as an end.

The first version is also called the principle of universalizability. That is, when we act on a certain moral principle, we must be willing to accept the right of everyone else to act on the same principle. For example, if I act on the principle, "never break promises and never lie, regardless of the circumstances," then this is not universalizable, since there is an equally valid principle, "lie if it is necessary to save an innocent human life."

This first formulation also stands for and demands impartiality. Impartiality is at the heart of the Golden Rule: do unto others as you would have them do unto you. Confucius has a passive version of the Golden Rule: Do not do unto others what you would not have them do unto you. But, what if a sadomasochist hates himself: Can he hate others by the Golden Rule? What if a person does

not want to be loved: Can he refuse to love others? Kant's CI expresses in a more precise manner the real spirit behind the Golden Rule without implicit reference to the vagaries or subjective preferences of human beings. To what extent CI does this, however, is still debated.

The second formulation affirms human dignity that resides in rationality and freedom, equality, and justice. This version of the CI expresses Kant's view that if we treat people as means and not ends we do not respect them as persons.

7.3.2. Conscience and Moral Obligation

Conscience eludes precise definition, just like rationality, emotion, and choice. Conscience is not a distinct or separate faculty of the mind. It integrates a whole range of mental operations. Conscience is a personal, self-conscious activity integrating reason, emotion, and will in self-committed decisions about right and wrong, good and evil, fair and unfair, and just and unjust (Callahan, 1991, p. 14). Conscience begins in initial sensitivity to moral salience and moves to conscious empathy. Conscience engages in "cross-checking" one's critical thought, intuitive insight, affective valence, empirical possibilities, imaginatively grasped analogies, and social corroboration. Reason tutors emotion and emotion instructs reason; intuition is assessed against remembered experience; imagination projects possible scenarios that are evaluated by affective resonance and critical reflection. All of these operations converge to the act of making a moral judgment with as much freedom and commitment as we can muster. Conscience enables more than individual moral decisions; it enters into the self-constitution of the person over time. Our moral choices shape our character; they can make us or mar us. We become what we decide and do (Spohn, 2000, pp. 123–124).

The existence of conscience is one of the most widely validated concepts in psychological, sociological, religious, and philosophical literature (Covey, Merrill, & Merrill, 1994/2003, p. 65). Whether called "inner voice" (Book of Wisdom) or the "collective Unconscious" (Sigmund Freud and Carl Jung), our conscience has been recognized as a major part of human dignity and endowment. When corporate executives develop their vision and mission statements, the collective unconscious of the corporate executives frequently comes to the surface when most of them get deeper into their inner lives, regardless of their religion, upbringing, nationality, or culture. They seem to have a common unique sense of the basic laws of life we call conscience. They all carry within them an educated conscience and, often, an educated delicate moral conscience that we have nurtured, internalized, and developed over almost all the conscious years of our life.

Immanuel Kant said, "I am constantly amazed by two things: the starry heavens above and the moral law within." Conscience is the moral law within. It is the overlapping of moral law and behavior. It is the voice of God in us or the innate sense in us of fairness and justice, of right and wrong, of kind and unkind, of what is true or false, just or unjust, of what contributes and what detracts, and of what beautifies and what destroys. One's culture may dress and translate this moral sense or conscience into different kinds of practices and words, but

this translation does not negate the underlying sense of right and wrong. This universal conscience is a set of values, a sense of fairness, honesty, respect, and contribution that transcends culture, time, and space; it is self-evident; it is the requirement of trustworthiness. *When people live by their conscience, their behavior echoes in everyone's souls.* People instinctively feel trust and confidence toward them. This is the beginning of moral authority (Covey, 2002, pp. 4–5).

The spiritual and moral nature of people is independent of their religion, religious cult, culture or religious approach, geography, nationality, or race. Yet all the major enduring religious traditions of the world are unified when it comes to certain basic underlying principles or values (such as respect, compassion, kindness, fairness, contribution, honesty, and integrity). These values are timeless, transcend ages, and self-evident. Conscience is the moral law within. It is the intersection of moral law and human behavior. It is the inner voice of God to his children (Covey, 2004, pp. 77–78).

Morality bears upon conscience, which must judge between right and wrong, good and evil, and fairness and unfairness of various alternatives or strategies such as firing, hiring, promoting, downsizing, plant shut downs, massive layoffs, outsourcing, the plight of the laid-off or the displaced and their healthcare coverage, preservation of the environment, and the dignity of human labor. *Conscience is not just what I think about these issues, but it is me in the act of thinking about what is just and true. Conscience is that part of us that is bigger than us.*

7.3.3. The Ethical Theory of Non-malfeasance

Often, some harmful effects are inevitable. A good action (e.g., surgery, business venture) may have both good effects (cure, profits) as well as bad side effects (risk of bleeding to death, risk of failure). Similarly, most actions of organizational downsizing (e.g., closing plants, offshore outsourcing, asset divestitures, retiring models, or products) have both good effects and bad consequences.

The principle of *non-malfeasance* states that an act should do no harm to anyone at any cost and at any time. Non-malfeasance considers both the act itself and its consequences, judging whether the act itself or its consequences are per se harmful. The principle of non-malfeasance as applied to any executive act can imply four elements (Frankena, 1973, p. 47):

(1) The act should *not inflict evil* or harm (strict liability).
(2) It should *prevent evil* or harm (preventive justice).
(3) It should *remove evil* or harm (protective justice).
(4) It should do or *promote good* (beneficent justice).

The fourth element may not amount to a moral obligation and constitutes the *principle of beneficence*. The principle of non-malfeasance is primarily incorporated in the first element. The remaining three elements are more principles of beneficence than of non-malfeasance. Preventing harm and removing harm are alternate forms of promoting good (Frankena, 1973). Procedural justice whereby

one is obliged to establish just procedures to prevent harm (e.g., of convicting the innocent or wrongly releasing the guilty) is a subset of preventive justice.

According to Curd and May (1984), the following elements are essential to be ethically responsible for a violation of the duty of non-malfeasance: (1) the institution must have a duty to the affected party; (2) the institution must breach that duty; (3) the affected party must experience a harm; and (4) this harm must be caused by the breach of duty. Duty may relate to commission or omission of an act. Imputability accrues with breached duty, and accountability accrues with harm caused by breached duty. Duties of non-malfeasance include not only not inflicting actual harm, but also not imposing "risks of harm." By strict liability laws, it is not necessary to act maliciously or be even aware of or intending the harm or risk of harm. The harm can be legally "recovered" through the laws of "strict liability" when the duty of non-malfeasance is violated (Stern & Eovaldi, 1984). Such violations may involve commission or omission. Negligence is a failure to guard against risks of harm to others (Prosser, 1971); it fails below the "standards of due care" established by law and morality, or determined by the principle of protective justice (Jonsen, 1977).

Hence, given the principle of non-malfeasance whereby not only all harm must be avoided and prevented, but also "risks of harm" be minimized, when and how can we morally justify some inevitable harm that accompanies or follows certain executive actions? It is under such conditions that we invoke the principle of double effect.

7.3.4. The Principle of Double Effect

When executives are puzzled by the undesirable side effects of actions they feel morally obliged to execute, then they could have recourse to the *principle of double effect*. This doctrine is grounded on the principle of non-malfeasance, but differs from it. As discussed earlier, the principle of non-malfeasance states that an act should do no harm to anyone at any cost and at any time. This principle is incorporated in the Hippocratic Oath of doctors and physicians as a combined principle of non-malfeasance and beneficence: "I will use treatment to help the sick according to my ability and judgment, but I will never use it to injure or wrong them."

The correct understanding of the principle of double effect (PDE) has implications not only for the licit self-defense of an individual (the context in which it was first stated by Thomas Aquinas, see footnote below), but also for noncombatants in war, persons undergoing surgery who are significantly at the risk of death, terminally ill patients receiving morphine for palliative care, and other cases that present medical moral issues such as hysterectomy during pregnancy, ectopic pregnancy, and craniotomy. In each case, the unintended death, though a foreseeable consequence of self-defense or surgery or anesthesia, is a side effect of the directly intended aim of preserving life (Anscombe, 1982). The PDE applies to a police officer who in defending himself kills the criminal aggressor, as long as the officer uses minimal force and does not kill because of his animosity against the attacker. Self-defense in such cases may not only be permissible,

but also required, when not to defend one's own life is to act with too little virtue of self-care (Keenan, 1993). PDE rests on the ability to foresee harm without intending harm.

The *principle of double effect* states: when an action has a twofold effect, one good and another bad, the agent is morally permitted to act as long as the bad effect is not intended. Five conditions must verify in applying this principle (O'Donnell,1991, p. 30):

(1) The action, in itself (independent of its consequences), *must not be intrinsically wrong or evil*; it must be morally good or at least morally neutral.
(2) The agent *must intend only the good effect* and not the bad effect; the bad effect *may be foreseen, tolerated, or permitted*, but not intended; the bad effect is allowed, but not sought; otherwise, the evil effect becomes a direct voluntary effect.
(3) The bad effect *must not be a means to the end* for bringing about the good effect; that is, the good effect must be achieved directly by the action and not by way of the bad effect; otherwise, the evil effect, like any other means, would be necessarily directly willed.
(4) *The good result must outweigh the evil permitted*; there must be a favorable balance or due proportion between the good that is intended and the bad effect that is permitted.
(5) The good effect cannot be obtained in some equally expeditious and effective way without the concomitant evil.

The agent must verify all five conditions simultaneously, with no priority or bias for any one against the other. Overemphasizing the second condition would reduce the principle of double effect to deontologism. Insisting only on the fourth condition would reduce this principle to utilitarianism. When the executive fulfills all five conditions, the principle of double effect kicks in to safeguard the principles of strict liability, protective justice, preemptive justice, and the principle of beneficence.

How to apply these five conditions, however, to concrete cases is a matter of some debate. The moral language of "defense," "self-defense," and "unjust aggressor" does not adequately resolve the enigma of whether it is morally licit to act under certain circumstances.[5]

Hence, to make the principle of double effect even more rigorous, one adds the *fifth condition*: that the *action undertaken be seriously necessary*; that is, it is the last and only feasible alternative or resort, given the then level and availability of technology. With this condition, an executive *may not want to do* what he intends to do; that is, he reluctantly does something (e.g., plant closings, outsourcing) that he cannot morally avoid under the circumstances, even though it causes a bad effect (e.g., massive labor layoffs, impoverishing worker families). The executive wills and decides plant closing directly as something inevitable (condition 5), but does not intend the bad effect that accompanies it (e.g., massive layoffs). The latter is *circumstantial necessity*. The effect (massive

layoffs) that the executive clearly sees will happen or that is very likely to occur is not intended. Some ground for this fifth condition may be found in Faden and Beauchamp (1986, Chapter 7) and Beauchamp and Childress (1989, pp. 131–34).

However, it is not true that just because someone does not want a particular effect of a voluntary action, that the person is relieved of all moral responsibility for causing the effect. The theory of double effect is "not an attempt to absolve persons of responsibility for what they bring about but only to determine what it is permissible to bring about" (Beauchamp & Childress, 1989, p. 132). In other words, the PDE speaks of moral permissibility of the action and not its strict liability. Moreover, in judging responsibility the underlying intentions, motivations and character of the agent should be the most important factors to consider (Hauerwas, 1981).

Choices are actuations of the will, guided by moral norms, by which we determine ourselves with respect to human goods (Grisez, 1970). That is, a choice is a determination of the will following upon deliberation among competing alternatives. Thus, not every form of voluntariness involves choice (e.g., spontaneous willing that responds to an attainable good without considering alternative courses of action). In choice or choosing, one adopts a proposal to act in a certain way. This proposal includes both the good at which the agent aims and anything that one chooses to do as a means to an end. On the other hand, the side effects of the agent's action are not included in the proposal that one adopts. The side effects are not chosen, and they do not determine the stance of the will involved in a choice. One may accept the bad side effects of one's act but not cause them. One does not intend the bad side effects, even though one may accept them voluntarily or involuntarily. Such bad side effects are considered "indirect" effects. The agent's intention is the sole morally determinative factor. Thus, an act may be morally justified, if the agent's intention is morally good, and the bad effect is not necessarily included in the attainment of the intended good. The causal relation between the good and the bad effect is not a criterion for moral evaluation.

Certain goods are basic and intrinsic (e.g., life, knowledge, friendship) in the sense that they are desirable as ends-in-themselves, while other goods are non-basic and extrinsic (e.g., wealth, physical fitness, health) that are sought for the sake of attaining the basic goods. Each intrinsic good is intrinsic to the human person and participates in the dignity of the person, a dignity that is beyond any price and a dignity that is inalienable (Porter, 1996, p. 615). The basic goods enable us to achieve integral human fulfillment. We direct most of our actions to some basic good or other, though not every action aims at attaining or safeguarding a basic good. Admittedly, we cannot aim at all the basic goods all the time, but we can always act in such a way as to remain open to those basic goods that we do not actively pursue. Only in this way will our actions be reasonable, that is, morally good.

7.4. Concluding Remarks

Not all moral rules bind equally, nor do they define the same degree of ethicality or morality. These rules could be hierarchically arranged in relation to the degree of internal commitment they demand of the executives and in terms of their universal binding power. Deontology is a duty ethic based on norms and commandments, while teleology is means - end ethics based on consequences of the act. For most practical applications, one would need a combination of both ethical theories. People cannot claim complete control of their lives (as means – ends ethics seems to assume), nor can they reduce their responsibilities to obedience to general norms (as duty ethics assumes). Rather, they have to respond to persons and events that confront them in real life in ways that maximize human values. Morality then becomes a prudential ethic.

Morality is not always a matter of obedience to the will of God (this is theonomous ethic of the Judeo-Christian tradition) or of a lawmaker (heteronomous ethic), or even obedience to one's own conscience (autonomous ethic). Often morality is the process of intelligently seeking socially appropriate, positive (net benefits) human behavior that supports personal and communal goals. Laws and duties are necessary, but what makes laws and duties righteous or obligatory is "their helpfulness in guiding prudential decisions to successful goal achievement" (Ashley & O'Rourke, 1989, p. 161).

NOTES

1. The distinction between teleological and deontological ethical theories is usually attributed to C. D. Broad (1930, p. 206ff), *Five Types of Ethical Theory*, (London: Routledge & Kegan Paul). In a subsequent Essay (1946) "Some of the Main Problems in Ethics," *Philosophy*, 21, Broad identified any teleological argumentation with a consequential one. According to Broad, one characteristic that tends to make an action right is that it will produce at least as good consequences as an alternative open to the agent in the circumstances. Broad also characterizes non-teleological actions such as an obligation to perform what one has promised, regardless of consequences. The term "consequentialism" was coined by G. E. M. Anscombe (1953) and the term "Utilitarianism" is traced to John Stuart Mill (1957). The distinction between the goodness and the rightness of an action was introduced by W. D. Ross (1930). The terms "right-making" versus "wrong-making" characteristics or "good-making" versus "bad-making" properties of an action were first discussed by Broad (1946) in the article cited above. Consequentialists emphasize the fundamental difference between the moral rightness (or "right-making properties") and the moral goodness (i.e., "good-making properties") of an action. The former concerns properties in the action-situation that make it right or wrong, whereas the latter relates to the properties of the free will of the agent (e.g., benevolence, love of justice, fairness) that makes an action good or bad.

2. Technically, a trilemma (a conflict between three equally compelling choices), a quadrilemma, and so on are conceivable, depending on the number of close competing economic alternatives we confront in making economic decisions that also have moral implications. For instance, today free enterprise capitalism poses as an economic and moral trilemma: a) If we allow labor productivity to grow faster than the growth of GDP, then we create less employment; b) When the real interest rate exceeds the real growth

rate of GDP, then debtors are impoverished and creditors are enriched; c) An increase of real GDP growth violates the condition of ecological sustainability.

3. Some moral philosophers argue that there are many types of practical dilemmas but never genuine moral dilemmas. A genuine moral dilemma is a situation in which two moral "oughts" are in a type of conflict in which an action that one ought to perform cannot be performed without forgoing another action one also ought to perform. This is form (b) moral dilemma. These philosophers advocate one supreme moral value that overrides all other values, moral or non-moral, with which it might be in conflict. The only real ought, in this theory, is the "ought" generated by the supreme value (Gowans, 1987, Santurri, 1987). The major problem here is to identify, establish and socially accept this one supreme moral value outside the context of one's religious beliefs. Often it is difficult to determine which moral value is so supreme as to override other "oughts" (Beauchamp & Childress, 1989).

4. Moral dilemmas should be distinguished from "moral weakness". The latter revolves around the old Socratic problem: *how can one know what is right and yet do what is wrong?* Hare's (1964) version is slightly different: If moral principles guide moral judgments, and moral judgments guide moral conduct, then how can we think, e.g., that we ought not to be doing a certain thing, and then not be guided by it? The normal answer to these questions is in terms of "moral weakness" or "weakness of the will" or "overpowering desires", all of which are similar but not identical terms (Matthews, 1966). In general, moral weakness is a tendency not to do something that we commend, or do something that we condemn. According to Aristotle (1984), moral weakness may lead to two behaviors: 1) a marketing executive could cheerfully accept bad principles, act in accordance with them, and not feel compunction, 2) a marketing executive may follow one's desires against one's moral principles, act on them, and feel remorse. The former is "corruption", and the latter "weakness". Other forms of moral weakness are *procrastination* (needlessly postponing moral decisions), *backsliding* (slipping from moral to immoral behavior type), *irresolution* (vacillating from moral decisions) and i*ntemperance* (lack of self-control).

5. A classical clinical case when applying the P$\bar{D}$E is hysterectomy when the woman is pregnant and her womb is malignant (carcinoma of the uterus). If the physician takes no action, the cancer will likely metastasize throughout the woman's body, resulting in her death; chemotherapy or radiation therapy might cause malformation of the fetus, and eventual death. Assuming, therefore, that surgery (hysterectomy) is the only and necessary treatment, PDE applies. But the fetus is not an "unjust aggressor" in this case. Perhaps, the doctor would have performed hysterectomy even if the woman was not pregnant.

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Chapter 8

The Ethics of Corporate Legal, Ethical, Moral, and Spiritual (LEMS) Responsibility

Executive Summary

Ethics is fundamentally a science of social and collective responsibility. Ethics concerns human behavior as responsible or accountable. Because of the nature of social interaction, certain members of the society will bear greater authority, and hence, greater individual and social responsibility than others. In our world, personal responsibility and social responsibility are hardly separable. Personal responsibility becomes responsibility for the world because the person and the world are inseparable. In this chapter, we use the term responsibility from a legal, ethical, moral, and spiritual (LEMS) standpoint as some promise, commitment, obligation, sanctioned by self, morals, law, or society, to do good, and if harm results, to repair harm done on another. Hence, responsibility from a moral perspective is trustworthiness and dependability of the agent in some enterprise. Its inverse is exoneration – the extent to which one is excused from commitment and repairing the harm done to others by one's actions. We apply the theories and constructs of executive responsibility to two contemporary cases: (1) India's Super Rich in 2014 and (2) the Fall and Rise of Starbucks. After exploring the basic notion of responsibility, we present a discussion on the nature and obligation of corporate responsibility into three parts: Part I: Classical Understanding and Discussion on Corporate Responsibility; Part II: Contemporary Understanding and Discussion on Corporate Responsibility, and Part III: A synthesis of classical and contemporary views of responsibility and their applications to corporate executive responsibility.

Case 8.1: India's Super Rich in 2014

Note: This case includes researched facts from the *Business World Report* (*Business World*, July 14, pp. 42–101) that BW publishes every year. It is a vigorous, incisive, and accurate exercise carried out by BW. The standards for research and accuracy levels were further upped this year as BW

partnered with Motilal Oswal Financial Services (MOFS) for numerical and spreadsheet support. The first step taken was to scan through a list of about 37,000 strong promoters of 4,000 listed companies, which included multinational companies (MNCs) and Indian Public Sector Units (PSUs). Cross holdings of promoters across various companies were also taken into account. The net worth of promoters was calculated by multiplying the number of shares held by the promoters with stock price on March 31, 2013, and March 31, 2014. Although utmost care would have been taken by BW in making the Super Rich list of 2014, inherent constraints like unclear shareholding patterns, number fatigue, and poor disclosure standards by corporates can introduce a certain margin of error. There was also a report on the Wall Street Journal about the spending habits of India's Super Rich. While the common man waited for good times to return, India's Super Rich were on a spending spree. The report stated that the number of Indians worth of US$4.2 million or more went up by 16% as compared to the previous year. The Super Rich are moving out of their comfort zones and spending in areas like private equity, exotic food, and even space travel. More than 150 Super rich Indians interviewed by Kotak last year increased their spending on average (as opposed to saving and investment) to 49% of their income, compared to 30% for the year before.

While the 2013–2014 financial year saw the Indian economy slowing to a crawl, it was terrible for the employees across the board and was a very good year for Indian billionaires, as the *Business World 2014 Super Rich* survey revealed. Between April 1, 2013, and March 31, 2014, the stock market was on steroids – the BSE Sensex shot up 18.67% and the NSE Nifty rose 17.53%. Many of the Indian billionaires saw their net worth rise even faster than both indices. The stock market boom created a record number of new rupee and dollar billionaires, even though the rupee–dollar exchange rate has been hovering between Rs. 55 and Rs. 60 during the same 2013–2014 fiscal year. The collective wealth of India's 500 odd Super Rich, with at least 100 crore in stock value, grew 22% from Rs. 18 lakh crore in FY 2012–2013 to Rs 22 lakh crore by March 31, 2014. India has one of the highest shares of Super Rich people in the world. India has the highest share of poverty and destitution too.

At today's prices, the wealth will be substantially higher this year as both Sensex and Nifty indices have risen (as of June 15, 2014) by 12.39% and 12.22%, respectively, since April 1, 2014. Also, since April 1, 2014, the markets have risen sharply, presumably owing to great expectations that the Modi government will herald a new era of rapid growth and development. Many market watchers are predicting a multi-year bull run, unless some unforeseen circumstances can trip it up such as poor monsoons, uncontrollable food inflation, and slippages in fiscal discipline.

Some promoters did extremely well. For instance, Chairman, Adani Group, Gautam Adani's wealth rose to meteoric heights with Narendra Modi's 13-year reign in Gujarat, where most of Adani's big projects,

including the port and the power plant, are located. From the time Narendra Modi was announced as the BJP's prime ministerial candidate on September 13, 2013, until March 31, 2014, Adani's market cap rose 73% – the highest among his category in the last six months. During FY 2013-2014, his market cap has arisen by 54.42%, his wealth crossing Rs 70,000 crore. Since April 1, 2014, to June 18, 2014, it has gone up another 26% to Rs 88,200 crore!

The FY 2013–2014 was a drought year for IPOs. Of the only 38 companies that raised capital via IPOs during this year, 37 were "mini" public issues on BSE, NSE, and SME platforms. The lone main board IPO was floated by Justdial, a search engine business, with VSS Mani as its promoter. The company debuted in June 2013 at a list price of Rs 590 a share with an offer price of Rs 530 (quoting at an 11.32% premium to the offer price). Justdial floated 1.74 crore shares and raised a capital of Rs 919.1 crore from retail and institutional investors. The current (June 15, 2014) price is Rs 1,400 apiece, and Justdial's market cap has surged to Rs 9,900 crore. VSS Mani owns 33% of the stake and has earned a promoter wealth of Rs 3,597 crore – another first time rupee billionaire in 2014 (see *Business World*, July 14, 2014, pp. 64–65).

India's richest household, Mukesh D. Ambani and Family increased their wealth by Rs. 22,874 crore (20.2%) to stand at Rs 1.36 lakh crore. How did he create this wealth? His flagship Reliance Industries Ltd (RIL) recorded great performance. While the refining business delivered the highest ever profits, earnings from petrochemicals rose on account of margin expansion across polymers and downstream polyester products. The Ambanis also made new investments in shale gas which garnered Rs 363 crore in profits (EBITDA). Recently, Mukesh has also invested Rs 18,000 crore (about US$3 billion) on buying 4G spectrum to create a sizeable telecom vertical – Reliance Jio. RIL has already signed agreements with sectoral rivals Bharti Airtel and Reliance Communications (his brother Anil Ambani owns this). Reliance Jio has won a unified license for all 22 service areas across India for voice telephony and high-speed data services.

Ethical Questions

(1) Discuss the ethics of legitimate wealth enrichment processes and outcomes at the individual level. Do they safeguard maximum benefits over costs, or maximum rights honored over duties violated, for the largest group of stakeholders? Discuss.
(2) Does wealth maximization stimulate extravagant consumption of luxury in an otherwise poor country? Discuss.
(3) Discuss the ethics of legitimate wealth accumulation processes and outcomes at the collective country level. Does it safeguard maximum benefits over costs, or maximum rights honored over duties violated for the country? Discuss.

(4) Similarly, discuss the ethics and morality of wealth accumulation in the hands of very few promoters in India.
(5) When can individual wealth aggrandizement outcomes be ethical and beneficial to the country, and why?
(6) When can individual wealth aggrandizement outcomes be unethical and harmful to the country, and why?
(7) Besides being philanthropic, how can the rupee or dollar billionaires of India mobilize their wealth to evenly spread job, income, and wealth opportunities across the board in India?
(8) Discuss the role of creativity, imagination, innovation, and risk-taking venture in creating individual wealth ethically and morally, both individually and nationally.
(9) Explore some ethical ways of creating wealth for the "bottom of the pyramid" in India.
(10) What is the legal, ethical, moral, and spiritual (LEMS) responsibility of the Super Rich in India?

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Case 8.2: The Fall and Rise of Starbucks Coffee Company

As of March 2013, Starbucks operated 20,891 stores (ownership and franchises) in 62 countries, including 13,279 in the United States, 1,324 in Canada, 989 in Japan, 851 in the People's Republic of China, 806 in the United Kingdom, 556 in South Korea, 377 in Mexico, 291 in Taiwan, 206 in the Philippines, 179 in Turkey, 171 in Thailand, and 167 in Germany. On March 30, 2014, with total stores 20,519, Starbucks featured in Fortune 100 Best Companies to work for (CNN Money, 2013).

The product line of Starbucks includes more than 40 blends of coffee, hot and iced espresso beverages, baked pastries, sandwiches, and salads. Starbucks' major strength is its single flavor but with 40 diverse coffee beverages (e.g., traditional brew, espresso, Frappuccino). All coffee beverages are made from highly trained coffee Baristas, ensuring consistency in the quality of coffee across all product lines and across the globe. Specially trained employees make the Starbucks unique experience of coffee very enjoyable and memorable. Thus far, there has been low employee turnover in Starbucks, which makes customer service consistent and dedicated, regardless of store location. Customers feel appreciated and respected when entering a Starbucks environment.

In the US, Starbucks is facing stiff competition from Dunkin Brands. Dunkin Brands has solid presence in the northeastern United States; it has a large number of successful brands under its umbrella, out of which Baskin-Robbins is the market leader. But Dunkin Brands' key growth driver is its Specialty Coffee sales. Specialty Coffee enjoys great margins and also enjoys increasing demand among coffee loving populations. However, recently, Starbucks seems to have turned around and expanding aggressively, as its brief history suggests.

A Brief History of Starbucks

Starbucks Coffee Company was founded in 1971 and opened its first location in Seattle's Pike Place Market. By 2007, the company became the world's leading coffee retailer, roaster, and brand of Specialty Coffee house in North America, Europe, Middle East, Latin America, and the Pacific Rim. No one else was offering what customers were seeking – a high-quality coffee, individualized service, and a comfortable coffeehouse atmosphere. From a few dozens of stores in 1992 when Starbucks went public, the coffee bar giant has grown exponentially.

Actually, by the end of 2008, Starbucks had 16,875 locations worldwide, with 11,537 locations in the US alone. The company began opening its stores following new housing developments into the suburbs and exurbs, where its outlets became pit stops for real estate brokers and their clients. It also carpet-bombed the business districts of large cities, especially the financial

centers, with nearly 200 outlets in Manhattan alone. Fueled by the capital markets, during 2007–2008, it opened an average of six stores a day! Starbucks appeared determined to have as many locations as McDonald's in half the amount of time! Since its IPO in 1992, its stock price appreciated close to 6,000% by 2007!

In 2014, it opened its 1,000th stores in China and Japan. The same year, it announced collaboration with Oprah Winfrey to co-create Teavana® Oprah Chai tea. It also announced the *Starbucks College Achievement Plan* to help thousands of US Starbucks employees complete their education. Starbucks is bringing its evening menu (available after 4 p.m.), including beer and wine, to thousands of stores nationwide.

Industry Structure

Starbucks belongs to the restaurant industry. The latter includes some 500,000 restaurants in the USA with combined annual 2008 revenues of almost US$400 billion. Major companies include McDonald's, Yum! Brands (e.g., KFC, Pizza Hut, Taco Bell), and Darden Restaurants (Olive Garden, Red Lobster). The restaurant industry is highly fragmentized – the 50 largest companies hold just about 20% of the market. Large companies have advantages in purchasing, centralizing, finance, and marketing. Smaller units do better on food and service. The industry is highly labor-intensive, with annual revenue per employee/worker varying from US$40,000 to US$45,000. Independent restaurants could easily take about 18 months to be profitable (RestaurantOwner.com).

Some innovative fast-food companies are growing exponentially: McDonald's is at top for quick bites, commanding about 12% market share among fast-food purchases. Chipotle Mexican Grill and Subway nearly tie for second place, with about 6 percent share each. Followed by Yum! Brands' Taco Bell, Wendy's and privately held Chick-Fil-A, which all score around 4% of the market.

Trends like demographics, consumer tastes, changing palates, dietary preferences, and personal discretionary income levels drive restaurant demand. Sales are slightly seasonal and peak during summer. Consumer price sensitivity can be a major factor for demand. The US Consumer Confidence Index (CCI) for November 2008 was the lowest it has been since April 1980. About 75% of CCI survey respondents believe that economic conditions will not improve in the near future. Hence, restaurants can expect discretionary spending to be soft for the coming months. Bad weather can depress sales throughout the year. Receivables are low since most customers pay with cash or third-party credit card (in case of business clients) or personal credit cards. Credit card fees are 1–3% of sales.

Many restaurant ingredients are perishable; hence, most companies keep low inventories. Gross margins are about 60% of sales. For diners, cost

accounting is important – as the profitability of individual dishes can vary significantly. Chain restaurants in the USA are introducing new menu items to bolster sales in a tight economy. October 2008 alone saw 547 new menu items, a 40% increase over the monthly average of 2008, according to *Technomic*, a foodservice consulting firm.

Meanwhile, Starbucks seems to be inflexible. It charges too much. It is inflexible in terms of its premium locations. Starbucks charges the same price for their products whether in LA or in Beijing. In Israel, Starbucks is having a hard time, as it has to maintain kosher standards. It has a frozen business plan formulaic that is highly centralized, and Starbucks rarely customizes or localizes its products to international challenges. Presumably stuck by its own coffee farms, Starbucks offers only one flavor of coffee (but in 40 different beverages ranging from traditional brewed coffee to espresso and Frappuccinos). The lack of flavor selection has bothered its domestic and foreign customers. Meanwhile, new competition (e.g., Peet's; Coffee Bean) has arisen with multiple coffee flavors. Whereas competing companies (e.g., Dunkin' Donuts, McDonald's) have diversified, Starbucks has not. Its plain vanilla format, particularly in suburbia, makes it difficult to justify the premium its customers pay relative to independent coffee houses, local coffeehouse chains, and even McDonald's and Dunkin' Donuts (Favaro, Bomberger, & Meer, 2009, p. 68).

Coffee beans are a major expense for Starbucks, and the company purchases premium coffee beans traded above commodity coffee prices. In 2004, Starbucks established the Starbucks Coffee Agronomy Company, a wholly owned subsidiary located in Costa Rica, to ensure company's continued role in the Central American coffee industry. Despite this, Starbucks could not insulate itself from the reality of world coffee fluctuations. Coffee prices in 2008 were higher by 20% compared to 2007. Coffee beverage sales of Starbucks have been averaging 66% of its total revenues, while food sales averaged at 14%, equipment sales at 11%, and whole bean coffee sales at 9%. Starbucks is also a major consumer of dairy products, and dairy prices were up by 10% in 2007.

Ethical Questions

(1) In general, discuss the ethics of outdoor dining in the context of social exclusivity of those who can afford it.
(2) In general, discuss the ethics of the culture of fast-food restaurants in the context of more organic and healthier homemade meals and fellowship that strengthen family solidarity.
(3) Discuss the ethics of Starbucks in overextending its capital resources by over-expanding both domestically (USA) and abroad.
(4) Starbucks wanted to increase faster and bigger than McDonald's in half the time. Is growing bigger and better always moral? Is aping McDonald's in this context healthy competition?

(5) Its recent over-expansions ended up locating stores too close together and cannibalization raged. Starbucks misjudged the risks of planting stores close to each other leading to decline in store sales. Discuss the ethics of establishing Starbucks stores so close together in the context of cannibalization.
(6) Starbucks desecrated its original unique Starbucks coffee image by adding commoditized products like over-the-counter food, thus instantly eroding its brand and uniqueness. Discuss the ethics of this commoditization as a brand-deception strategy.

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8.1. The Ethics of Executive Moral Responsibility for Corporate Decisions and Outcomes

> "Each of us has the capacity to make business not only a source of economic wealth, but also a force for economic and social justice. Each of us needs to recognize and use the power we have to define the character of our enterprise, so they nurture values important to our society. Only then will each of us know full rewards that a career in business can yield. Only then will business achieve the true potential of its leadership. Only then will business fulfill its obligation to help build an economy worthy of a free society and a civilization worth celebrating." (Walter Haas, Jr., ex-CEO of Levi Strauss & Co.)[1]

Each of us is responsible for each other, the world, and ourselves. Ethics is fundamentally a science of social and collective responsibility. Ethics concerns human behavior as responsible or accountable. Because of the nature of social interaction, certain members of the society will bear greater authority, and hence, greater individual and social responsibility than others. In our world, personal responsibility and social responsibility are hardly separable. Personal

responsibility becomes responsibility for the world because the person and the world are inseparable. In a fast morally deteriorating world such as ours currently, we all bear an obligation to contribute to and purify the moral understanding of ourselves, our society, and our social world. One of the principle functions of normative ethics is the guidance of human choice and activity. Ethics not only deals with protecting values and meeting human needs; it also attempts to guide us about how we should act, what we should do, and what we should avoid if these human values and human needs are to be fulfilled (Rehrauer, 1996, p. 232). This chapter focuses on moral corporate social responsibility for executive outcomes.

Human behavior is a matter of feelings and emotions, actions and attitudes, and beliefs and values. Actions, attitudes, beliefs, and values can be assessed as right or wrong, and finally described as "good" or "bad." This assessment is based on: (1) when the total intention of the person concerned is taken into account (deontology); (2) when the consequences of such actions, attitudes, beliefs, and values are assessed in terms of benefits and burdens on self and society (teleology); (3) when benefits and burdens are evenly distributed among all people affected by these actions, attitudes, beliefs, and values (distributive justice); and (4) when procedures and structures are in place when (1), (2), and (3) are not realized (corrective justice).

8.1.1. What is Responsibility?

As its etymology suggests (from Latin *respondere* = to answer, *responsabilis* = requiring an answer), the most obvious meaning of "responsibility" is accountability, being answerable to one's behavior. Simply stated, responsibility means to be accountable for one's actions; that is, to take ownership of one's actions and their good and bad outcomes, to accept praise for the good and blame for the bad consequences, and be ready to compensate for the harm, if any, resulting from the bad consequences.

The term "responsibility"[2] has several synonyms: accountability, answerability, imputability, liability, duty, and obligation. Long before the word was introduced into philosophical ethics, philosophers spoke about it when they argued about the manner in which a person could be considered the author of one's own actions. Presently, the term responsibility is applicable to persons, institutions, and opinions. Thus, one speaks about responsible people, responsible governments or societies, responsible corporations and institutions, and even, responsible economic views or estimates.[3]

We next present a discussion on the nature and obligation of corporate responsibility from three perspectives: Part 1: Classical Understanding and Discussion on Corporate Responsibility; Part 2: Contemporary Understanding and Discussion on Corporate Responsibility, and Part 3: A Synthesis of Classical and Contemporary Views of Responsibility and their Applications to Corporate Responsibility.

8.2. Part 1: Classical Understanding and Discussion on Corporate Responsibility

Aristotle (384-322 BC) treats responsibility in his *Nicomachean Ethics* (*NE*; see *Book III,* Chapter 1), a work that is often cited as the foundation for the juridical theory of culpability (Austin, 1961; Bradley, 1876; Jonsen, 1968). Subsequent treatments on responsibility are mostly further developments of Aristotelian thought. Hence, we start with Aristotle and give him adequate space he deserves.

8.2.1. Aristotle's Notion of Responsibility

Aristotle (*NE*) deals with the topic of responsibility in the context of *voluntary* and *involuntary* actions. According to Aristotle, human responsibility is a function of *voluntary and involuntary actions*. Because most corporate executive decisions and/or actions are a blend of voluntary and involuntary actions (Mascarenhas, 1995), Aristotle's theory is particularly helpful in assessing the responsibility-exoneration content of such decisions. Aristotle claimed that what makes actions voluntary or involuntary is the role factors such as "constraints," "duress," and "ignorance" (or knowledge) play in formulating and implementing actions. Aristotle argues "involuntary actions seem to be those that arise either from force or from ignorance" (*NE* [1985], p. 53).[4] A *constraint* is a physical or psychological force brought to bear on the agent. An act done under force or constraint is one in which the initiative or source of motion comes from without and to which "the agent or victim contributes nothing" (*NE* [1985], p. 53).[5]

Involuntary actions arise from force or violence, on the one hand, or from ignorance, on the other hand. On the contrary, voluntary actions are those "that originate within the agent who has knowledge of the circumstances of the action" (*NE* [1985], p. 58). Commenting on these definitions in *NE*, Thomas Aquinas (*Summa Theologiae* (*ST*) [1964], Vol. 1, p. 175) adds: "Voluntary actions are freely done, the choice is end-driven, and the end itself is also willed […]. Involuntary actions are a privation of the voluntary; hence they do not merit praise or blame."

Applied to a corporate decision/action, two conditions are needed for it to be suffering from "constraints" such that it can be justified as *an involuntary action* done under force:

(1) The executive does not initiate the decision or action; others initiate it.
(2) Once initiated by others, the executive contributes nothing to the action.

Both conditions are necessary. According to Aristotle, involuntary actions can occur in two ways: (1) under total force or violence and (2) under total ignorance. Aristotle also gives two examples of involuntary or "compulsory" actions: when someone is driven somewhere by the wind, or when one is totally under the power of other people (*NE* [1985], p. 53). The former is an example of a natural disaster, the latter, of tyranny or terrorism. Both examples imply some form

of violence. However, circumstances under both can make them voluntary. For instance, a person driven by wind can rush to take shelter or based on meteorology foresee the tornado. A person under terrorism can still resist or placate the terrorist. Hence, Aristotle adds, "Some actions that in themselves are involuntary become voluntary under particular circumstances" (*NE* [1985], p. 55).

Given this definition of a "constraint," corporate business decisions and actions rarely qualify to be categorized as compulsory actions driven by violent force. There could be some cases of involuntary strategies, however, that could be driven totally "under ignorance." Violence, fear, passion, habit, psychological and social influence, and pathological conditions may all be some forms of constraints or force. Nevertheless, they are factors that may prevent or inhibit the agent from taking the "initiative" in the formulation of decisions and in the execution of subsequent actions. The latter are best considered as cases "under duress" that we discuss shortly. Thus, passion, habit, psychological, social, and competitive market pressures cannot be routinely and justifiably invoked for rationalizing the design, manufacture, and marketing of certain addictive products such as gambling, cigarettes, alcohol, drugs, pornographic products, or violent sports, since the agents or executives willingly contribute something in these cases. For instance, Aristotle (*NE* [1985], p. 56) argued that the following conditions *do not* make an action involuntary: (1) pleasure even though compellingly pleasurable; (2) emotions or appetites, however strong; and (3) willed ignorance or ignorance without regret. Similarly, passion, habit, psychological, social, and competitive market pressures cannot be automatically or justifiably invoked for rationalizing plant closings, massive labor layoffs, mass expansions, or other organizational downsizing strategies.

8.2.2. Aristotle's Theory of Actions under Duress

According to Aristotle, actions *under duress* are undertaken because of fear of greater evils or because of something better. For example, a tyrant forces you to do something shameful; if you do, you live, if you do not, you die. Or, you throw cargo overboard in a storm to save yourself and others. Such actions, says Aristotle, are a mixture of voluntary and involuntary actions, but "taken as a whole, they are voluntary" (*NE* [1985], p. 54). They are more voluntary than involuntary since at the time they are done there could be other feasible alternatives to pursue. That is, such actions are choice-worthy (the goal of the action reflecting the occasion) and since the action originates from the person who acts. Moreover, in each case, *one could act or not act*. However, these mixed actions are "conditioned," since no one would choose them for themselves. They are done under duress and deserve no praise but pardon, especially because they are executed under "conditions of a sort that overstrain human nature, and which no one would endure" (1985, p. 55). Under such circumstances, it is difficult to decide what should be chosen under what circumstances and under what pain, price, or shame.[6]

Applied to business, at least three conditions are needed for an executive action to be qualified as "under duress:"

- The executive does not choose the action for itself, even though it may be choice-worthy.
- The executive is forced into action because of extreme (i.e., non-endurable) fear of greater evil or of avoiding some serious good.
- Though pressured into action morally or psychologically, the executive can still act or not act.

For example, when executives, under threat of being fired, are forced by their bosses to do something illegal or unethical such as receiving bribes from suppliers or distributors, hiring boss's relatives even though incompetent, exorbitant pricing in ghetto areas, or creating artificial shortages of life-saving drugs, they act *under duress*. These actions verify all three "under-duress" conditions. The best of businesses know how to act responsibly despite the worst duress or constraints. Table 8.1 summarizes Aristotelian doctrine on executive responsibility.

Referring to *Case 8.2*, Starbucks had its usual constraints in surviving, reviving and expanding its operations. For instance, the restaurant industry had structural "constraints" that could force actions or strategies "under duress" such as:

- ***Volatile supply costs:*** Unstable manufacturer prices for raw ingredients used in restaurants can significantly impact profitability. In general, commodity markets affect wholesale prices for beef and poultry, where prices can change more than 20% in a given year. Supply issues affect the cost of seafood. The wholesale price of flour, eggs, dairy products, fats, and oils can also increase rapidly and affect restaurant margins.
- ***Competition:*** From a broad range of businesses vying for consumer food dollars. Grocery stores and warehouse clubs (Costco, Sam's) are providing more ready-to-eat meals and sides, often at a better value than the restaurants. Moreover, convenience stores, gas stations, coffee shops, and delis sell sandwiches and beverages, cutting into restaurants' share of lunch market. Home cooking is also a competition. Restaurant meals are generally more expensive than home cooking. Reasons for eating out less include high gas prices, cheaper and healthier food alternatives at home, and higher quality of home cooked meals than fast foods. In tough economic times, most consumers may consider restaurants meals an unnecessary dispensable expense.
- ***Health concerns:*** Contaminated food and raw ingredients causing illnesses and death have been well publicized. Contamination through poor sanitation, worker error, and other avoidable factors can affect restaurant business significantly. The presence of E coli, mad cow disease, salmonella, avian flu, and the like can affect meat/poultry supply/demand. Growing consumer and government concerns over fat/calorie content and excessive portion size of some restaurants stir bad publicity and state-sponsored legislation. Adding green menu options (e.g., using organic ingredients, sustainable seafood, antibiotic, and hormone-free meats) can boost sales among environmentally conscious customers. Offering smaller portions (e.g., bit-size desserts, tapas, multiple

Table 8.1: Aristotle's Theory of Responsibility: Executive Voluntary Acts, Involuntary and Under-duress Actions.

Moral Structure of Executive Acts	**Executive Voluntary Acts**	**Executive Involuntary Actions**	**Executive Actions under Duress**
Originating principle or passions	***Within the corporate executive; intrinsic to the corporate executive*** *The corporate executive operates on one's own accord* For instance, actions done out of anger, sensual desire, or any other passions *originate* within the corporate executive; they can be resisted by the corporate executive, and therefore, are *voluntary*	***Outside the corporate executive; extrinsic to the corporate executive*** *The corporate executive does not operate on one's own accord* For example, actions done out of violence, extreme fear and ignorance, or any other invincible constraint *do not originate* within the corporate executive; they cannot be resisted by the corporate executive, and are, therefore, *involuntary*	***Within and without the corporate executive; intrinsic and extrinsic to the corporate executive***. *Partly done on one's own accord* For instance, actions done out of anger, passion, competitive pressure, survival pressure, under some force, fear, and ignorance, can be partly resisted, and are, therefore, *under duress*
Role of the intellectual and volitional faculties	***Strong***. The corporate executives, cognizant of their particular circumstances, and with deliberation, initiate actions over their means and ends Hence, actions are "human" and accountable	***Nonexistent***. Actions are not initiated by the corporate executive, nor deliberated over as means and ends; if they are under *ignorance*, there is low mental awareness; if under *violence*, there is no will Hence, actions are almost "non-human" and non-accountable	***Weak***. Actions are: partly initiated by the corporate executive, partly cognizant of the circumstances and partly deliberated over as means and ends Hence, actions are a blend of the human and the nonhuman, and partially responsible

Table 8.1: (*Continued*)

Moral Structure of Executive Acts	Executive Voluntary Acts	Executive Involuntary Actions	Executive Actions under Duress
Outcomes of actions	Could result in good acts (success, virtue) *worthy of praise*, and which make us happy Or, end in evil deeds (faults, vice, harmful outcomes) that are blameworthy, to be censored, and which make us guilty and sad	Could result in good acts (success, virtue) *that do not merit praise* Or, result in evil deeds (vice, failure) that do not deserve blame, but make us sad, and invoke pity and pardon	Could result in good acts (success, virtue) *partly worthy of praise*, and which make us partly happy Or, end in evil deeds (faults, sins, vice) that *are partly blameworthy*, partly censorable, and which make us somewhat guilty and sad

flavors with smaller servings) are hot trends, according to a National Restaurant Association (NRA) survey.

- ***Legal concerns:*** Multiple class-action lawsuits accusing fast-food restaurants of contributing to obesity have provoked harmful publicity. The remote possibility of high-damage settlements can paralyze the food industry. Related state bans on trans-fats may require restaurants to change recipes or incur additional costs. Risks associated with serving alcohol include liability for the actions of intoxicated customers and legal consequences from serving alcohol to underage patrons. Companies that serve alcohol to underage customers may incur heavy fines and the risk of closure. Certain states have "dram shop" laws holding restaurants liable for damages caused by inebriated customers.

8.2.3. Ignorance as a Source of Involuntary Executive Actions

Aristotle does not detail too much about the second source of involuntary actions, which is ignorance. *Ignorance*, according to Aristotle*, is a lack of awareness of the details that make up the situation in which the agent is acting* (*NE* [1985], p.57). *Knowledge* is the converse of ignorance: it is conscious awareness of the details that make up the situation in which the agent is acting. Aristotle distinguishes an action "done in ignorance" from one "caused by ignorance." Actions done in drunken stupor or in a fit of anger are *done in* ignorance (or, not in knowledge) but *not caused by* ignorance and hence, cannot be considered

as involuntary (Aristotle, *NE* [1985], pp. 56–57). The cause of the action is vice and not ignorance.

Aristotle (*NE* [1985], pp. 57–58) specifies six conditions regarding ***ignorance*** in a list that has become archetypal in jurisprudence and morals (Austin, 1961; Jonsen, 1968):

(1) *Who is doing it*; e.g., one is unaware of oneself during an action.
(2) *What is being done*; e.g., an unguarded action.
(3) *What the action is all about*; e.g., a veiled or ambiguous action.
(4) *With what instrument the action is done,* e.g., a concealed weapon or a fuzzy financial instrument.
(5) *What consequences flow from the action*; e.g., one may give CPR to save someone's life that accidentally kills the person; very few outcomes of business strategies can be foreseen accurately.
(6) *How the action is done*: when does a strategic action start, where, when, and how? Does it occur gently or harshly, and directly or indirectly, in one action or multiple actions?

Major and frequent sources of ignorance, according to Aristotle, occur along conditions 2 and 5 above. For instance, for rapid cash flow generation, a sales clerk unknowingly sells unsafe or untested products as provided by his company and/or as ordered by his boss. He may not know, for instance, who produces them (condition 1), how they became part of his charge or sales territory (conditions 2 and 6), what effects the products have on customers or users (condition 5), how the effects are brought about (conditions 3 and 4), or the extent of damage brought about by these products (condition 5).

Subsequent moralists (e.g., Thomas Aquinas) have added that the agent can also be inculpably "ignorant" of the moral quality of his or her action. In regard to this, moralists distinguish various types and levels of ignorance such as *excusable and invincible ignorance, antecedent and consequent ignorance, ignorance of law, and ignorance of fact.* All these have a bearing on the morality and moral responsibility of the act. In this context, the following distinctions are useful: (De George, 1990, pp. 89–90, 176; Velasquez, 1988, pp. 36–37, 112):

- ***Excusable Ignorance:*** Actual lack or failure of knowledge of either the circumstances or the consequences of the action, through no fault of one's own, before or during the action. *Example*: Ignorance of the harmful effects (e.g., asbestosis) of asbestos products when they were first manufactured and sold in the early 1950s in USA and Canada.
- ***Invincible Ignorance:*** Also a failure of knowledge: but no one (say, an average person of good will) was expected to know or could have known either the circumstances or the consequences of the action, before or during the action. *Example*: Ignorance of the carcinogenic effects of tobacco products some 50 years ago.

- ***Ignorance of law or fact:*** This is a subset of excusable ignorance. In this case, one could be ignorant of the relevant moral standard or the relevant facts about a given action. For example, a marketing executive may be sure of the *Foreign Corrupt Practices Act* (FCPA) of 1977 and the *Omnibus Trade and Competitiveness Act* (OTCA) of 1988 in the United States, but in actual practice may not know what act really constitutes a violation of either of these Acts. This is *ignorance of fact*. On the other hand, one may not know both the Acts, yet in practice believe that all bribing is wrong everywhere – this is *ignorance of law* but not ignorance of fact. In addition, one could be ignorant both of law and of fact.
- ***Vincible Ignorance:*** One's ignorance, whether of law or of fact, is inexcusable but correctable. For example, a marketing executive trained for foreign posting is supposed to know the FCPA of 1977, the OTCA of 1988, and the laws regarding bribing in the foreign countries he or she operates in. Such ignorance does not exonerate moral responsibility. One could even fake or manipulate ignorance: for instance, an avid cigarette smoker may stay away from doctors that warn him of the carcinogenic effects of smoking.

In general, invincible ignorance, excusable ignorance, and inevitable ignorance of law and fact can excuse moral responsibility. Vincible or faked ignorance do not excuse but heighten moral responsibility. For instance, did Starbucks have to deal with invincible ignorance?

8.2.4. What Went Wrong at Starbucks?

Something, however, went very wrong in 2008. The company desecrated the original unique Starbucks coffee image by adding commoditized products like over-the-counter food (thus destroying the unique Starbucks coffee aroma), drive-through windows, cookie-cutter store formats, thus reducing Starbucks to a fast-food chain. Obviously, comparable fast-food chains like McDonald's and Dunkin' Donuts started offering unique coffee flavors via newly installed coffee machines in their restaurants. Little wonder, within a few months, over 40% of Starbucks' customers migrated to McDonald's and Dunkin' Donuts, where they found better and higher variety coffee aromas at less than one-third price (Favaro et al., 2009).

Similarly, Starbucks wanted to surpass McDonald's in the number of outlets or franchises in less than half the years McDonald's took to build its empire. By the end of 2008, it boasted 16,875 locations worldwide with 11,537 in the US alone. Meanwhile, Starbucks forgot its original core product and objective of being a great coffee bar and experience. Starbucks is failing since, its market share and stock price have decreased significantly, and currently, Dunkin' Donuts and McDonald's are vigorously competing in the coffee experience market. In recent market tests, Dunkin' Donuts is #1, McDonald's is #2, and Starbucks is #3 in the coffee experience business. A misguided corporate objective could spell one's demise.

The company was long renowned for its expertise at selecting prime locations for its ubiquitous stores. For much of the last 15 years, the commercial real estate executives at Starbucks were known for their rigor in selecting locations for their stores. Besides studying demographics, Starbucks evaluated its potential locations by other specific factors such as the education level in various neighborhoods, the traffic flow on both sides of a given street, the ease by which drivers could make a right turn for their Java fix on their way to the office. Nevertheless, currently, the company has been straying from the exacting real estate science that it had perfected and that which guided it through its first expansion wave of 1992–2008. Though a flagging recessionary economy and soaring gas prices could account for at least some of Starbuck's woes, there seem to be other major in-company problems triggering this sudden decline.

8.2.5. Aristotle on Voluntary Actions

"Since, then, what is involuntary is what is forced or is caused by ignorance, that which is voluntary seems to be what has its origin in the agent himself when he knows the particulars that the action consists in" (Aristotle, *NE* [1985], p. 58). Thus, a voluntary action is one in which the initiative lies with the agent who knows the particular circumstances in which the action is performed. Voluntary actions imply taking initiatives; they imply deliberation. Deliberation "concerns what is usually [one way rather than another], where the outcome is unclear and the right way to act is undefined. And we enlist partners in deliberation on large issues when we distrust our own ability to discern [the right answer]" (Aristotle, *NE* [1985], p. 62).

Decisions are voluntary, but not all voluntary actions are decisions (e.g., children or animals exhibit voluntary actions, but do not decide these actions). Decisions imply *deliberation over means conducive to ends*. According to Aristotle, we wish certain ends first; next, we believe in these ends as good for us, and we then choose the means to realize these ends. Decisions *make* our character and us because we can choose only those things we can do; our beliefs *define* our character; our wishes and we *condition* our character and us.

From a corporate executive's perspective, decisions and strategies are "voluntary" when the executive:

1. *Deliberates over the ends (or various outcomes) of the action or strategy;*
2. *Deliberates over the means (or various alternatives) conducive to the ends under (1);*
3. *Initiates* the action, individually or in partnership, based on the best alternatives under (2);
4. *Is cognizant of the action circumstances* under (3);
5. *Wills the action strategy and its consequences (means or end) under (2) or (1).*

Reflecting on *Case 8.1*, there are several promoters who deliberated rightly on various means and ends, did the right things rightly, at the right time and with the right people, and hence, reaped enormous wealth increases during FY 2013–2014. These were strategic voluntary actions.

- For instance, C. Krishna Prasad, MD and promoter of Granules India, maker of active pharmaceutical ingredient (API), made a strategic decision to create a manufacturing value chain of popular APIs from powder to finished dosages, as opposed to being a contract manufacturer. Granules India is one of the few companies in the world to be present across the pharmaceutical manufacturing value chain – starting from APIs to pharmaceutical formulation intermediaries (PFIs) to making capsules to finished dosages (FDs). Granules India is a leader in several basic drugs including Paracetamol and Metformin. Granules India grew at 22% to snap over Rs 1,000 crore in revenues, while its wealth grew nearly 300%! That is, the promoter's wealth jumped from Rs 84.76 crore a year ago to Rs 253.42 crore by March 31, 2014 (see also *Business World*, July 14, 2014, p. 58).
- Similarly, Atul Auto started off in 1970 with a vision to create affordable transportation for people. Its promoter, Jayantibhai Chandra, registered a 136% growth in his net worth in a year ending FY 2014 when the Indian automobile sector was in one of its worst slumps. His wealth is Rs 217 crore in 2014. Atul Auto started by modifying Enfield Motorcycles into a travel innovation called "*chakkda*" in Gujarat – by attaching a plank behind a motor cycle it transformed a two-wheeler into a vehicle that could transport at least ten people at a time. The company recently launched Shakti, a half-ton commercial three-wheeler. The company plans to set up a new three-wheeler plant in Ahmedabad with an annual capacity of 60,000 units. It also seeks to tap markets in the emerging economies. At a time when the auto industry is focusing on the higher end of the auto spectrum, Chandra is capitalizing on the bottom of the pyramid (see also *Business World*, July 14, 2014, p. 59).

Based on Aristotle (*NE*) and Aquinas' Commentary on Aristotle ([1964], see endnote *v*), Table 8.1 summarizes and distinguishes between *voluntary, involuntary*, and *under-duress* actions using three dimensions: (1) originating principle of the action, (2) role of the intellect and will in the action, and (3) consequent nature of the action outcomes. Voluntary actions originate from or are initiated by the agent; they are motivated by principles or passions intrinsic to the agent; the agent is cognizant of the action circumstances and deliberates over means and ends. The involuntary is exactly the opposite of the voluntary. Actions under duress are a blend of the voluntary and involuntary.

In addition, note, most executive business decisions and actions are either fully *voluntary* or *under duress*. Very few can be classified as *involuntary under force*; some qualify to be *involuntary under ignorance.* In conclusion, from Aristotle's theory of responsibility as applied to responsible business management we learn the following:

- Several business strategies could be a blend of voluntary and involuntary actions in as much as they involve hastened deliberations over goals under constraints of cash flow crisis, insolvency, stakeholder pressure, time pressure, bankruptcy, and regulatory demands.

- Ignorance can occur over goal-specification, the choice, and over efficacy of means; the higher the ignorance, the higher is involuntariness and hence, the higher is exoneration.
- Most business decisions are also made after consultation or partnership with others; other things being equal, the more people involved in the partnership, the larger is the spread of risk and guilt, and hence, the larger is the scope for exoneration.
- On the other hand, the larger the base of good consulting, the broader the base of executive knowledge, and hence, the higher is executive responsibility.

8.2.6. Immanuel Kant: Responsibility as Moral Worth

Apparently, for Aristotle, responsibility is not an intrinsic characteristic of the action itself but rather "a dimension in which the actions are assessed" (Austin, 1961, p. 129). That is, by addressing the problem of responsibility negatively through the excuse of constraints, duress, and ignorance, Aristotle did not describe the intrinsic quality of voluntary actions. He rather referred to the context of circumstantial evidence and customary norms within which judgments of praise and blame are placed and justified (Jonsen, 1968). Immanuel Kant (1724–1804), on the other hand, describes the special *intrinsic quality of voluntary actions*. For Kant, responsibility or *moral worth* stems from the underlying principle of the will than from the purposes or ends or excuses that precede the action or from the consequences that follow it. In this sense, Kant's *Groundwork of the Metaphysics of Morals* (1964) is a treatment of an *Ethic of Duty*, primarily as the Categorical Imperative and secondarily, as an Ethic of Hypothetical Imperatives.

According to Kant (1964, p. 68), the "moral worth can be found nowhere but in the principle of the will, irrespective of the ends that can be brought about by such action." The underlying *duty-principle* makes an action a *categorical imperative*, while the purpose makes an action a *hypothetical imperative*. A categorical imperative renders an action to be objectively necessary in itself without reference to some purpose; that is, it is concerned not with the matter (purpose) of the action, but its form (duty) and with the principle from which it follows. On the other hand, hypothetical imperatives imply that an action is good for some purpose; that it is necessary "as a means to the attainment of something else that one wills" (1964, p. 82). Categorical imperatives ignore purposes and ends, are not concerned with the matter of the action (p. 84) but only with the principle guiding the will, and hence, refer only to the *form* of the action (Wike, 1987).

Although Kant does not directly connect categorical and hypothetical imperatives to responsibility, yet one can deduce the following relationship: categorical imperatives generate categorical or unconditional responsibility; they ground absolute or necessary responsibility. However, hypothetical imperatives generate hypothetical or relative responsibility, conditioned or relative to moral agent's ends, purposes, and circumstances. This Kantian doctrine has relevance for corporates.

Immanuel Kant enlightens our understanding of moral responsibility by the following insights:

- Executive actions are most often driven by ends, motives, and purposes, and are therefore, *hypothetical imperatives, and not necessarily, categorical imperatives.*
- *Hypothetical imperatives generate hypothetical or conditional responsibility* that may be exonerated.
- *Categorical imperatives ground absolute or unconditional moral responsibility* that cannot be exonerated.
- *Most duties that directly deal with stakeholders may be categorical*; that is, corporates cannot use stakeholders as means to their own ends, but should consider them as *ends-in-themselves.*

8.2.7. Karl Marx: Responsibility as Historical Determinism

Throughout his life, **Karl Marx** (1818–1883) struggled reconciling freewill with determinism.[7] Marx's major thesis was – politics, economy, religion, ideologies, and philosophies – all these elements that constitute human history – determine our individual motivations, and hence, our will. In brief, history determines us – Marx called this "*historical determinism.*" However, what determines history itself? History cannot be determined by individual wills such as those of monarchs, feudal lords, or political revolutionaries, because all these wills are created by history. Hence, it is collective or "social consciousness" that determines history. Consciousness is primarily social than individual. "It is not the consciousness of men that determines their existence, but on the contrary, their social existence that determines their consciousness" (Marx, 1964, p. 11).

Thus, the principal postulate of historical determinism is that the "social being determines social-consciousness" (Afansyev, 1965, p.172). A person is born in a given social milieu or social group that molds his or her mind according to its standards. That is, individual consciousness is *posterior* to social consciousness (McFadden, 1963, pp. 84–90). However, what determines social consciousness? Marx believed that the ultimate determinant of people and society is the production process that creates and satisfies their needs. The material resources, the production process, the products, and the marketing system that distributes these products all condition humankind and human history.

Karl Marx was partly right. Historical determinism partly explains history. We create and control technology that in turn creates and controls us (see Bell, 1973, 1976; Toffler, 1971). There can be several executive actions that may be "historically determined," and to that extent, exonerable. However, with Adam Smith we should note that the "invisible hand" of self-interest and profitability works both ways: it guides history, and history guides the invisible hand.

8.2.8. Bradley: Attributional Responsibility

Francis Herbert Bradley (1846–1924) starts his philosophy of responsibility by opposing John Stuart Mill's determinist position and by reestablishing the existence and operation of the human freewill. Bradley (1876, p. 33) argued that Mill's stand on the freewill "altogether ignores the rational self in the form of will; it ignores it in the act of volition, and it ignores it in the abiding personality, which is the same throughout all its acts, and by which alone imputation gets its meaning." Bradley argues that on the one hand, we implicitly assume that we cannot legitimately be held morally responsible for an action unless we are the real author of the action, and unless the action proceeds from our true self as effect from cause. On the other hand, if one is a real author, then one cannot be fully determined by outside forces as determinism affirms. Without personal identity, responsibility is sheer nonsense. This rules out determinism but not indeterminism. The latter assumes that actions are totally uncaused.

While it is obvious that an agent's acts are one's own insofar as one causes them, it is not always obvious that one *causes them as a moral agent*. Attributing responsibility, accordingly, should go beyond the consequences of the act, and the action itself to the very *process* of how an agent takes possession of one's action moves from the outer-directed to inner-directed sphere of moral activity; in short, one becomes a real moral agent – this is *appropriational responsibility*. The latter judges not only the discrete acts, but also the unity of such acts in the moral agent, the self. It is not enough to limit consideration of the nature of the moral agent to character alone. Character explains tendency to act or disposition to act, but it does not explain the act itself. Character denotes a complex of "effects," but the moral agent seems to be a complex of controls, self-governance, self-direction, and self-organization – in short, *self-actuation* (Bradley, 1876).

From Francis Bradley, we may derive the following insights for corporate executives:

- Historical determinism to a certain extent may influence a business's life and values, decisions, and actions. But Bradley argues that *historical determinism ignores the rational and volitional self-actuation of the executive* in the form of a trained intellect and morally guided will, the abiding and underlying executive personality that remains the same throughout various acts of the intellect and will and by which alone imputation gets its meaning.
- Hence, any appropriation of business responsibility must include an explicit consideration of the self as a reflecting agent transcending market forces.
- Appropriation of business responsibility judges not only the discrete acts, means, and ends or discrete outcomes, but *the total process of action* by which means or ends are chosen and outcomes generated.
- This process is often called the "corporate culture" within a firm or the "industry climate" within an industry. Both may *condition several business actions*. These climates can "externally" determine executive actions. Business may rarely act on them as total "autonomous moral agents."

8.3. Part 2: Contemporary Understanding of Corporate Moral Responsibility

Our contemporary discussion on the nature and obligation of corporate responsibility starts with Dietrich Bonhoeffer and moves on to other modern major philosophers and jurisprudentialists on liability and responsibility.

8.3.1. Dietrich Bonhoeffer: Responsibility as Commitment and Deputyship

For **Dietrich Bonhoeffer** (1906–1945)[8], responsibility is not so much a response to the call of values, it means free commitment of oneself to act, regardless of what the act might be.[9] However, there are limits to this action: God and neighbor. Irresponsible action disregards these limits (Bonhoeffer, 1955, p. 204).

The structure of responsible life consists in a life bound both to God and to humankind and a life that is free. Life bound to God and humankind is *deputyship*. We must work in the world and take account of its human needs, its nature, and its possibilities. In all this, we should be aware that the decision that we take and the deeds we do are truly our own. Moreover, law does not protect us; we cannot take refuge in any principles that might justify our inaction or failure. The acceptance of responsibility involves the acceptance of the guilt of failure and of evil consequences. Responsible action must often decide not between right and wrong, but between right and right, or between wrong and wrong. "It is precisely in the responsible acceptance of guilt that a conscience proves its innocence […] the responsible man becomes guilty without sin" (Bonhoeffer, 1955, pp. 214–216).

From Dietrich Bonhoeffer, we derive the following propositions that bear on business executive responsibility:

- The acceptance of responsibility may involve the acceptance of the guilt of failure and evil consequences.
- Most executive choices may not be between good and evil or between right and wrong, but between right and right, and between wrong and wrong. The committed executive chooses the better right and the lesser wrong.
- The ethic of responsibility allows for uncertainties and guilt instead of demanding an absolutely untainted conscience (Weber and Bonhoeffer).

According to Weber and Bonhoeffer, the ethic of responsibility allows for uncertainties and guilt instead of demanding an absolutely untainted conscience. The acceptance of responsibility sometimes involves the acceptance of the guilt of failure and harmful consequences.

8.3.2. Bernard Lonergan: Responsibility as Effective Freedom

Bernard Lonergan (1912–1993) views responsibility as a function of one's *effective freedom*. He distinguishes between "essential" and "effective" freedom (Lonergan, 1970, pp. 595–633). "The difference between essential and effective

freedom is the difference between a dynamic structure and its operational range." (p. 619). We are free essentially inasmuch as possible courses of action are grasped by practical insight, motivated by reflection, and executed by decision. Nevertheless, we are free effectively to a greater or less extent inasmuch as this dynamic structure is open to grasping, motivating, and executing a broad or a narrow range of otherwise possible courses of action. Thus, "one may be essentially free but not effectively free to give up smoking" (Lonergan, 1970, 620). Effective freedom is not something given. It must be cultivated. It must be won. The key point is to reach a willingness to persuade oneself of some objective good or to submit to the persuasion of others. One must be persuaded to genuineness and openness too. Incomplete intellectual and volitional development leads to moral impotence.

According to Lonergan (1970, pp. 618–634), there are four major conditions that limit effective freedom that, in turn, impacts blame or credit. We summarize them as applied to business executive situations, especially since all four conditions affect day-to-day business decisions and actions, tactics, and strategies. They are important considerations in assessing the quality of business responsibility today.

- **External Constraints**: These constraints limit the range of concretely possible alternatives available to business, either because they are not available at the time of the decision or because they are too cost–prohibitive to pursue, or they cannot be backed with other required resources. The lesser the number of competing business turnaround strategies (e.g., rapid cash recovery, overstock inventory clearance, product repositioning, predatory pricing, aggressive distribution, or promotion) alternatives to choose from, the lesser the responsibility of the final choice.
- **Internal State**: This has to do with one's sensitive skills and mental habits, intellectual and psychological development, the syndrome of one's anxiety, stress and strain, obsessions, and other neurological phenomena that maladjust intellectual development to psycho-neural development – all these factors restrict one's capacity for effective deliberation and choice. There is considerable literature that addresses the strains and stresses of business executive life.
- **Intellectual Development**: This refers to one's understanding the business situation, the possible courses of rescuer or transformation strategies, critically grasping the content and consequences of their alternatives, and in general, one's struggle with the process of learning and appraising a concrete business situation. The greater one's accumulation of market and business turnaround insights, the greater is the development of one's practical intelligence, the greater is the range of the possible courses of action one can grasp and consider, and the wider is the domain of critical assessment.
- **Volitional Development**: This relates to one's ability to deliberate over alternatives and choices, to reflect over one's motivations and intentions, and exert full freedom over one's turnaround decisions and actions. The human "will"

> is the bare capacity to make decisions. Human "antecedent willingness" is the state in which persuasion is not needed to bring one to a decision. Human "willing" is the act of deciding. The function of willingness runs parallel to the function of the habitual accumulation of practical insights.

What one does not understand yet, one can learn. Nevertheless, learning takes time, and until it takes place, otherwise possible courses of action are excluded. Similarly, when antecedent willingness is lacking, persuasion can be invoked. However, persuasion takes time, and till one persuades oneself or others, one remains closed to otherwise possible courses of action.

From Lonergan, we deduce the following responsibility insights for business executives:

- Responsibility is executives' response to an event/action upon them that they interpret, whose consequences they anticipate and evaluate – hence, responsibility presupposes moral potency.
- Moral impotence exonerates under certain conditions. Lack of congenital sensitivity, lack of inherited psycho-neural balance, lack of intellectual development and opportunity, and lack of challenges to one's volitional development – all these constitute moral impotence in varying degrees.
- The gap between one's proximate effective freedom and the remote hypothetical effective freedom that one would possess if certain conditions fulfilled, measures one's moral incompetence, and the latter measures one's degree of exoneration.

8.3.3. Elizabeth Beardsley: Ascribing Moral Responsibility to Corporate Executives

From a phenomenological viewpoint, there are many moral perspectives by which a corporate executive act can be judged for its moral content and worth, for its praiseworthiness or blameworthiness, and for its moral and economic sanction of reward or punishment. Elizabeth Beardsley (1914–1990) explores these multiple moral perspectives.

According to her, it is too simplistic to make judgments of moral worth, praise, or blame, from a single perspective. Given a human act, she observes, several questions arise in relation to ascribing moral responsibility to it: (1) its moral worthiness or unworthiness, (2) its praiseworthiness or blameworthiness, and (3) its sanction in terms of reward or punishment. How are each of these steps of moral responsibility ascription arrived at? Beardsley (1960) suggests that such judgments are made from several different standpoints she calls "moral perspectives." We summarize this discussion here.

She considers the terms praise and blame only in their moral content as "moral praise" and "moral blame." Both are correlative concepts such that everything said about moral praise may also be said about moral blame, and vice versa. A "judgment of praise (or blame)" is an affirmative or negative

judgment of praise (or blame). An "affirmative judgment of praise" is an explicit attribution of praiseworthiness to a person.

Conversely, a "negative judgment of praise" is an explicit denial that a person is praiseworthy. An objective judgment of rightness or wrongness, praise or blame, is a judgment made about *an act*, not the agent. A subjective judgment, on the contrary, relates to the agent. Thus, the statement that "my act is objectively right but may not deserve praise" is perfectly consistent. The judgment that an act is objectively right offers insufficient evidence for judgment about its praiseworthiness. For instance, I could have committed that act either inadvertently or from reprehensible motives or reasons.

According to some "soft" determinists, if an agent has acted wrongly, the following conditions are necessary and sufficient to judge that the agent acted wrongly and is blameworthy:

(1) That the agent acted wrongly without external constraints (i.e., this is a voluntary act);
(2) Without ignorance of relevant facts (i.e., this is an informed act); and
(3) From a motive or character trait that is undesirable (this is an immoral act).

Opposite conditions account for praiseworthiness: that the agent acted rightly (1) without external constraints (i.e., this is a voluntary act), (2) without ignorance of relevant facts (i.e., this is an informed act), and (3) from a motive or character trait that is desirable (this is a moral act).

While the judge must attend to several key factors among the causal conditions that produced the acts, he or she does not have to go any further, e.g., to antecedents of antecedents or to the nature or existence of antecedents.

According to Beardsley (1960), the above three conditions are sufficient for judging only the *moral worth* (moral worthiness or unworthiness) of the act but not its *moral credit* (moral praiseworthiness or blameworthiness). *Moral worth refers to the act while moral credit relates to the agent*.

Moral worth is judged by four standards: did the person act:

- rightly or wrongly;
- voluntarily or involuntarily;
- with knowledge or ignorance of relevant facts; and
- from a desire that was good or evil in the situation?

Moral credit needs different standards:

- Was the act easy (no moral effort) or difficult (great moral courage and effort) to perform?
- Were the circumstances favorable or unfavorable for positing the act?
- From all that an external judge could know and ascertain about the agent, was it probable or improbable that the agent should act that way?

Judgments of moral credit obviously supplement (and not supplant or suppress) judgments of moral worth. Beyond factors that determine moral worth or moral credit, Beardsley (1960) considers "ultimate" causal factors, which simply are those factors that are left out of account when one makes judgments of moral worth and moral credit. While judgments made from the perspective of moral worth and moral credit are judgments of discrimination (i.e., these perspectives seek factors that are specifically unique to each agent), and they are mostly comparative and either affirmative or negative, the ultimate causal factors go beyond moral worth and moral credit and consider all agents on equal footing. Here all agents are equal and none has any ultimate claim to praise or blame.

The judgment from the perspective of *ultimate causal factors* is always negative and takes two forms:

(1) Given positive moral worth and/or positive moral credit, the agent A is not ultimately praiseworthy for act X, and hence, does not deserve to be rewarded.
(2) Given negative moral worth and/or negative moral credit, the agent B is not ultimately blameworthy for act Y and, hence, does not deserve to be condemned or punished.

Both negative judgments are because agents A or B have ultimate external causes that may be common for A and B. In this sense, agents A and B are moral equals – the causal similarities between them are of moral significance, perhaps more significant than their differences. They eradicate moral discriminations. They remind us that judgments based on moral worth and moral credit are of moral inequality and may not tell the whole story about the individuals being judged. No one is ever the *first* cause of good or evil deeds or *finally* responsible for reward or punishment when confronted by moral odds. No one is ever the *total* cause of one's actions. The realm of external causes may significantly determine most of our actions, especially in a turnaround situation. Based on Elizabeth Beardsley, Table 8.2 provides useful Perspectives of moral responsibility assessment for corporate executives.

This sphere of ultimate causality and moral equality, however, does not negate but presuppose the legitimacy of moral worth and moral credit. All three moral perspectives, moral worth, moral credit, and moral sanction are necessary but not sufficient. That is, each perspective is incomplete and needs to be supplemented by the other two perspectives. That is, not all our acts go back to ultimate causes but those that do, invite compassion and tolerance. Equanimity in the face of moral iniquity is moral callousness, particularly when the wrongdoer is oneself.

8.4. Part III: A Synthesis of Classical and Contemporary Views of Executive Responsibility

We have covered a fairly representative group of major philosophers from Aristotle to Elizabeth Beardsley who have made significant contributions to a

Table 8.2: Perspectives of Moral Responsibility Assessment for Corporate Executives(see Beardsley, 1960).

Perspectives of Moral Responsibility Assessment	**Relevant Definitions**	**Probing Questions**
Moral Worth: positive or negative	Characteristic of moral value that belong to the agent who has performed an act that meets certain pre-specified conditions The term "moral worth" can refer to either positive or negative moral worth A judgment of moral worth may be positive or negative depending upon whether moral worth is asserted to be present or absent	Standards of Positive Moral Worth (1) Has the agent acted rightly? (2) Has the agent acted voluntarily? (3) Does the agent have knowledge of relevant facts? (4) Does the agent act from a desire that is good in its situation? Standards of Negative Moral Worth (1) Has the agent acted wrongly? (2) Has the agent acted voluntarily? (3) Was the agent ignorant of relevant facts? (4) Does the agent act from a desire that is evil in its situation?
Moral Credit: praise or blame	Given that an act has positive or negative moral worth, moral credit refers to the next moral judgment that determines whether the agent is praiseworthy or blameworthy for the act	Standards of Positive Moral Credit (1) Was the right act "difficult" to perform? (2) Did the agent act rightly despite obstacles or unfavorable circumstances?

Table 8.2: (*Continued*)

Perspectives of Moral Responsibility Assessment	Relevant Definitions	Probing Questions
	Moral credit looks at the performance of the act under its circumstances. That is, was the balance of known circumstances causally relevant to the performance of the act favorable or unfavorable? *Favorable* circumstances mean that their presence makes the act more likely to occur than in their absence *Unfavorable* circumstances mean that their presence makes the act more unlikely to occur than in their absence	(3) Was it antecedently improbable that the agent would act rightly under such unfavorable circumstances? A "yes" to all three questions enhances positive moral credit Standards of Negative Moral Credit (1) Was the wrong act "difficult" to perform? (2) Did the agent act wrongly despite favorable circumstances not to act? (3) Was it antecedently improbable that the agent would act wrongly under such favorable circumstances not to act? A "yes" to all three questions enhances negative moral credit
Moral Sanction: reward or punishment	Final judgment regarding reward and punishment should be tempered by the third moral perspective of ultimate causality and moral equality	Does A unconditionally deserve moral worth for his honest act? Does A deserve to be absolutely condemned for his cowardly act? If not, investigate into ultimate causal factors that mitigate praise, exonerate guilt or moral responsibility

better understanding of moral responsibility, especially as applicable to executive decisions. From this historical development of the notion of moral responsibility and its cognates, we note that these authors have deliberately refrained from defining responsibility precisely, but have freely used it for diverse purposes. There has been a pronounced lack of accuracy in *denotation*, even though the term responsibility has emerged quite comprehensive in its *connotation*. However, despite its variety and ambiguity of use, responsibility can be said to imply at least five aspects of human choice:

- **The Choosing Person**: As a moral agent, with a unique self, abiding character and personality, the responsible person is often described as conscientious, dutiful, committed, reliable, and responsive. The person behind the executive choice may be designated as the *agent or choosing person* of responsibility.
- **The Choice Situation**: Executive choice is often characterized by situational variables such as time and place, constraints and stresses, number of alternatives to choose from, challenges and opportunities, contingencies and circumstances, risks and uncertainties of alternatives, frequency, and distribution of choice alternatives. All these variations may be reckoned as the *situation* of responsibility.
- **The Choice Process**: The actual executive choice is often described as identification, enumeration and assessment of various choice alternatives, as also anticipation, expectation, critical understanding, interpretation, and choice of some alternative over others, and executive intentions and motivations in the deliberation over and consideration of these alternatives, and the final choice. All these elements may be construed as the *process* of choice and responsibility.
- **The Choice Principle**: This component of executive choice relates to the moral reasoning or principles behind the choice – teleological ends and objectives, deontological laws, contracts, rights, duties and character, and the justice of the distribution of these costs and benefits and rights and duties involved in executive choices – these elements constitute the "*form*" or *cause* of executive responsibility.
- **The Choice Outcome**: This involves the consequences of executive decisions and subsequent actions in terms of success or failure, costs or benefits, the degree of good or evil in the consequences, and the types of stakeholders they affect in the challenging environment – all these elements describe the *effect* of responsibility.

In general, one can distinguish two broad levels of responsibility: responsibility for the *action* itself and responsibility for the *consequences* of the action (Hart & Honoré, 1975):

- *Responsibility for the action* is primarily *moral* and involves the concepts of duty, obligation, blame, and answerability.

- *Responsibility for the consequences* is primarily *legal* and is associated with the concepts of liability, imputability, accountability, and punishment/compensation for the harm accruing from the action.

This double use of the expression responsibility arises from the important fact that doing an action and compensating harm from the action are two distinct sources of holding persons responsible. Both sources of responsibility are independent of, but may be influenced by, a third consideration: did the said action *cause* the harm for which compensation is sought? Or, equivalently, did the *doer* of the action *cause* the harm? These questions are too complex to resolve, and for practical purposes, legal responsibility, especially under the rubric of "strict liability," may not always deal with this third consideration. The principle of strict liability asserts that all harm should be compensated for via compensatory justice, regardless of the fact, state, and direction of causality of the action between the said parties.

8.4.1. Causal and Agent Responsibility

Responsibility for the consequences can impute in two ways (Mascarenhas, 1995):

- If the executives themselves act or omit an act that causes harm to some stakeholder, then the executives are directly responsible for it – this is called *consequent causal responsibility*.
- If the executives command or delegate an action (commission or omission) that causes harm, then they are indirectly responsible for the harm – this is called *consequent agent responsibility*.

The corporation authorizes the advertising agency to act on its behalf. The corporation assumes that the ad agency will work on behalf of the interest of the entire company and its stakeholders and not be "opportunistic" by serving its own interests. The principal or the corporation assumes "vicarious liability" or "vicarious responsibility" for the advertising agent.

In early moral philosophy, the topic of responsibility has regularly surfaced under the question of necessary and sufficient conditions that must exist if one is to be truly declared author of one's actions, and thereby, to be justly praised or blamed. At the very dawn of Western Classical Philosophy, *Heraclitus* (c. 540–480 BC) asserted that it was a human being's formed character and not some external force that constituted one's fate. Since then, philosophers have debated and connected the issues of fate and freedom, character and causality, motivation and intention, deliberation and consideration, justification of praise and blame, and punishment and reward with the notion of responsibility.

8.4.2. Accountability and Commitment

Two questions, therefore, can be raised regarding causal or agent responsibility:

(1) How can the judge know when and whether the executive should be justly praised or blamed, punished or rewarded for his or her executive actions? – This situation is often designated as the judge's problem.
(2) How can the agent know when the acts or effects of one's executive behavior really belong to him or her as a human agent? – This question is usually called the agent's problem.

For instance, how can the judge ascertain if the corporation or the ad agency should be held responsible for the harmful social consequences of the products they manufacture and advertise? The judge who must pass judgment on the executive conduct must sift through evidence, conditions and circumstances in each case before responsibility or accountability can be "attributed" to the persons – this is called ***attributional responsibility*** (ATR) (Dewey, 1925).

Second, how can the executives know if the harmful effects of their products really belong to them, either as individuals or as corporate executives? In order to pass moral judgment on their own conduct, the executives must also sift in each case through their own principles of choice, intentions, motivations and deliberations so as to own or "appropriate" the consequences of their actions – this is called ***appropriational responsibility*** (APR) (Bradley, 1876; Feinberg, 1975).

Thus, there have been two distinct patterns that characterize human responsibility: pattern of attribution and pattern of appropriation. As *attribution*, responsibility is ***retrospective***; it assigns praise or blame depending upon the degree of intention, deliberation, and motivation in the action chosen and executed. As *appropriation*, responsibility is ***prospective;*** it is remedial, developmental, and character building through commitment (Bradley, 1876; Dewey, 1925; Niebuhr, 1963).

While in ATR, the judge looks principally for external evidence of moral causality and does not strike so deeply into the interior of moral agency, in APR, the moral agent *lives responsibility* in his/her innermost self. Moral agents can be held responsible (by imputation) because they have acted as responsible causes (ATR) and so that they may become responsible persons (APR).

Both ATR and APR imply a fault such as a wrong, harmful or unfair product (goods or services) or an unfair action (promotion or advertising strategy) (Mascarenhas, 1995). The fault can be either externally (e.g., by courts) *attributed* to the person or internally (e.g. by virtue, conscience) *appropriated* by the person. Once the fault is attributed to an executive, he or she must assume ***accountability*** for the harmful consequences of the fault. Once the executive appropriates the fault, he or she must assume ***commitment*** to avoid the fault in the future. Thus, we focus on both accountability and commitment aspects of executive responsibility.

Obviously, when we speak of "responsible business management" we need to go beyond legal or strict liability. In fact, a deeper etymology of the word responsibility unravels another dimension: within the word for response is hidden the Greek word for "promise" that invites people to reliably perform

one's part in a common undertaking or to perform one's promised part in a solemn engagement Thus, "responsible persons are not only those who are uncoerced and aware of the nature of their action and its consequences; they are also persons who demonstrate certain stable or habitual attitudes to their relationships with other persons. In this sense, responsibility describes the character of a person" (Jonsen, 1968, p. 547), and is a *virtue* (Aristotle, 1985; Aquinas, 1984).

8.5. Concluding Remarks

Following this long discussion, we redefine responsibility from a legal, ethical, and moral standpoint as *some promise, commitment, obligation, sanctioned by self, morals, law or society, to do good, and if harm results, to repair harm done on another.*

Hence, responsibility from a moral perspective is *trustworthiness and dependability of the agent in some enterprise.* Its inverse is *exoneration* – the extent to which one is excused from commitment and repairing the harm done to others by one's actions.

Moral agency is *deputyship*, argued *Dietrich Bonhoeffer*, and we are deputed not so much to choose right and avoid wrong, but often to choose between *right and right and between wrong and wrong* in an imperfect business world such as ours. Corporate executive responsibility, then, *accepts guilt and failure but without sin. Richard Niebuhr* added that all our actions should arrive at a perfect *cathekontic fit* between our values and those of the community, nature, and the cosmos. That is, responsibility is a *constant dialogue* with our environment. In order to do this, we need *intellectual, volitional, and moral development*, said *Bernard Lonergan*; all three aspects of development enable us to fight *moral incompetence* and develop *antecedent willingness* to do good. This is *effective freedom*, and the latter grounds moral responsibility for all corporate executives.

However, the free will problem is quite tangled. Each of the traditional solutions (e.g., determinism, indeterminism, fatalism, libertarianism) of this problem tends to oversimplify a multidimensional problem that involves the resolution of conceptual, scientific and moral questions. We must first decide which of the ethical theories or moral principles we can use in making judgments of moral responsibility. Next, we must agree on the meaning of certain key concepts such as responsibility, moral responsibility, free will, free action, determinability, compulsion, and trying. Most of these terms do not have single meaning in ordinary usage, and most meanings derive from different moral perspectives, different moral concerns, and attitudes we bring to the discussion. Third, we must attempt to answer such scientific questions as – How wide is the area of compulsive behavior. Did I adequately assess causal antecedents such as heredity, hangups, cultural baggage, company history, competition, and environmental pressure in my corporate executive decisions? Have I objectively assessed my current capacities and constraints in arriving at a given corporate executive decision? How deferrable, if at all, was this decision in this instance of a turnaround crisis?

How much, if at all, did the corporate executive in this concrete situation have in his power to try to do otherwise?

All this analysis done, the question whether a corporate executive is morally responsible for a given downsizing decision involves taking a moral position and not simply covering the relevant facts. This is because it is our moral position and decision that will specify which of the facts and causal antecedents are relevant. The final answer to the question on moral responsibility will depend upon *what we are willing to excuse or not excuse* (Grassian, 1992, pp. 184–191).

NOTES

1. In his closing remarks at the *1992 Business Enterprise Awards ceremony*, cited by David Bollier in his *Aiming Higher* (1997, p. 351).

2. Responsibility as a word has a short history in the English language. According to Albert Jonsen (1968, p. 3), the word makes its philosophical debut in David Hume's *Treatise of Human Nature* (1740) in the oft-quoted passage: "Actions may be blamable […] but the person not responsible for them." The word thereafter appears as a synonym for accountability, imputability, liability, duty, and obligation. In the late-nineteenth century, two works gave the term responsibility a central place in the lexicon of morality: Bradley's (1876) essay "The Vulgar Notion of Responsibility and its Connection with the Theories of Freewill and Determinism," and Lucien Lévy-Bruhl's study of the problem of freedom in "L'Idée de Responsabilité" (1883).

3. There are obvious differences between *corporations* as moral agents and *executives* as moral agents: corporations do not vote and are not drafted, but executives in corporations think and deliberate over goals, strategize realization of goals, and accordingly make decisive choices. Hence, both corporations and executives are accountable (Donaldson, 1992). That is, corporations and executives can control their actions, make rational decisions, make reasoned choices and, thus, can be held accountable for the choices they make. For further discussions, see De George, 1990, pp. 97–107; 1995, pp. 122–133; Donaldson, 1992, pp. 18–34; French, 1979, 1984; Goodpaster & Matthews, 1982.

4. We cite *Nicomachean Ethics* (NE) written in Greek (and as translated by Terence Irwin in1985) by Aristotle, a Greek philosopher (384–322 BC), a pupil of Plato, and tutor of Alexander the Great. In 335 BC, he founded a school and library (the Lyceum) just outside Athens. His surviving works, in the form of dry lecture notes, constitute a vast system of analysis treating a wide variety of subjects such as logic, physical science, biology, zoology, psychology, astronomy, metaphysics, ethics, politics, and rhetoric. In reasoning, he established the inductive method. In metaphysics, he argued against the mystical speculations of Plato, whose Theory of Forms he rejected. For Aristotle, form and matter were the inseparable constituents of all existing things. As an empirical scientific observer, he had no rival in antiquity.

5. Commenting on *Nicomachean Ethics* of Aristotle, Thomas Aquinas (1964, Vol. 1, pp. 175–176) writes: "A thing is involuntary on two counts: one, because the movement of the appetitive power (will) is excluded – this is the involuntary resulting from violence – the other, because mental awareness is excluded – this is the involuntary resulting from ignorance […]. The forced action is one whose principle is from outside […] however, not every action whose principle is from the outside is a forced action but only that action which is derived from an extrinsic principle in such a way that the interior appetitive faculty (will) does not concur in it. This is what he (Aristotle) means by his

statement that a forced action must be such that a man contributes nothing to it by his own appetitive faculty. A man is here said to be an *agent* (*operans*) inasmuch as he does something because of violence and a *patient* inasmuch as he suffers something because of violence."

6. "It is sometimes hard, however, to judge what [goods] should be chosen at the price of what [evils], and what [evils] should be endured at the price of what [goods]. And it is even harder to abide by our judgment, since the results we expect [when we endure] are usually painful, and the actions we are compelled [to endure, when we choose] are usually shameful. That is why those who have been compelled or not compelled receive praise and blame" (Aristotle, 1985, p. 55).

7. This was also the preoccupation of Marx's one-time teacher, George Hegel (1770–1831). The English Economists, particularly Adam Smith (1723–1790) and David Ricardo (1772–1823), seemed to offer some insight: the economic development of a nation is deterministic; it can be predicted, and laws verified about it, as is the case with natural physical phenomena. In 1844, Marx and his friend, Fredrich Engels, who also confirmed and supported his revolutionary ideas, protested that the laws that rule an economic system escape all human control. Social reforms cannot be achieved without attacking the very roots of social evil: the existing political economy. The present economic system has already and inescapably determined human beings; they have lost their freedom, and with freedom, responsibility.

8. Dietrich Bonhoeffer, the son of a famous German psychiatrist, was born in Breslau in 1906. He studied in Berlin and New York. His political activities in the Resistance during the early years of the Second World War led to his arrest by the Nazis on April 5, 1943. He was hanged in April 1945. Much of his life of struggles as a teacher, father, and statesman is reflected in his writings, especially in ***The Cost of Discipleship*** (SCM Press, 1948) and ***Ethics*** (MacMillan, 1955).

9. In fact, for Dietrich Bonhoeffer, conscience is the center of responsibility. It is the source of response to value. Conscience is our spiritual instinct for self-preservation arising from the urge for complete unity and harmony within us. Conscience "makes itself heard as the call of human existence to unity with itself [...] it protests against a doing which imperils the unity of this being with itself" (Bonhoeffer, 1955, p. 211).

Epilogue

Corporate Cosmic Spirituality for Today

Executive Summary

Every human being is spiritual and has spirituality, whether it is existential and subconscious or reflective and explicitly conscious. The existential subconscious level of spirituality informs and empowers our conscious decisions, choices, and actions. In this sense, spirituality is the continuous line of action that fashions our personal and collective human and cosmic identity. Despite our native spirituality that unites and harmonizes humanity, we also experience the fallen nature of the human heart and the resulting brokenness of human relations as the major cause of crises in our lives, families, corporations and nations, and now the life-threatening ecosystems that form our common planetary home. Hitherto, we have falsely presumed that the earth and the universe are for the use of mankind – an anthropocentric concept of ecology and sustainability. Hence, we are on the verge of destroying the planet. We need planetary ethics and cosmic spirituality to change our mind-set – from anthropocentricism to cosmocentricism and from being the conqueror of nature to being a caring partner of nature. This is the essence of corporate cosmic spirituality. Human spirituality in general and corporate executive spirituality in particular seem to be the best way to understand and offer a way out of the personal, communal, and planetary disorders of our age. This concluding note of this book is a summons to all corporate executives to rise to the call of cosmic spirituality.

Introduction

The central thesis of *Laudato Si, an Encyclical on the Spirituality of Sustainability issued by Pope Francis on May 24, 2015*, is that the fallen nature of the human heart and the resulting brokenness of human relations are the cause of the crises in our lives, families, nations, and now, the life-sustaining ecosystems that form our common home. The document focuses on the heart of man and the disorders of our age. Pope Francis stresses the link between human and environmental crises, which he says "are ultimately due to the same evil: the notion that there are no indisputable truths to guide our lives, and hence, human freedom is limitless." In other words, Laudato Si' follows the arc of salvation

history to understand and offer a way out of the personal, communal, and planetary disorders of our age.

Today, many people do feel a deep sense of ecological commitment that has been awakened by observing how our planet is fragile and threatened. The effect of this observation of planetary fragility is not only a sentiment of responsibility but a call to act in a responsible way. In this transition from inner feeling to concrete ecological action, we need our rationality. We have to conceptualize our intuition, make a trade-off between different aims and allocate time and scarce means. But what is clear is that there is a spiritual sense of responsibility that precedes the stage of rational conceptualization and implementation.

What is Corporate Spirituality?

Spirituality cannot be captured in one standardized definition. Spirituality is a rich, intercultural, and multilayered concept. As a guideline, Zsolnai (2015, p. 4) proposes a working definition (developed by the European SPES Forum): spirituality is people's multiform search for the deep meaning of life that interconnects them to all living beings and to "God" or Ultimate Reality (European SPES Forum 2014).

"It is reasonable to think that every human being has a spirituality" (Haight, 1987, p. 21). According to Roger Haight (1987, p. 22), "the term spirituality can be understood on at least two levels, the one existential and the other reflective and explicitly conscious. On the first and the deepest level of action, spirituality is constituted by the conscious decisions and actions that make the person to be who he is or she is; spirituality is the continuous line of action that fashions a person's identity. On the second reflective level, spirituality refers to a theory or theoretical vision of human life in terms of the ideas, ideals, and ultimate values that should shape it. These two levels constantly interact in the thinking person."

Human spirituality is a phenomenon beyond legality, ethics, and morals; and beyond any ethical theory or paradigm. Spirituality is beyond any exercise, regime, program, regimen, project, or enterprise. It is something internal and intrinsic to humankind arising from being created in the "image and likeness of God." It is a gift from God by which we participate in the love, sanctity, and divinity of God. Spirituality is native to us, inborn in us, as also cultivated by wisdom and virtue, renunciation (tyaga) and service (seva), integrity (dharma), and holiness.

The central claim of *The Spiritual Dimension of Business Ethics and Sustainability Management* (Laszlo Zsolnai, ed., 2015) is that both business ethics and sustainability management require spirituality as a foundation. Without spiritually motivated actors, ethical business initiatives and pro-environmental activities can become ineffective and meaningless, and sometimes even counterproductive and destructive. That is, we need spirituality.

Spirituality is the science of the heart. When we learn to connect with it we will find that everything is there. Most amazingly, we find out that we are all

connected to each other through our hearts. When we tune ourselves to the same frequency, we will be in the same wave length, same page, same cosmic space, and journey where we are all one. When we have less resistance in our hearts, we let go and become a part of that journey. Then, we become unified as one single entity, in one cosmic flow of love and forgiveness, harmony, and solidarity with nature.

Corporate Ethics Is Not Enough

Business ethicist Luk Bouckaert (2015, p. 20) argues that a more spiritual approach to business ethics is needed and that business ethics needs a spiritual foundation. The basic reason is that people – due to the current crises – have lost confidence in institutions and institutional leadership. Institutions are part of the problem and not just the remedy for restoring a sustainable future. If we have to reshape our economic, political, and religious institutions, we need something that has deeper roots than our institutional settings.

Unless leaders in the academic community as well as in corporate, consulting, regulating, and advisory bodies actively focus on motivating and inspiring decision makers to supplement their traditional success criteria with spiritual-based perspectives, business ethics will continue to deal more with non-ethics than with ethics; CSR will continue to emphasize the protection of corporate reputation and success rather than responsibility to broader constituencies; and sustainability will continue to focus on promoting conditions and technologies that enable business growth rather than the maintenance and improvement of the "common good" – including embracing constituencies that lack voice, such as nature and the yet-unborn (Pruzan, 2015a).

There have been significant developments in the broad fields of Business Ethics, CSR, and Sustainability, referred to collectively in the sequel as B-C-S. In the relatively short period of time of roughly 30–40 years, observes Peter Pruzan (2015a, 2015b), all three fields have been characterized by a movement from philosophical reflection and critical perspectives on organized commercial activity, to disciplines characterized by their own vocabularies, measures of performance, university curricula, professional journals, consultancies, nongovernmental organizations, international organizations, and reporting systems.

Some realities, including intangibles such as justice, beauty, serenity, love, and respect, but which do not readily lend themselves to economic measurement, have shown rapid developments from the metaphysical to the physical and from the intrinsic to the extrinsic. Philosophically deep concepts such as ethics, responsibility, and sustainability, each pregnant with significance for reflection on the human condition, have been operationalized and reduced to indicators and variables that can be measured, evaluated, and reported. We should avoid this problem particularly with the concept of spirituality.

Pruzan (2015b) emphasizes the fact that unless a leader's behavior is grounded on existential inquiry that leads to self-knowledge, ethics, no matter how it is taught or what ethical codices are developed to guide behavior in

organizations, will continue to succumb to the demands of economic rationality. Scandals will continue to anger and frustrate us no matter how much focus our business schools place on business ethics and how many Green Papers are developed to promote corporate social responsibility.

On Corporate Spiritual Leadership

The evolution of a spiritual-based leadership implies not just a transformation of the teaching and the practice of leadership, but also, and more fundamentally, the transformation of the individual leader's mind-set. What is required is a consciousness that resonates with a conviction that a precondition for the long-term success of purposeful, organized mercantile activity is spiritual-based leadership and not just the pursuit of material gain (Pruzan, 2015b). Scholars and theoreticians must face the challenge of developing vocabularies, perspectives, and research methods that can support leadership that is spiritually based. Instead of a focus on deliberate and willed action that is considered to be the result of logical generalizations and prescriptive principles, this implies a focus on the emancipation and empowerment of inner guidance and embodied knowledge, leading to a shift in consciousness and conscience. Business schools and other institutions of higher learning must face the challenge of integrating spiritual-based leadership in their educational programs without pragmatically reducing it to an instrument of economic rationality – of developing and mediating a leadership paradigm that cannot be taught but which must be accessed via the emancipation of embodied knowledge (Pruzan, 2014).

According to Pruzan (2015a), the concept of spiritual-based leadership is emerging, if not mainstream, as an inclusive and yet highly personal approach to leadership. This concept integrates a leader's inner perspectives on identity, purpose, responsibility, and success with one's decisions and actions in the outer world of business. Spiritual-based leaders are nourished by their spirituality, which is a source within them that informs and guides them. They search for meaning, purpose, and fulfillment in the external world of business and in the internal world of consciousness and conscience. Their external actions and their internal reflections harmonize so that rationality and spirituality are mutually supportive (Pruzan, 2011).

If the business ethics paradigm of moral self-regulation through stakeholder management and CSR programs is not sufficient to overcome the contradictions in our economic system, what can business ethics offer in this context of uncertainty and distrust? Luk Bouckaert (2015, p. 18) responds: we can choose to continue our reformist role within the system as we have done up to now, or we can distance ourselves, apply self-criticism, and try to transform our way of looking at things. The latter route was followed by Socrates in Athens, Lao Tzu in Ancient China, and the Prophets of Israel. Referring to a more recent example, in his *Guide for the Perplexed*, Ernst Schumacher (1977) also did the same toward the end of his life. In all these writings, we will not find grand theories of leadership and ethics but thoughts about the spiritual way to wisdom,

leadership, and shared responsibility for the common good. Instead of founding business ethics in the grand rational theories of modernity, such as utilitarianism, Kantianism, and social constructivism, we could find inspiration in the older spirit-driven philosophies of life and community. They can be very helpful with rediscovering the difference between the "ratio" and the spirit as faculties of the human mind. Modern philosophy and education have prioritized human rationality at the cost of spirituality. Along with many others, I believe that it is time to restore the balance between rationality and spirituality and to revitalize our faculty of "spiritual intelligence" as a source of wisdom in management and leadership.

Reflection-based Corporate Spirituality

The word "reflection" comes from Latin *reflectere*, meaning to bend back. Reflection implies turning back on oneself to review and assess one's life, actions, and decisions and one's outcomes and achievements. In an organizational context, reflection also means reviewing and learning from an organization's past of deliberations, choices, selections, strategies, implementation, prediction, monitoring, control, and subsequent performance. Boyd and Fales (1983, p. 100) define reflection as "the process of internally examining and exploring an issue of concern, triggered by an experience, which creates and clarifies meaning in terms of self, and which (potentially) results in a changed conceptual perspective." Reflection, accordingly, should lead to new understandings and appreciations (Boud, Keogh, & Walker,1985). Reflection involves "bending back" upon oneself to take stock, question, and assess one's experiences (Barell, 1995; Moberg, & Calkins, 2001).

Reflection does not have to be "retrospective" or "self-reflection" as implied by the above definitions. It can be synchronous or contemporary (Schön, 1995) reflecting on current issues of concern, and even "prospective" or anticipatory (Perkins, Jay, & Tishman,1993). Whether retrospective or introspective or prospective, reflection is interpretative – it reviews and interprets and reinterprets one's experiences with self, organization, or the world of society and environment. Objective and unbiased reflection or self-insight can be positive (Hixon & Swann, 1993) and can empower one to eliminate some negatives of one's past individual or organizational life such as impulsivity (Wilson et al., 1993), aggressiveness, fraud, corruption, and unethicality (Weick, 1995). However, being a largely personal process, one could also be deluding, self-deceiving, and condoning one's evil past (Kottkamp, 1990, 2000). But when objective, unbiased, and striving for goodness, reflection can be healing, remediating, and help discerning good from bad, fair from unfair, right from wrong practices, or experiences of the past. Sincere reflection can empower us to reorganize our resources and realign our priorities for the future (Shapiro & Reiff, 1993). Reflection then can be a positive, transforming humanizing, and spiritual experience.

Is Interfering with Human Nature "Playing God" and Hence Morally Problematic?

Think of nature rather than what is natural. Trees, grass, birds, forests, animals, mountains, rivers, and the like that we see and enjoy in the countryside are natural; they are not affected by people. Humans, however, are part of nature, part of the natural world just as kangaroos and polar bears are. But are some human interventions such as crops and irrigation, dams and aqua ducts, game hunting and fishing, mining for minerals and clearing forests for road-construction, gardening and landscaping for beauty and building parks for recreation, and the like – are we interfering with nature, and so unnatural? Are we moving into God's domain? Is interfering with nature natural for humans? Are technology and human skills that do it destruction or "enhancement" of nature? Of course, when we overdo it we harm nature ecologically and jeopardize sustainability.

If humans are part of nature, and all other nonhumans are part of the same nature, then what we naturally do is similar: birds build nests while humans build houses; beavers build dams out of trees and sticks, while humans build dams with rocks and concrete. Houses and concrete dams are just as part of nature as nests and beaver dams are (Weckert, 2016, pp. 89–92). However, since humans have free will and autonomy that animals do not have, they have to be responsible for what they do. This is the way we evolved. Kangaroos evolved with strong tails to jump and we evolved as bipedal erect locomotives that enabled our prognathic face to reduce and move backward to make room for the brain to grow with a decision-making capacity that makes us autonomous.

In this sense, humans and nonhumans have no choice but to interfere with nature (or cooperate with nature) in order to survive. However, now that we have earthmoving technologies and human enhancement biotechnologies, our responsibilities increase and need to be reassessed in light of these new situations. In the areas we have control, we have choice, and with choice, responsibility. In the areas we have no control, we have chance, and less responsibility. As Ronald Dworkin (2000, p. 444) wrote: "the crucial boundary between choice and chance is the spine of our ethics and morality, and any serious shift in that boundary is seriously dislocating." In the past, this boundary did not shift dramatically but now it has (Weckert, 2016, p. 94).

Formerly, flooding, droughts, famine, and the like were considered to be acts of God and we could not play God in controlling them. Today, with major dams, we can control all of them to a certain extent – the boundary between choice and chance has changed, and human responsibility is no longer narrowly circumscribed. When boundaries and responsibilities change, decisions and choices must be made in situations where previously none were necessary. The situations of interest are those where no human decision-making was possible but now it is (Weckert, 2016, pp. 94–95).

The current field of geo-engineering and its impact on climate change and its difficulties of gaining international cooperation in dealing with it offers more pertinent examples. Consider solar radiation management also called albedo modification. We are told that by shooting sulfate particles or other chemicals

into the upper atmosphere to stop some of the sunlight from reaching the earth, the increase in temperature could be slowed, or the temperature held stable or lowered. According to Ken Caldeira, a climate scientist at the Carnegie Institute for Science at Stanford, this is what volcanoes do. He observed that the 1991 Mount Pinatubo volcano in the Philippines spewed lots of small particles high in the atmosphere, and the next year the earth cooled, despite continuous rise in greenhouse gases (Caldeira, 2015). Not only is this process relatively simple, inexpensive, but with quick desirable results. However, tampering with high atmosphere could cause droughts or affect trees and crops causing food shortages or contamination. This is the price of "nature enhancement."

Regarding "human enhancement," we hear about new advances: from organ transplants, we are now moving to body transplants and head transplants (Thomson, 2015). Thus far, we have never been able to choose our bodies. But we have been already modifying our bodies in parts through prostheses, various implants, sex-change, growth hormones, and the like. But changing the whole body (with or without head) to make it stronger, more tanned, more masculine or feminine, a race-change, gender change, species change, and immortality are something new with new alteration or enhancement biotechnologies. Some of these body-transplant interventions can be considered treatments when one's body gets diseased or too old, but most are human enhancements, as the latter change self-identity, self-autonomy, determination, and responsibility. Even if biotechnologies that could make body and head transplants feasible and affordable one day, they raise serious moral problems. They willfully change the boundary between choice and chance, to use Dworkian terms, and our bodies would be matters of choice and not chance or dependent upon God. Given the many unknowns, it is not clear if we have the competence to make good decisions, unless we choose to play God or choose to create a Frankenstein monster. However, as Coady (2009, p. 179) opines, the charge of playing God may be an intrinsic moral objection to the idea of changing human nature.

Ignatian Spirituality: Finding God in All Things

The Society of Jesus, an organization more than 478 years old, founded by Ignatius of Loyola (1491–1556), whose major work, the *Spiritual Exercises* (SE), is the foundation for Ignatian or Jesuit Spirituality. Developed after a conversion experience and a long period of renunciation and meditation, the Exercises are a multifaceted, contemplative, personal, and religious activity that is typically conducted over a protracted period of time.

The SE of Ignatius are structured to enable one "to conquer oneself and regulate one's life without determining oneself through any tendency that is disordered" (Fleming, 1991, no. 21). The chief aim of the Exercises is to help the one who does them (traditionally called "the exercitant") attain greater spiritual freedom. They do this by challenging the exercitants to look at their final end (telos) and the behaviors, habits, and values that lead them toward or away from that final good end. In practice, the Exercises are typically undertaken in solitude

and silence – that is removing oneself or "retreating" from others. The retreatant usually starts meditating on the so-called principle and foundation – an exercise that makes us consider the overall purpose of human existence and the individual's relationship with the transcendent and immanent God. At this point, the exercitant begins to look beyond a narrow self-interested set of desires to the overarching purpose of one's life, being and becoming. The exercitant also begins to scrutinize one's relationship with God and the proper responses to God's creative designs. From the start, the SE encourage purposeful reflection on the relationship between one's everyday activities and the end or set of ends associated with those activities.

One of the fundamental principles of Ignatian spirituality is to "to seek and find God in all things." In Spanish: *"La presencia de nuestro Señor en todas las cosas*." According to Ignatius, this formula came from God in two ways: (1) through his great and personal mystical life and (2) the Trinity whose vision Ignatius experienced throughout life gave him this formula and confirmed it many times thereafter. Hence, Ignatius expected all his followers to tread the same path of seeking God in all things in order to better serve and love him.

Ignatius made this dynamic formula the central principle of religious and spiritual life, and thereby gave his own order a unique spirituality and the lay people an anxiously awaited method of unifying one's faith with one's everyday living. "If God isn't here, then God isn't anywhere." If God is not present in your day-to-day work and struggle and fun, in your emotions and discoveries, and even in the incidental things that happen, then why should you invest so much time and energy trying to get to whatever place God inhabits? This isn't a form of pantheism – of believing that God is in everything all the time. The idea of finding God in all things points to the love and grace of God that find us no matter what we're going through and no matter what shape we're in.

Concluding Remarks

"Life is short and we are simply passing through here. We cannot stay. It is therefore essential that we find guides whom we can trust and who can help us discover and realize our higher purposes in life before it is too late. We can channel our deepest creative impulses in loving ways toward fulfilling our higher purposes, and help evolve the world to a better place" (John Mackey, CEO, Whole Foods in Mackey and Sisodia (2014), *Conscious Capitalism*, p. 7).

We need something that can restore a sense of shared meaning, responsibility, and purpose. This "something" is what we may call spirituality. Spirituality as far as it is defined as an introspective and purely individual search for meaning and happiness may not take us too far. This search of individualized spiritual wellness is fine, but will not suffice as a lever for social and institutional change. That is, we should not reduce spirituality to a hermit's enterprise. As a personal and individual experience, spirituality has the power of reconnecting the self from within to all living beings and to the inner source of life. Because of this capacity of reconnecting people, spirituality has a strong social and public good

character and is linked with the practice of value-driven leadership and with a deep sense of social responsibility. Without the involvement of intrinsic motivation, corporate ethics may be reduced to being an instrument of reputation and risk management and any genuine moral commitment is lost. Spirituality should therefore be promoted as a public good and a public virtue in any private or public organization. This is spirituality-based leadership with a deep sense of social responsibility.

There is always the risk, however, that this intuitive knowledge will be crowded out by a dominance of rational and pragmatic knowledge that is much focused on problem-solving and controlling our environment. When we observe the wisdom and practice of spiritual-based leaders in history and modern times, we discover that the openness of their minds is always related to a great sensitivity to the vulnerability of life and future generations. Their spirituality is embedded in a deep sense of social responsibility that drives them to action and into being aware of having a historical mission to accomplish. It is this openness of mind, linked to the idea of a historical mission, which forms the motivational and psychological basis for spirituality-based cosmic leadership.

In this book as well as the one that preceded it, we have outlined a journey of ethical, moral, and spiritual corporate executive leadership. The first book described in detail the context of turbulent markets and their challenges that the corporate executives must confront in their day-to-day decisions and strategies. This second book has provided the arsenal of ethical, moral, and spiritual theories, principles, rules, and standards that can inform, form, and transform corporate executive decisions, strategies, and their consequences. Empowered corporate executive ethical life is a lifetime mission, vision, and journey that must be traveled together with others in the organization, with all its stakeholders, with all people, and especially, with close partnership with nature – this is the call of cosmic spirituality and sustainability.

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