

## Whither Business Ethics?

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# WHITHER BUSINESS ETHICS?

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Two caveats before I gaze into the future of academic debates on ethics and the economy.

First, I will focus on a particular subset of issues in the ethics-economy nexus: the one badly served by the rubric “business ethics”. This label is misleading because for almost anyone — lay people, philosophers, management scholars — it focuses attention immediately on the virtues, vices, and dilemmas of *individual business people*. The field I will be discussing here does indeed address those “micro-level” ethical concerns. But the best work in this interdisciplinary domain will not tackle these issues without engaging in “midlevel” theorizing about the institutions central to contemporary commerce: corporations and other kinds of businesses, non-governmental organizations (NGOs), professional associations, state regulatory agencies, and the like. And, of course, we would expect that the very best analysis of issues at these two levels will also be informed by “macro-level” theorizing on political economy and theories of justice and democracy to evaluate the market systems and political systems within which those midlevel institutions need to be justified. Roughly speaking, in a “well-enough-ordered” society, a business person’s conduct should be guided in large part by the rules and norms of the organizations they work for and deal with; where the rules of those organizations are structured or constrained by the design and regulation of markets (including rules about influencing the rule-makers); and where those designs of markets and political and regulatory processes are, in turn, sanctioned by a reasonably just constitutional order. “Business ethics” is concerned with how norms, rules and regulations at all these levels (extending internationally as well) are justified; but also with “beyond-compliance” norms that demand either violating existing rules or acting in ways that go “above and beyond” what they require<sup>1</sup>.

As I have written elsewhere, given this agenda of issues, the term “business ethics” is probably as inappropriate for this field as the term “political ethics” would be for the whole field of political philosophy. Yet like political ethics (say, of the sort we find in two recent works on democratic politics, Rosenblum 2008 and Gutmann & Thompson 2012) — and unlike much of normative political economy — business ethics is tethered to the institutions, norms, and feasible op-

tions for action or reform in *our* world. It can and must draw upon abstract justificatory principles, but it does so with an aim of justifying or criticizing the status quo and proposing plausible ways of improving it.

I will suggest that business ethics, as a field, is passing into a *crisis* phase. And part of the explanation for this crisis is that theorizing at *any* of the three levels mentioned tends not to be well connected to theorizing at *the other two* levels.

The second introductory caveat is that attempting to make confident predictions of the sort sought by the editors is obviously a mug's game. Prognostications offered up by philosophers, typically at the turn of a decade, are not much more reliable than those peddled by storefront fortunetellers; and subject to many of the same cognitive biases. The agendas of our fields are highly influenced by big external events, movements, and demographic shifts (think of the impact on political philosophy by the mass expansion of the university system in North America and elsewhere in the 1960s and 1970s, by the rise of feminism in the 1980s, or multiculturalism in the 1990s; or by the Vietnam War, the fall of the Berlin Wall, or 9/11), as well as by the whims of taste and trendiness within our professional groups.

That said, periodic academic crystal-ball-gazing remains a worthy exercise: it is less of an occasion for predicting as it is for dreaming. Which debates ought we to wind down? What new kinds of research or analysis would lead the still-vibrant debates in a more fruitful direction? What terribly important issues have we been woefully neglecting? We can at least *dream* that the field will actually develop in ways consistent with the best answers to these questions. But the best we can hope for is that the exercise serves some of the therapeutic function that keeps (obviously non-psyched) neighborhood fortunetellers in business.

## **WHENCE BUSINESS ETHICS?**

To get a sense of where the field of business ethics might ideally go, we need to take stock of where it has come from and where it is now. In obvious ways, moral and political thinkers have since ancient times addressed some normative business issues at the micro-, mid-, and macro-levels. But the framing of these issues under the rubric of “business ethics” is quite recent. There is no article, or even index entry, on “business ethics” in Paul Edwards’s field-defining, eight-volume, *Encyclopedia of Philosophy* (1967). We owe the existence of self-described business ethicists to institutional pressures and pedagogical needs within universities — especially business schools — in the late 1970s and 1980s. Although business ethics has been intermittently part of the curriculum of American business schools since the early twentieth century (see Abend 2011), the oldest of the current textbook franchises (many in their 7<sup>th</sup> editions or beyond) dates from 1979. The authors and editors of these textbooks are widely seen as the “founders” of the field, and most were philosophy professors before transitioning to business schools. The three main journals, and the three principal scholarly societies in North America and Europe, all debuted between 1980 and 1992.

The agenda of this field has been driven to an unusual degree by the demands of professional schools, rather than, say, by flights of intellectual curiosity or the quest for truth. Business schools and philosophy departments rarely offer more than an introductory course in business ethics, and there are still only a few business schools seriously facilitating doctoral studies in business ethics or a closely related area like corporate social responsibility (CSR). This kind of setting favours work that focuses on *micro-level* decision-making and *midlevel* organizational design and management — especially when the conceptual frameworks can dovetail with those used in other managerial disciplines. And it surely *discourages* theorizing that is more comprehensive, foundational, or skeptical. Within business schools, that kind of theorizing is politely said to be operating at “30,000 feet”, rather than “where the rubber hits the road”. In short: business ethics, especially as it is developed within business schools, generally does not link up in a systematic way with political philosophy.

### WHY BUSINESS ETHICS?

But it must also be said that political philosophy, as practiced in philosophy or political science departments, even more rarely tries to “link down” to business ethics. Indeed, it almost never gets even to theorizing about midlevel institutions like business firms, corporate law, or regulatory agencies. There is, of course, an enormous body of mostly-empirical scholarship in law, economics, political science, sociology, and public policy on these issues. But the complete absence of this scholarship in the bibliographies of celebrated recent books on justice and democracy suggests that many political philosophers are not especially concerned with evolving rights and duties for the owners of capital (the central function of corporate law) or with the complex, and sometimes nefarious, webs of relationships between business and government<sup>2</sup>. I don’t believe I have ever seen a single article in the modern era (post-1980) of the journal *Ethics* that grapples with the nature of the corporation, especially as this is worked out in *theories of the firm* that have grown steadily in sophistication since the 1930s and which underlie corporate law and the norms of corporate governance. *Philosophy & Public Affairs* seems to have published only one article since the 1980s that even mentions the theory of the firm (Heath 2006b). Lay people recognize the fundamental importance of the corporation in contemporary society, and popular views about corporate social responsibility challenge the dominant theories of the firm that are entrenched in corporate law. But political philosophers who are quite willing to weigh in on public policy and institutional design issues arising almost anywhere in public-sector institutions (concerning elections, education, health care, immigration, minority rights, marriage, preventive detention, torture, drones, etc.) have mostly eschewed theorizing about private-sector institutions, or even the regulation of these institutions. There has (arguably) been only *one* article published this millennium in the two journals name-checked, above, on a business ethics topic (Pettit 2007).

Of course, I am not suggesting that there are *no* scholars within the business ethics community who are working to integrate micro-, mid-, and macro-level

normative theories. We surveyed some of these trends in a recent article I co-authored with Joseph Heath and Jeffery Moriarty entitled “Business Ethics and (or as) Political Philosophy” (2010). There is, however, a lacuna of top-notch work in political philosophy in that gap between the still-mostly-abstract theorizing about justice and democracy, on the one hand, and the evaluation of regulatory policy, governance, and beyond-compliance norms for corporations, business leaders, and others in the world of commerce, on the other.

*Would I bet that over the next ten years business ethicists and political philosophers will be rushing in to fill this lacuna? Only if I could bet the way Wall Street sometimes seems to: using the house’s money. That said, this is a domain in which I would not hesitate to recommend topics for graduate students. There is much fertile and untrodden terrain available. If these issues have been invisible in *Ethics* and *Philosophy & Public Affairs*, this is explained in part by the fact that philosophers who *have* written articles worthy of those journals have sent them instead to their most widely read field journals (*BEQ* and the *Journal of Business Ethics*). Academic trends and “world events” may now favour an opening up of the agenda for political philosophers. The world of post-*Citizens-United* electoral politics in the US may well prompt democratic theorists to pay more attention to the special nature of “corporate moral personality”, to the hyperactive interface between the worlds of politics and business, and to the fact that democratic and bureaucratic decision-making is at least as much concerned with the agencies of the *regulatory* state as it is with those of the *welfare* state.*

## **BUSINESS ETHICS WOES?**

I hinted at the outset that the field of business ethics might very well be in the midst of a crisis, one still largely unnoticed by many of its practitioners. For a field that is about three decades old — and in which *there has been much progress on normative, methodological, and conceptual issues* — the fact that it has yet to prove its worthiness, so to speak, to the wider community of moral and political philosophers is surely one reason for concern. But of course it is an interdisciplinary field, not merely a branch of moral philosophy, so this is not the only place it should seek wider recognition. Yet it also seems to be failing in many business school settings to convince colleagues, deans, and donors of its rigour and vitality. The evidence for this is more anecdotal, to be sure. But there are still very few business schools with more than one tenured or tenure-stream faculty member whose primary research interest is in business ethics; and many of the founding chairs in business ethics are not being replaced when they retire. There are still virtually no PhD programs within business schools to train business ethics specialists<sup>3</sup>. This tangible lack of “respect” from philosophers and political theorists, on one side, and business school deans, on the other, is the “institutional face” of the crisis for business ethics.

As I have hinted already, I think that at least some of this lack of respect might be deserved — or at least explicable — given the evolution of the field. I discuss at length in two entries in the forthcoming *International Encyclopedia of Ethics*

(in “Business Ethics” and especially “Stakeholder Theory”) what I believe to be some intellectually unpromising or exhausted research projects that have consumed far too much attention in the field. But in the interest of looking forward, rather than backward, I shall not rehearse those arguments here.

## **WHERE TO, BUSINESS ETHICS?**

If we are casting about for worthy projects for the next decade, political philosophers and business ethicists alike might take a closer look at both the appeal and the shortcomings of the best exemplars of something like the “Chicago School” approach that is firmly entrenched in mainstream corporate law, finance, strategy, and even regulatory policy. At the very least, this approach demonstrates a way of grounding micro-level business ethics and midlevel corporate governance in theories of the firm and a macro-level justification of markets and government regulations. But as Heath, Moriarty and I (2010) suggest in an outline of such an intellectual agenda, there are numerous normative presuppositions (e.g. a background utilitarianism) and simplifying assumptions (e.g. about the distinct and isolated roles for business and government) that we philosophers would want to challenge. Our bigger challenge will then be to piece together a more normatively sophisticated theory that matches the current orthodoxy’s quest for empirical “realism” as well as its comprehensive integration of what I have been calling micro-to-macro-level normative theorizing involving the central economic and political institutions of our day.

Two final semi-predictions. I have described one direction for future work by political philosophers or political theorists within a domain called “business ethics”. There are plenty of other worthy, if less grandiose, projects in business ethics that could well blow up in the next decade. Business settings provide excellent “laboratories” for both data-collection and ethical analysis useful to several currently hot movements in “naturalistic ethics”. Moral and cognitive psychologists, evolutionary biologists, behavioural economists, neuroscientists, and experimental philosophers are all seeking to understand what makes individuals act ethically or unethically in different settings. These findings generally undermine the folk psychology that lies behind both (a) the default “virtue ethics” frameworks for many academic and most non-academic understandings of why, for example, seemingly good people do bad things at work (see Bazerman and Tenbrunsel 2011); and (b) assumptions about rationality, motivations, and incentives common to the most simplistic applications of agency and rational choice theory (see Brennan and Pettit 2004, Heath 2009). I also detect a resurgence, for the first time since the 1980s, of philosophical studies attempting to make sense of the chains of individual and collective responsibility in large hierarchical organizations (see Isaacs 2011); and this too promises to produce more subtle discussions of moral responsibility in business contexts.

I have no idea what will happen to the field of business ethics in business schools. It is no part of my argument that business school faculty in this domain should be doing the “30,000-foot” theory construction I recommend for moral

and political theorists. It is just a fact that business schools are largely responsible for the continued existence of the field of business ethics, and for much of its agenda of issues; and this setting has not favoured philosophically sophisticated foundational work. I would not be surprised if ethics and CSR courses in business schools evolved to be much more empirical and practical, the way courses in organizational behaviour, leadership, and business law are today. Perhaps they will come to fill the following peculiar lacuna in the business curriculum today: “Ethics and Compliance” departments have grown exponentially in corporate America and elsewhere over the past two decades, but a typical MBA student will not sit through a single lecture, let alone a course, on how to design or manage such a department. CSR and sustainability offices are also expanding in large corporations, and there are more and more courses and MBA programs that offer training for these tasks. In the future “business ethics” in business schools may well evolve into these areas where the “rubber hits the road”.

So if the field is to survive as a comprehensive attempt to evaluate markets, firms, regulations, and beyond-compliance obligations — even if under a less misleading name than “business ethics” — moral and political philosophers may have to pick up the slack.

## NOTES

- <sup>1</sup> To give a quick and dirty ostensive definition: “business ethics”, in this sense, is the interdisciplinary field circumscribed by the topics covered in the journal *Business Ethics Quarterly* and in, say, the *Oxford Handbook of Business Ethics* (2010). I present a much more detailed — and by no means uncontroversial — characterization of the field in my long umbrella entry “Business Ethics” in the forthcoming *International Encyclopedia of Ethics*.
- <sup>2</sup> This sweeping generalization applies less reliably to, say, libertarian and Marxist corners of political philosophy. But even here we typically find only abstract discussions of “the market”, property rights, and individual autonomy, but not of what goes on inside the black box of the modern business firm which radically changes the nature of those classic notions. John Tomasi’s refreshing new book *Free Market Fairness* pleads with both libertarians and post-Rawlsians to take the market seriously — but even he manages to do this without requiring index entries for “corporation”, “firm”, “corporate governance”, “agency theory”, or bibliographical entries for any of the scholars who theorize about these things.
- <sup>3</sup> Chris MacDonald tries to track this data on his Business Ethics Blog. His 2012 update is here: <http://businessethicsblog.com/2012/01/02/phd-programs-in-business-ethics-2012/>



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