

THE BUSINESS EXECUTIVE AS A FACILITATOR OF MORAL DEVELOPMENT

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Appeared in the *Wheeling College Annual* Spring 1986

The mention of business ethics often brings out the cynical wise crack, "Are there any?" Those who hold this attitude are like the attorney who got his client off on a technicality and lamented "I'm ashamed of living in a society that lets me do that." Just as there are attorneys who delude themselves into thinking that their only responsibility is to represent their clients and that injustice is the fault of society, there are business executives who believe that their only ethical responsibility is to maximize profits.

Albert Z. Carr wrote an article in *Harvard Business Review* several years ago in which he posed the crucial question for business ethics: "Can an executive afford a conscience?" (*Ethics For The Executive*, 1970) Some have argued that the executive's only duty is to do "whatever the law allows" to maximize profits. Carr answers the question by arguing that society cannot afford to have corporate executives who lack a strong ethical sense. This observation can be confirmed by looking at the news almost any day. The question of business ethics hovers over such issues as air safety, transportation and disposal of chemicals, and the side effects of pharmaceutical products. Recently there has been a flurry of corporate takeovers which disrupt lives and communities but which produce nothing real for the economy. The amount of energy spent in unproductive activity is symptomatic of a fundamental disorder in our national life.

If executives believe that their only duty is to make a profit within the limits of what society will let them get away with, then we can expect to see our society self-destruct. The urgency of the situation does not allow for either a cynical or permissive approach, both of which are based on the notion that business and ethics are incompatible. The survival and recovery of our economic system will depend on men and women in executive positions who know right from wrong and who are capable of taking a long-range view of what they are doing.

This paper will support the position that ethics and business values are not mutually exclusive. The integration of these two areas of human existence is possible and advantageous, although not free of risk and some failure. This is not a new idea but further support for a growing body of literature linking good ethics and good business management.

To an idealist, this project may seem like an attempt to sanction greed and salve the conscience of power-motivated executives. But while the ideas of business ethics may sound morally stunted to an idealistic person, they will probably sound idealistic to a morally stunted person. There are some who believe that anyone who is naive enough to be ethical will be weeded out by natural selection. Because of this kind of thinking, business leaders as well as educators need to be alert to the danger of yielding the field of business decisions to those who are oblivious or hostile to ethical principles. One of the goals of education is to overcome the dilemma by helping the ethical become survivors and the survivors to become ethical.

The dilemma itself results partly from an unnecessarily narrow and shortsighted view of both ethics and business. If part of the task of education is to formulate an adequate vision of reality, then it is imperative that undergraduate and graduate education in business create a vision large enough to include all the dimensions of the decision-making process including the ethical dimension.

The assumption of this paper is that morality in any area is a matter of development, i.e. that a person acts immorally because of a stunted or unreasonably narrow personal growth. The hypothesis is that the business executive can help to facilitate moral development within the company. This will be shown to be not only compatible with good business management, but an essential part of it.

Assume a person at any level in a business hierarchy who desires to act as ethically as possible. It would not be enough to maintain a high standard of personal morality in an otherwise amoral organization. There would be a need to nudge the organization toward a greater ethical awareness. To do this, an executive would have to become a moral educator to subordinates and superiors. Like education at any level, success would not be assured, and would seldom be dramatic.

The person just described will be referred to as “the ethical executive.” It is not unrealistic to suppose that such persons can be found at all levels of business unless the assumption is made that people who make a career in business are significantly less ethical than the general population. Ethical executives will probably have to settle for smaller changes than they hope for. But to bring about even a small degree of positive change, they need a strategy. This implies a clear goal and a set of objectives. The first step is to establish a model which can be modified by trial and error.

A good candidate for such a model is Lawrence Kohlberg’s concept of moral development. Although Kohlberg’s ideas were developed in the context of moral development in children, changing what must be changed, these same ideas can serve to locate and trace a person’s moral development beyond childhood. There are two reasons for saying this. The first is that people may enter adulthood at relatively low levels of moral development. The second is that many people operate at a lower level of development in their business life than in their personal life. Therefore a process analogous to that which is ordinarily seen in the moral growth of children can be recapitulated in the moral growth of business executives. The executives who subscribe to this view can use it to facilitate the growth of those with whom they come in contact as well as their own growth.

Kohlberg’s scheme is well known and often quoted. The description given here is taken from his 1981 book, *The Philosophy of Moral Development*. The intention is not to explain or interpret Kohlberg, but to adopt his ideas to a set of circumstances different from those for which his ideas were originally developed.

The first stage in Kohlberg’s scheme is the “Punishment and Obedience Orientation.” At this stage the child understands right action to be obeying authority and thereby avoiding punishment. At the second stage, “The Instrumental Relativist Orientation” good action is seen as that which brings some reward. To apply these stages to adults, who have attained decision-making positions in business, might require a translation in which punishment would take the form of demotion or dismissal, and reward would take the form of promotion.

The ethical executive would have the duty to make it clear and unmistakable to his subordinates that rewards and punishments depend on following a stated standard of ethics as well as business competence. This tactic obviously could not be used for people who are in a superior position of authority. In this case the ethical executive would have to make a different translation to make the senior executives aware of the danger of punishment in terms of law suits, government action, bad publicity, and such things that would hurt the company’s profits. Reward could be seen in terms of good publicity, larger shares of the market, increased efficiency and productivity, and increased profits.

This first set of tactics would be useful for those business associates who respond primarily to reward and punishment. The assumption is that adults, like children, respond only to factors which are on their own level or one level higher. Since there will inevitably be some business persons who think and act

only on the lowest level, the appeal to rewards and punishments must be included in the tool box of the ethical manager.

The third stage for Kohlberg is that of the “Interpersonal Concordance Orientation.” In this stage, which Kohlberg nicknames the “Good Boy Nice Girl” orientation, good behavior is seen as that which pleases others. In the translation to the ethical consideration of the adult business executive, this stage is best typified by the “good ol’ boy” image in which there is a strong fraternal sense among businessmen. (Some feminists have argued for the need to create a “good ol’ girl” network.) To understand what this level means in the present context, it is necessary to understand what moves a person from one level to the next.

According to Kohlberg, moral development results from crises. When the child faces a dilemma which he cannot handle at his present level, he is ripe for movement to a higher level which makes the dilemma manageable. These same dynamics can be seen in the situation of the business executive. The hypothetical person being described is a young person in the early stages of his or her career who does not apply adult morality to business situations, regardless of what level of morality is applied to other aspects of the person’s life. The person is single-mindedly pursuing success, and as stated above, sees right or wrong business decisions only in terms of what will help or hinder the climb.

Level three, in this case, would be attained when the young executives see the conflict between their desire to climb the corporate ladder and some other value which they hold dear or which is held dear by other people whom they love and respect. They would still be interested in success, but would experience a change in moral reasoning. Assume that, in the case being discussed, the criteria for promotion are based primarily on a person’s profitability to the company, and that actions which are considered unethical—in the sense that they violate the duty of the employee to the firm—would be punished. Actions which bring about negative legal or government action would be seen as harmful to the good of the company, and therefore punishable within the company’s system of rewards and punishments.

The crisis would come if, in spite of the level of ethics described, the young executives still find that there are important people in their lives who consider them less than honorable because these people disdain the goals and methods of the business world. They are aware that there is a current of thought which is anti-business and sees profit making as an intrinsically bad activity. The reward for profit making may now be tainted by the awareness of disapproval.

In this situation, the executives may find that their needs include approval as well as financial reward. They find this in a world-view which includes the idea that there is a need to make a profit because that is how the system works. If they cannot have the approval of everyone, they can at least have the approval of the business community which becomes the social group with which they seek concordance. They will want to be seen as competent, perhaps tough, but fair. They will understand what is expected of them by their employers as well as their competitors, and will be known to act in a way that makes them trusted.

The young executives are now operating at a moral level beyond mere reward and punishment and are concerned with the shared values of the business community. The ethical executives can facilitate this movement among the younger executives by making sure that they are aware of some of the negative attitudes toward business, especially if they are based on legitimate criticism. This development can be facilitated if they are made to know that ethical conduct is appreciated and that unethical conduct makes them outcasts. The goal at this stage is to develop a sense of professionalism and mutual respect without which business could not operate very efficiently.

Although stage three is a step up from mere reward and punishment, it has limits of its own. Although it is important to be accepted as part of a business community, problems arise because executives belong

to other groups as well. Executives are citizens, consumers, and inhabitants of the environment. In these roles they may have different attitudes on environmental or consumer issues than they might have if their only role in life were that of business executives. The recognition of real dilemmas and the ability to see many different and conflicting values, may enable the business executive to think at a higher level of ethics.

The higher level would see good behavior as that which is in conformity with the system of concepts which impartially mediates the conflicting claims; that is, it would lead to a greater respect for the law. This statement does not imply that all laws are fair and wise and that the legal system is without flaws and injustices. It is based on the assumption that the system of law is one under which business can live and struggle and is to be preferred to a break down of law.

Stage four is what Kohlberg refers to as the “Society Maintaining Orientation.” Whatever complaints the business community may have about the social order, regarding details, e.g. government regulation of business, it has a very high stake in maintaining the order. It has a world to lose if the social and legal structure were to deteriorate or collapse. The traditional political conservatism of the business community can serve as a basis for ethical behavior for some individuals, those who have reached the level at which they can see that their own long-range self-interest requires a loyalty and support for the structure which makes their quest possible. The concept of maintaining the social order can be extended to include a respect not only for the legal system, but also for the economic system and its laws. Extending this concept even further the “laws of ecology” may be included in maintaining the social order. An executive who thinks on this level of moral awareness would act on the recognition that there is “no free lunch.” If individuals take more from a system than they contribute to it, that system will not work for very long. The executive who has reached this level of awareness is interested in working in a balanced system and will reject the ethics of those who seek personal advantage by short-circuiting the rules.

For most business executives, this stage might be adequate for them to work and live ethically in their business lives. Others, especially as they move higher in the corporate structure, may find inadequacies in the system itself. This would most likely occur as they come in contact with persons from outside the system such as persons from Third World countries, or those groups and individuals within our society who for one reason or another are alienated from the system. Included among these are many Blacks, Spanish-speaking people, and women—people who think that the rules are unfair, that their own position in the system puts them at a disadvantage, and that the rules ought to be changed. Of course, not every member of these groups feels alienated, and not every person who feels alienated belongs to these groups. Displaced industrial workers could possibly emerge more and more as an “out” group who will pose a serious challenge to the structure of business institutions.

The business executive who is confronted by these groups may face dilemmas against which the existing system is inadequate. The executive who is exceptionally open-minded and courageous may see that social and economic laws are part of a larger system and are created by human beings. The ethical executive at this level continues to respect the laws and institutions, but sees their limitations and the need to make them flexible and expansive enough to include the just claims of their opponents. This person is now operating at stage five of moral development; the “Social Contract Orientation.”

The search for solutions among the alternative solutions may lead to Stage Six in which the person is acting on self-chosen but universally valid principles. As Kohlberg defines this stage, “At heart, there are universal principles of justice, of the reciprocity and equality of human rights, and of respect for the dignity of human beings as individuals.” (*The Philosophy of Moral Development* p. 19.) If a person in business were thinking and acting at this level, nothing more could be expected in terms of moral development. The question concerns how such a person could facilitate moral development and ethical behavior on the part of individuals within the organization.

The opening paragraphs of this paper referred to Albert Z. Carr's article, "Can An Executive Afford A Conscience?" Carr's answer is that the ethical problems are so enormous that the very existence of the entrepreneurial business system and political democracy depend on the emergence of far-sighted business leaders who can take effective measures. The situation calls for sagacity as well as courage. The person of conviction must be aware of what Carr refers to as "Gresham's Law of ethics ... The ethics of corporate advantage invariably silences and drives out the ethics of individual self-restraint." (*Ethics For the Executive Part II*, p 51.) The person with a conscience which is adequate to meet the contemporary challenge needs to be aware of corporate and individual self-interest and to do whatever it takes to make them coincide with what is ethically right.

Ethical executives do not need to explain to themselves why they are ethical. The problem is to find out how to be ethical in their role in the organization. Within the organization they may have to answer the question, "Why be ethical?" To be effective they have to answer the question on the level of the person who is asking it. This is true whether the question is asked explicitly or merely implied by the ignoring of ethical principles in decision-making.

Answering this question can be facilitated by forming a clear idea of what distinguishes ethical managers. They have a larger and more far-sighted picture because their values enable them to be aware of things which they might otherwise have missed. In monitoring their operation, they are concerned with the impact which they have on everyone concerned workers, managers, consumers, shareholders, the general public, and future generations. If business executives of the recent past had been more far-sighted in regard to the significant ethical issues of the present, they would be in a better position today even in terms of business. They would have more likely anticipated the problems which have arisen such as environmental, and consumer issues, discrimination, and problems relating to the health and welfare of workers. There might now be less governmental intervention, higher employee morale, a better reputation in the eyes of consumers and investors, and a greater ability to recruit and maintain the highest quality personnel from top management on down.

Any organization in which the employees act ethically is better off than one in which ethics is not a consideration. Ethical individuals will not deviate from the firm's goals for their own self-interest. If the organization itself is structured so that employees can serve the organization without deviating from the goals of the larger society, the employees will not be hindered by a destructive inner tension. This is the kind of organization which is more likely to attract the person who has the larger and longer view. This is the person who looks for alternative ways to find the best ethical solution to problems. This kind of attitude is also more likely to find the best business solution to problems.

This paper has argued that the task of reconciling ethics and good business requires a theoretical model or paradigm. One such paradigm may be established by translating Kohlberg's model of moral development of children to the moral development of adults. By recapitulating this process, business values and ethical values can be reconciled at each level, and as a person's view becomes more inclusive and far-sighted, that person improves in the ability to think in every aspect of business including the ethical dimension. The model established here, if valid, can serve as a rationale for emphasizing ethics in the corporation as well as providing the structure for facilitating moral growth in individuals. The verification and validation is still to be done. The purpose of this paper is to serve as a model which can be useful in organizing the growing literature on business ethics into a manageable order and which can be fruitful in generating concepts for bringing the realities of business and human moral development into closer harmony.

Works Cited

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