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Book Part

Chapter 7 The Ethics of Corporate Moral Reasoning, Moral Judgment, and Moral Justification

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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 non-existent 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 inter-continental 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-maleficence: *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-malefeasance 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)	legally mandated, but parenetically or morally urged
	(4) Set up procedures that minimize harm (corrective justice)	
	(5) Do good whenever possible (beneficent Justice)	
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)	<p>There is no pattern of just distribution other than that of the unpatterned free-market system based on three principles: acquisition, transfer, and rectification:</p> <ul style="list-style-type: none">• <i>The principle of justice in acquisitions</i>: it is the principle and process, whereby originally “unheld things” began to be appropriated in the first place• <i>The principle of justice in transfers</i>: it is the principle and process, whereby people acquire and transfer holdings from one to another• <i>The principle of rectification in acquisitions</i>: it relates to rectification of acquisitions and transfers if the original principles and processes of acquisitions and transfers were unjust	<p>Distributive justice should have two components: <i>from each</i> and <i>to each</i>, 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</p> <p>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</p>

- **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 <i>ethical theories</i> 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 <i>specific moral principles</i> 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 <i>specific moral standards</i> 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 <i>specific moral rules</i> 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 <i>moral judgment</i> 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 <i>specific moral rules</i> 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 <i>specific moral standards</i> 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 <i>specific moral principles</i> 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 <i>specific moral or ethical theories</i> 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.

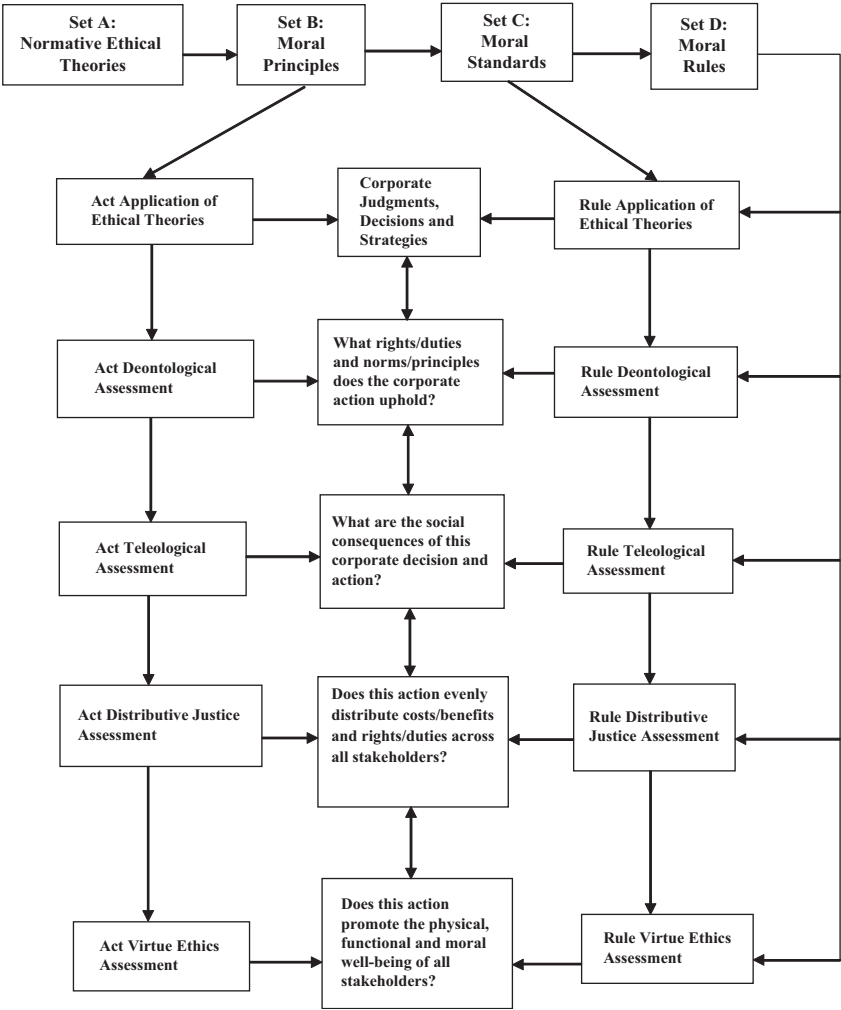


Figure 7.1: The Process of Deriving and Justifying Corporate Executive Moral Judgments and Decisions.

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-choctomous 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 contented, 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-maleficance*

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-maleficance* states that an act should do no harm to anyone at any cost and at any time. Non-maleficance considers both the act itself and its consequences, judging whether the act itself or its consequences are per se harmful. The principle of non-maleficance 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-maleficance is primarily incorporated in the first element. The remaining three elements are more principles of beneficence than of non-maleficance. 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-maleficence: (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-maleficence 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-maleficence 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-maleficence 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-maleficence, but differs from it. As discussed earlier, the principle of non-maleficence 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-maleficence 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 *intemperance* (lack of self-control).

5. A classical clinical case when applying the PDE 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.