Comments on *BEQ*'s Twentieth Anniversary Forum on New Directions for Business Ethics Research

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ABSTRACT: In 2010, *Business Ethics Quarterly* published ten articles that considered the potential contributions to business ethics research arising from recent scholarship in a variety of philosophical and social scientific fields (strategic management, political philosophy, restorative justice, international business, legal studies, ethical theory, ethical leadership studies, organization theory, marketing, and corporate governance and finance). Here we offer short responses to those articles by members of *Business Ethics Quarterly*'s editorial board and editorial team.

IN 2010, IN PARTIAL RECOGNITION OF ITS TWENTIETH ANNIVERSARY, *Business Ethics Quarterly* published ten articles that considered the potential contributions to business ethics research arising from recent scholarship in a variety of philosophical and social scientific fields. Here, at the start of the journal's twenty-first year, we offer commentaries on those articles by eight members of *BEQ*'s editorial board and two of its editors. In alphabetical order, Andrew Crane values Smith, Palazzo, and Bhattacharya's article, "Marketing's Consequences," and asks for an even more systemic treatment of marketing's ethics; Dirk Ulrich Gilbert considers the implications of Elms, Brammer, Harris, and Phillips's work on strategic management and business ethics; Kenneth Goodpaster assesses, among other things, Heath, Moriarty, and Norman's call for more "unified normative theorizing" with regard to the role of political theory in business ethics; Marcia Miceli asks how Goodstein and Butterfield's account of restorative justice can be pressed to offer even more new insights relevant to business ethics; Geoff Moore sees in Arnold, Audi, and Zwolinski's treatment of ethical theory echoes of the rigor versus relevance debate in management research; Scott Reynolds responds to Brown and Mitchell's treatment of ethical leadership research by challenging researchers to reconsider just what is ethical in ethical leadership, and to ask where the leadership is in ethical leadership; Marshall Schminke reiterates the importance of Heugens and Scherer's call to better link business ethics and organization theory; Sandra Waddock grants the gulf that Doh, Husted, Matten, and Santoro find dividing ethics research and international business studies, but looks deeper into the roots of failure of schol-

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arly imagination and observation; Gary Weaver responds to Ryan, Buchholtz, and Kolb's account of corporate governance and finance by asking how it came to be that way and how it might be different; and Andrew Wicks asks whether Hasnas, Prentice, and Strudler might have missed anything in their account of recent legal scholarship and its relevance for business ethics. (In addition, it is important to note that for expository simplicity, the commentators treat the teams of authors commented upon as speaking univocally in their various articles. The commentators all recognize, however, that among the authorial teams are many different and divided opinions, and varying responsibility for one or another portion of the wide-ranging "new directions" articles.)

ASSUMING CONSUMER RESPONSIBILITY? A RESPONSE TO "MARKETING'S CONSEQUENCES"

Andrew Crane

The recent history of marketing thought is littered with "new perspectives" that have sought to solve the various ills of the discipline. Badot, Bucci, and Cova (2007), for example, identify no less than seventy "marketing panaceas" that have been proposed over the preceding twenty years. All of these have promised a redesign of marketing theory and practice that in some way will correct the mistakes of the past, and offer hope of a cure for the slowly degenerating patient that is modern marketing. Many such panaceas have advocated an ethical recalibration of the discipline by incorporating social, ecological or stakeholder concerns into marketing. "Stakeholder marketing," as discussed by Smith, Palazzo, and Bhattacharya, is one of the more recent in this line of new marketings, but its roots can be traced back to earlier manifestations such as "societal marketing" (Crane and Desmond 2002; Kotler 1972), "macromarketing" (Bartels and Jenkins 1977; Shultz 2007)—or more recently, "sustainability marketing" (Belz and Peattie 2009).

For business ethicists, the prospects of another ethical rebirth of marketing may not at first glance be much cause for celebration, or indeed, for a resurgence in scholarship. For all their claims of newness in bringing upstream supply chain issues into the remit of marketing, Smith et al.'s promotion of a marketing approach that incorporates broader stakeholder concerns is one that has been around on the fringes of the discipline at least since the early 1970s. The issues and language may change, but the basic ideas remain the same. We know that marketing can be reformulated to incorporate broader social considerations; the important question though is why these ideas haven't taken hold in the mainstream of marketing thinking and among marketing practitioners? What is the seductive lure of the status quo?

Smith, Palazzo, and Bhattacharya helpfully explore some of the dynamics of institutional change that will be necessary in *consumption*, but surely an equally critical area of future research is a deeper exploration of the institutional landscape of marketing that has thus far resisted more fundamental change. With a few exceptions (e.g., Crane 2000; Drumwright 1994; Handelman and Arnold 1999), the response of the marketing academy and the marketing profession to social considerations (or to ideas like "stakeholder marketing") has been largely unexplored by researchers.

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Business ethicists, however, can play a critical role in shining new light on the moral terrain of marketing. We need a deeper understanding of why, despite the various exhortations to change, marketing practitioners, teachers and researchers continue to preserve a "business as usual" approach, and which institutional logics, actors and resources (see Misangyi, Weaver, and Elms 2008) are needed to initiate more fundamental reform. Without this knowledge, the eminently sensible proposals of Smith et al. risk becoming simply empty rhetoric—or just assimilated within standard marketing practice in a markedly diluted form.

The dangers of dilution are critical for a project such as this to introduce a "new" way of thinking about and practicing marketing. If it is to have any prospects for reform, stakeholder marketing requires us to view marketing not merely as an exchange or even a relationship between two or more market actors, but as a *system of exchange* among multiple constituencies. This systemic viewpoint is crucial, yet it means that research also has to focus on system-level design and evaluation issues. In exploring Smith, Palazzo, and Bhattacharya's questions about responsibilities for supply chain harms, for instance, we need to investigate how social and economic value is created, captured and distributed throughout the product supply chain before we can ascertain whether marketing initiatives "maximally benefit all stakeholders" (627). Business ethics researchers will therefore have to become more used to working across disciplinary boundaries and partnering themselves with scholars from economics, science, engineering, psychology, sociology and various sub-disciplines of management in order to make the necessary contributions to knowledge.

Perhaps the most striking aspect of Smith et al.'s proposal, though, is the emphasis they put on "the harm-doing *by* consumers . . . triggered in particular by the conditions under which products are made in globally expanded supply chains" (618, emphasis in original). From an ethical perspective, there may be a case to be made for consumers to be ascribed responsibility for causing the poor wages and conditions of workers several tiers up the supply chain. Or then again there may not. Perhaps the failure to distribute value fairly in the supply chain has less to do with consumers and more to do with industrial dynamics. Or perhaps consumers have a greater responsibility for what happens *down* the supply chain in terms of product use and disposal than they do with upstream effects.

Such uncertainty presents a need for concerted ethical research and analysis, and not simply to apportion blame, but also to inform ongoing efforts by various organizations to effect change. Smith et al.'s suggestion of the need to "co-create the responsible consumer" (631) demands that we explore the ways in which value chain effects, whether upstream or downstream, can be meaningfully integrated into consumers' narratives—into how they make sense of their consumption activities and decisions. We need, in other words, to explore the moral imaginations of consumers—and to understand how corporations and other organizations seek to shape, constrain and enable those imaginations by presenting their own versions of what consumer responsibility "really" is (Caruana and Crane 2008). The creation of responsible consumers is not, in itself, morally neutral. And as business ethics researchers, we can play a crucial role in revealing both how it happens, and what its consequences might be.

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ON "NEW DIRECTIONS IN STRATEGIC MANAGEMENT"

Dirk Ulrich Gilbert

Heather Elms, Stephen Brammer, Jared D. Harris, and Robert A. Phillips (2010) provide a comprehensive research agenda at the intersection of strategic management and business ethics. This thorough analysis of the interrelation between the two subjects seems timely for at least three reasons. First, from the beginning both fields, strategic management and business ethics, have shared similar interests and motivations, namely to define the nature of the enterprise and to set, revise, and attempt to achieve its goals (Andrews 1971). Second, despite the common ground and motivation of both fields to provide guidance for good and successful management decisions, strategic management and business ethics evolved into separate disciplines. Strategic management tended to focus more on quantitative methods investigating profit-based goals and measures of firm success. While most work on strategic management may have neglected ethical aspects of business, in the recent past the discussion in business ethics may have placed too much emphasis on "ethics" and not enough on "business" (Elms et al. 2010). Third, more and more companies realize that their actions have social, environmental and economic impacts of one sort or another and they cannot evade responsibility for those impacts (Gilbert and Behnam 2009). Unless firms pay more attention to the ethical consequences of their actions on their stakeholders, they will face increasing environmental and social pressure (Donaldson 2003). I agree with Elms, Brammer, Harris, and Phillips, and believe that, to successfully deal with the manifold demands of different stakeholders, strategic management needs to return to its roots and rediscover "that determining future strategy must take into account—as part of its social environment—steadily rising moral and ethical standards. . . . Coming to terms with the morality of choice may be the most strenuous undertaking in strategic decisions" (Christensen et al. 1987: 459–60).

Starting from this assumption, Elms, Brammer, Harris, and Phillips provide a brief review of the literature on the historical foundation of strategic management before they turn their attention to the question of why strategic management has evolved to the stage where strategic thinking combined with ethical reflection is the exception and not the rule. They also provide a convincing rationale as to why the literature on business ethics often lacks practical guidance on how to solve ethical dilemmas. There seems to be no shortage of analytically and logically rigorous approaches to business ethics, but too often questions of moral determination in real life situations of firms cannot be answered by those theoretical concepts. Even "applied business ethics" has often not been "applied" enough (Elms et al. 2010: 403).

To overcome these problems, Elms et al. (2010: 404) call for a return to the disciplinary roots of both subjects. The underlying assumption is that strategic management and business ethics are inseparable and eventually they claim that "we must learn to build corporate strategy on a foundation of ethical reasoning, rather than pretending that strategy and ethics are separate." We believe that the core problem in developing such a research agenda is, however, associated with the fact that we find a wide variety of insights, theories, and definitions presented by many

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prominent thinkers and scholars in both fields of research. By drawing on different assumptions, thinkers provide diverse and often incommensurable answers to the manifold questions of business ethics and strategic management. Both fields lack a consensus among practitioners and theorists as to what business ethics or strategic management is. Elms et al. also point into this direction by referring to the huge diversity of opinions and concepts in research on strategic management and business ethics. The diversity of the discussion is then reflected in their article by proposing several specific avenues for future research on (re)connecting strategy and ethics. In particular they discuss 1. *stakeholder theory*, 2. *managerial discretion*, 3. *behavioral strategy*, 4. *strategy as practice*, and 5. *environmental sustainability*:

- *Ad 1. Stakeholder Theory*: There is a vast body of literature on stakeholder theory, and Elms et al. highlight that scholars in this field have for quite some time advocated for the convergence of strategy and ethics. Based on the seminal contribution of Freeman (1984), stakeholder theory is mainly concerned with the legitimacy of stakeholder interests in an organization and the nature of these relationships in terms of both processes and outcomes. Nevertheless, Elms et al. (2010: 405–06) suggest that more conceptual and empirical work needs to be done to reveal the ethical content and behaviors that create value for stakeholders. An interesting argument of Elms et al. (2010: 406) is that on the other hand stakeholder theory should not restrict its focus to the corporate side of the relationship between the firm and its stakeholders. In the future we should not only investigate what stakeholders value and what they reasonably can expect from firms, but also think about what responsibility *stakeholders* have to maintain and sustain good relationships with organizations (Goodstein and Wicks 2007).
- *Ad 2. Managerial Discretion*: Based on the critique that stakeholder theory often pays too little attention to the widely-accepted philosophical axiom that "*ought implies can*," Elms et al. (2010: 406–07) suggest that more research is needed on the role of stakeholders as both catalysts and constraints to managerial discretion. Strategy and ethics scholars also realize that the historic focus on external industry regulation and its effect on managerial discretion does not adequately reflect recent developments of self-regulation in many industries (Lee 2009). In light of this fact, Elms et al. suggest more thorough investigations into the role that ethics play in motivating discretionary participation in self-regulatory initiatives such as the UN Global Compact, an initiative defining norms and procedures for organizational behavior with regard to social and/or environmental issues. Such standards hold organizations "accountable" for their doings and at the same time can improve our understanding of how (voluntary) collective action can promote moral outcomes (Gilbert and Rasche 2008).
- *Ad 3. Behavioral Strategy*: Research grounded on the behavioral theory of the firm (Cyert and March 1963; March and Simon 1958) is, without doubt, one of the most challenging tasks for scholars in strategic management as well as in business ethics. A solid understanding of the normative influence

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of ethical values on decisions and a critical perspective on the assumptions of economic rationality seems to be a prerequisite for (re)connecting strategic management and business ethics. It is important to note that norms constraining rationality are moral norms and deviations from rationality (e.g., in strategic management) are most likely associated with moral influences. Every decision is based on certain norms and values, and norms and values always allow room for interpretation and need to be applied to the specific (strategic) context (Gilbert and Behnam 2009). Elms et al. (2010: 407–09) point toward this direction and call for more research to close the gap between emerging responsibilities of managers on the one hand and only limited abilities of humans to act rationally and morally on the other hand.

- *Ad 4. Strategy as Practice*: Based on their discussion on managerial discretion and behavioral strategy, Elms et al. (2010: 409–10) identify the "strategy as practice" movement as another promising area of research to foster the (re)connection of strategy and ethics. Traditional research in strategic management tended to produce "lifeless" and often abstract concepts that left managers without clear advice on how to really act strategically (Johnson, Melin, and Whittington 2003). "Strategy as practice" in contrast seeks to investigate how strategists really act and interact in the strategy process of a firm (Whittington 1996). We would like to support Elms et al. (2010: 410) when they claim that actors "practice" ethics, even when they do not see themselves involved in an ethically-directed activity. In the end there is no moral free space in strategic management because every *strategic* decision inevitably entails a critical reflection about norms and values and, therefore has an *ethical* dimension.
- *Ad 5. Environmental Sustainability*: The last avenue of future research on (re)connecting strategy and ethics discussed by Elms et al. (2010: 411) deals with environmental sustainability. A large number of publications and research streams can be found in this area. The recent focus on including aspects of sustainability in strategic management may be due in part to a number of articles published by Michael Porter (e.g., Porter and Kramer 2006) on the link between competitive advantage and corporate social responsibility. In a nutshell we need more research to learn how companies can incorporate environmental sustainability considerations into their models of value creation.

Following a comprehensive description of the five different avenues of future research mentioned above, Elms et al. emphasize that their article cannot provide an exhaustive review of how to (re)connect strategic management and business ethics. They claim that each research avenue presented has the potential to help us to better understand the strategy-ethics relationship. We agree with that conclusion but want to highlight that a convincing rationale for choosing these five avenues and not others is missing from the analysis. The article could have made an even stronger contribution to push the discussion on bonding strategic management and business ethics by offering a comprehensive framework how research activities could be clustered and organized.

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One option to develop such a framework to rejuvenate the strategy-ethics relationship could be to draw on the widely used distinction between *strategy context*, *strategy content*, and *strategy process* (Schendel 1992). We believe that this traditional distinction in strategic management could provide a kind of a meta-structure to frame further research because it captures most of the discussion about the different dimensions of decision making in real-life strategic problems. De Wit and Meyer (2004: 5) emphasize "that strategy process, content and context are not different parts of strategy, but are distinguishable dimensions. . . . Each strategic problem is by its nature three dimensional, possessing process, content and context characteristics, and only the understanding of all three dimensions will give the strategist real depth comprehension." We argue that the five avenues for future research discussed by Elms et al. along with other research activities could be easily assigned to the process, content, or context perspective. Stakeholder theory, e.g., touches upon the *process* perspective when it comes to the question of how to conduct and organize stakeholder dialogs, and delivers *content* when norms and values are developed to guide stakeholder behavior. The discussion of behavioral strategy, on the other hand, deals with the *context* of strategic and ethical decision making when it investigates the basic motivations, abilities, and the behavior of human actors that influence decision making. Furthermore, it also pays attention to the *content* perspective when the question arises as to which norms (e.g., fairness and reciprocity) guide strategic and ethical behavior.

Apart from the contribution of Elms et al., but in line with others (e.g., Behnam and Rasche 2009), we consider the *strategy process* in particular as an appropriate "locus" for ethical reflection. The strategy process inevitably entails a way of critical reflection which is commensurable with the ethical reasoning process. Both processes, strategy development and ethical reflection are concerned with the preparation and justification of decisions and future actions and try to answer the same question: "What do we want to achieve and how?" As indicated above, this is the reason, why there is not only an overlap of ethical questions with strategic activities but ethical reflections should become an integrative part of the strategy process. From our point of view, the relationship between the strategy process and ethical reflection is a *recursive* one and should be understood as a *duality* (Giddens 1984), not a dichotomy. This means that strategic thinking is both a prerequisite and an outcome of ethical reflection and vice versa. Strategic thinking, e.g., can act as a constraint on ethical reflection, but it also enables ethical thinking by providing common frames of meaning. Ethical reflection on the other hand provides norms and values that allow strategic actions to occur, enabling us to create value in a firm. We believe that future research in (re)framing this recursive relationship could increase both our theoretical understanding of the strategy-ethics relationship and practical knowledge to address key problems in real-life management situations.

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ETHICS, POLITICS, AND THE MODERN CORPORATION

Kenneth E. Goodpaster

The wide-ranging essay by Heath, Moriarty, and Norman (hereinafter "the authors") offers business ethics scholars and political philosophers much food for thought. I cannot do justice (no pun intended) to the full article in this short commentary, but I will make three observations.

First, the modern, publicly-traded corporation sits at the intersection of ethics and political philosophy—and this presents us with an interesting challenge. The authors' view that there are different communities of scholars tending the realms of critical thinking about corporate enterprises seems accurate—and perhaps not mysterious given that the modern business organization resembles both an *agent* by analogy with the human person (a macrocosm of the individual) and a *polity* (a microcosm of the community) with a common good and the need for a just governance structure.

This macrocosm-microcosm duality is not simply an intriguing confluence of analogies.[1] The duality signals a pair of background values—liberty and community—that can compete for normative primacy in the context of a call for "unification."

The authors point out that business ethics scholars often favor a view of the corporation that emphasizes the analogy with the person, calling for free enterprise and a substantive view of the good. Political philosophers, on the other hand, tend to emphasize the analogy with public institutions, calling for more neutrality regarding views of the good. The authors write:

> One of the major differences between business ethics and political philosophy is that the former remains strongly embedded in a "personal values" framework, as a result of which neutrality does not serve as an important constraint on normative theorizing. (Heath, Moriarty, and Norman 2010: 434)

When the needed dialogue is engaged, normative tensions may manifest themselves among scholars in the two disciplines. If one asks "progressives" how to unify political philosophy and business ethics, they emphasize the communitarian aspect of corporations, and invite us to absorb corporations (as objects of study) into the public sector. On the other hand, if one asks "conservatives" how to unify the two disciplines, they emphasize the person-like aspects of corporations, and invite us to maximize the zone of liberty that we call the private sector. The authors point to the Chicago School to illustrate a unified theory. This approach unifies by limiting government and protecting the *private sector*—rather than by limiting individual or corporate freedom by expanding the *public sector*.

Second, continuing in the spirit of the first observation, we can see that there are two ways of interpreting the authors' call for a "unified normative theory" (443). It could be taken to mean:

(a) a single normative *principle* (or a Rawlsian lexically ordered set of principles) governing markets, firms, corporate law, and executive decision making; or
(b) a single normative *framework* (in the spirit of W. D. Ross's *prima facie* duties) that allows for both libertarian thinking about corporate responsibility

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(attributed by the authors to the Chicago School) as well as public policy thinking (akin to Rawlsian justice as fairness).

The claim that we need a unified theory is more plausible using interpretation (b) than using interpretation (a). Interpretation (a) appears to contrast our intuition about the corporation as a free association and an engine of wealth in the private sector with our intuition of the corporation as "affected with a public interest" in a zero-sum relationship.[2] Some may wish to construe the publicly-traded corporation as a private association, and others may wish to see it as more akin to a public sector institution—but these positions clearly call for debate and should not be settled *a priori* in the name of normative theoretical unity.

The issue sharpens as the authors ask whether corporations should adopt substantive or (following Rawls) neutral theories of the good. The upshot of debates in political philosophy, we are told, is "the widespread conviction that it is possible to formulate robust normative principles while at the same time remaining neutral with respect to controversial questions of value" (Heath, Moriarty, and Norman 2010: 434). The authors add that they have "serious questions about whether business ethicists should be appealing to 'thick' values and moral intuitions when they make substantive recommendations or critiques, or whether the discipline should instead focus on principles that are broadly accepted in the public political realm" (436).

But the recalcitrance of many business ethics scholars on this front may indicate a different widespread conviction—that suspending judgment on controversial questions of value (personal or institutional) also carries risks. The cultures of corporations, like the characters of individuals, must be accountable for ethical choices that are not neutral about values. They must produce goods that are credibly good and offer services that credibly serve. The financial scandals over the past decade (from Enron to Goldman Sachs and others) do not reassure us that "whatever the market will bear" (even in the presence of value-neutral laws and regulations) is a satisfactory substitute for conscience in the business sector.

Third, the authors observe that "Over the past two decades, business ethicists have frequently looked at . . . the justification or critique of so-called stockholder and stakeholder theories of governance and management" (429). They insightfully ask "whether multinational corporations *should* be seen, or should see themselves, as agents of justice, and if so, what their obligations are" (441). The insight is that conventional stockholder-stakeholder analysis is often ill-equipped to deal with questions of corporate responsibility that reach *beyond* private sector boundaries. Collaboration between and among corporations, governments, and NGOs is not simply a matter of supererogation or philanthropy. In a global business environment, collaboration is a matter of corporate responsibility.[3] Environmental pollution, access to capital markets and to information about risk, respect for cultural integrity, and providing employment at living wages—are all problems whose solutions are seldom under the control of government, business, and voluntary associations operating independently.

The authors invite us to consider "whether the same grounding for regulations and for a duty to comply with regulations might also ground duties to act above and

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beyond compliance when the appropriate regulations are not in place" (445). This represents salutary advice. Globalization challenges business organizations going forward to think beyond attributions of responsibility that have worked in the past. Regulation and the rule of law are not universal, and even where they are present, there are limits to their sufficiency and enforceability. In such environments, the call for businesses to think "beyond compliance" must be anchored in the same ethical framework as the call for compliance under normal conditions.

ON BUSINESS ETHICS, RESTORATIVE JUSTICE, AND THE AFTERMATH OF UNETHICAL BEHAVIOR

Marcia P. Miceli

In this interesting article, Goodstein and Butterfield describe restorative justice processes occurring after workplace transgressions occur. As they noted, restorative justice is "a process whereby all the parties with a stake in a particular offense come together to resolve collectively how to deal with the aftermath of the offense and its implications for the future" (Braithwaite 1999: 5). Developing a model, the authors organize literature from multiple research streams, and identify three key variables in the restorative justice process: (1) offender attempts at amends; (2) victim forgiveness; and (3) workplace community reintegration. They describe factors that affect how the processes play out and identify new research directions and managerial implications. The authors focus on the individual level, though they also note some organizational-level implications.

Goodstein and Butterfield discuss how primarily psychological factors affect whether offenders accept responsibility and make amends. Future research may also integrate the communication and legal literatures, which define elements of effective apologies (e.g., do offenders use active voice to express regret?) and identify actual or perceived legal barriers to apologizing (e.g., Patel and Reinsch 2003). This research also suggests that offenders can be motivated to achieve positive outcomes for themselves. For example, apologies may reduce punitive damages awarded or enhance organizational reputation, as consumers may see the company as more ethical (e.g., Patel and Reinsch 2003). Personality variables may also play a role; e.g., if offenders are more agreeable or conscientious, or less narcissistic, will they try harder to make amends?

Goodstein and Butterfield identify costs and benefits to the victim, but future iterations of the model could make more explicit the expected costs and benefits to the offender, the extent to which these map on reality, and the extent to which different types of amends are undertaken. Examples of benefits were described above. Expected costs might include such factors as loss of "face," monetary loss, and the difficulty in making change in how the offender operates or treats others. For example, offenders might apologize to and adjust the pay of victims unfairly denied pay increases, but changing their cognitions or pattern of biased behavior, or changing the structural and systemic organizational processes that enabled the unfair treatment, may require far more effort. The power relations between the parties may also be relevant, e.g., offenders may fear the consequences of harming powerful

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victims, and hence may be more likely to offer amends. But this may strike victims or other observers as insincere, undermining forgiveness in a later phase.

The authors next discuss forgiveness and identify variables that may moderate the extent to which workplace offenders' amends will affect workplace victims' forgiveness. Some variables appear to be related to actual characteristics of the ethical transgression itself (e.g., "magnitude of harm" in Figure 1), but the text emphasizes perceptions. Future research could clarify whether actual or perceived characteristics differ in important ways; for example, do individuals universally view offenses with substantial personal or career consequences, such as a loss of a job or an assault, as more serious than a petty insult made during a heated meeting, or does this vary importantly among victims? The authors importantly and explicitly note that factors outside the victim, such as others' support, may also play a role. Some recent research in sociology (Dobbin and Kelly 2007) suggests that organizations' bureaucratic processes for holding offenders accountable may have greater impact than legal prohibitions. Both may differ, in their consequences, from apologies attributed to ethical self-reflection or interpersonal exchanges.

The importance of attributions is addressed particularly well in the section dealing with the consequences for the community and in research implications of offender intentionality and repair in the community. The model could draw more on prior theory regarding how workplace observers and victims make attributions about offender intentions. For example, repetition and consistency may play a role (e.g., Gundlach, Douglas, and Martinko 2003). And, what if victims' perceptions of offender intentions differ from offenders' actual intentions? What if instead the observers and victims are correct but offenders are reluctant to accept that their intentions were evil? Do intentions, or perceived intentions, ever matter more than consequences? Authors may also want to incorporate research on ambient harm, demonstrating how people not directly targeted by rudeness, harassment or other negative workplace behavior may in fact be adversely affected by it (e.g., Glomb et al. 1997; Porath and Erez 2009). In some sense, the community may react much like an individual victim.

For someone less familiar with the restorative justice literature, it was not always clear which studies were conducted in workplace settings, as opposed to non-workplace settings, e.g., social friendships, where both parties may be freer to terminate relationships or avoid each other. How might setting influence findings? Further, one minor simplification is it could be stated at the outset that the model is triggered only in the presence of an ethical transgression (as the text implies); the factors affecting offender actions then can be viewed as variables expected to have a main effect, rather than as moderators (Figure 1). If the model later is revised to expressly consider variations in transgressions (e.g., as noted in the forgiveness phase), then moderation could be considered more fully as well.

Finally, especially interesting are the authors' suggestions for future research, in particular, in the authors' review of (1) bounded ethicality, and the related consideration of whether pointing out wrongs to offenders who might not understand the wrongfulness of their actions can increase offenders' willingness to make amends; and (2) the obligations of victims to be open to amends. Regarding the latter point,

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if such obligations exist, where do they end? For example, if the bad behavior-amends-forgiveness cycle has been repeated, is it reasonable for victims to stop trusting either the motives or the ability of the offender to change behavior? Can refusal to accept actually be an important control process that should be supported in the organization?

In summary, Goodstein and Butterfield have done much to enhance our understanding of the restorative justice processes and describe how they may play out in the workplace.

ON ETHICAL THEORY AND BUSINESS ETHICS

Geoff Moore

In their essay on recent work in ethical theory and the implications this has for business ethics, Denis Arnold, Robert Audi and Matt Zwolinski aim to provide us with scholarly resources for our own deliberation rather than seeking to persuade us of any one particular view. Thus, while neo-Kantian sympathies are in evidence in parts, there is much else besides, and the essay makes a significant further contribution to other work in the area of normative theory and business ethics—see Smith 2009, for example.

The discussion of master-principle theories of morality and their having been superseded by pluralist/particularist approaches, with which the essay begins, has echoes of the rigour/relevance debate in management research (Tranfield and Starkey 1998, Aram and Salipante 2003). In the rigour/relevance debate the "Mode 2" model of knowledge production involves a constant to-and-fro between theory and practice, engages practitioners at the point of discovery, and is therefore context-specific. This is in contrast to the "Mode 1" model where there is an operational gap between a theoretical core and its application, the latter occurring "downstream" of its production. In Mode 1 the theoretical core's central endeavour is essentially universalisation and thus theory is primary. Pluralism and particularism clearly share many of the characteristics of Mode 2 knowledge production but importantly, as the authors stress, this does not involve discarding theory. Theory's role, according to the authors, is in "helping us to reflect on our experience and deliberate about current and future problems." The question this begs, however, is the mechanism by which ethical theory itself is generated in the first place. Again, ethical theory here may have something to learn from management research and the importance of the to-and-fro between theory and practice, drawing on both inductive and deductive methodologies to expand theories which are genuinely open-ended (Locke 2007). On this basis ethical theory would not be prior to its application, or handed down from above, but co-generated.

The authors address this explicitly in the second main section. Setting aside virtue ethics, Kantianism and utilitarianism (the "big three"), here the authors' emphasis on intuitionism draws on a "particularistic pluralism" in identifying ten *prima facie* duties. These are claimed to be based on common sense ethical standards "that thoughtful educated people find intuitive." They argue that these need no justification from ethical theory but also note their compatibility with Kantianism in particular.

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This, then, is a putative exercise in Mode 2 knowledge production, even if it is closer to a thought experiment than a piece of empirical work. The key point is that this approach does not privilege theory over practice by assuming that theory, in some sense, comes first.

But if that is an appropriate way of conceptualising how ethics and practice might interact, then one might ask what ethical theory has to learn, in particular, from business. Business ethics is, of course, constantly vulnerable to the "levels" question: is it simply the application of ethical theory to individuals in their capacity as employees in, or managers or owners of, business enterprises; or is it also about business organizations as moral agents in themselves (Velasquez 2003)? Indeed, MacIntyre (1982), in one of his very occasional sorties into business ethics, has suggested that ethical issues for business are all at the organizational level—at the individual level "lying, cheating, stealing and bribery are wrong in precisely the same way for corporate executives as they are for professors or garbage collectors" (MacIntyre 1982: 351). A criticism of the essay is that it does not identify this distinction and, in practice, moves between the two levels without comment. Thus the treatment of two particular issues toward the end of the essay (human rights and climate change) is directed chiefly (though not entirely) at the organizational rather than individual level, whereas earlier discussion on lying to one's boss is clearly at the individual level—and in the discussion on decision models it is not clear which level is being addressed. An opportunity seems, then, to have been lost to draw out at least part of business ethics' (or, more generally, organization ethics') particular contribution to ethical theory.

Finally, there are a number of references in the essay to virtue ethics, and particularly to the need for practical wisdom and judgment in decision-making. Nonetheless, the thrust of the essay is on *actions* rather than *actors*. One consequence of this is that the focus is individualistic (both the individual in the organization and, where it is addressed, the organization itself). One of the strengths of virtue ethics (and the reason it is not in the true sense a relativistic theory) is that it encourages a focus on the community and on shared, deliberative decision-making. The good life for the individual and the good life for the community are inextricably linked. One way of thinking about this (and here we draw from a different discipline's application of virtue ethics) is to conceptualise "doing ethics" as a process of improvisation (Wells 2004). Improvisation in music, for example, requires that all the players know the tune, understand and abide by the rules of the game, and listen very hard to each other. So improvisation is very far from anarchy and, on the contrary, enables mutual creativity to produce new harmonies. In all of this, practical wisdom is required—a combination of drawing on the wisdom of those who have gone before and an ability to apply it in conditions that may differ from those that previously existed. This approach to (business) ethics may have something in common with the "reflective equilibrium" that the authors suggest is the outcome of common sense intuitionism, but virtue ethics might have offered an alternative way of approaching this.

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NEW AVENUES FOR RESEARCH ON ETHICAL AND UNETHICAL LEADERSHIP

Scott J. Reynolds

Brown and Mitchell's review of social scientific work on ethical and unethical leadership is an excellent discussion of the research and issues in this emerging and important domain.[4] Of most value is the direction they provide to several promising research topics (i.e., emotions, fit/congruence, and identity) that exist within the generally accepted boundary conditions of this field. Their insights notwithstanding, I submit (and the long list of empirical work in their review seems to attest) that the field has matured sufficiently that there could also be much to gain by actively pushing against the parameters the field has established. In particular, I am thinking about several conditions that relate directly to the central construct's label: ethical leadership. I propose that challenging some of the borders that have been set as to what is ethical and what is leadership could yield valuable insights and might open some incredibly important research paths. In the two sections below, I will elaborate.

What is the ethical in ethical leadership? There are at least two different paths to addressing this question. The first is rooted in more philosophical concerns that have implications for descriptive research. As a descriptive endeavor, there is a strong pressure on the field to adopt a utilitarian perspective of ethical leadership. Clearly, visible/tangible outcomes make claims of instrumentality and ethicality far less contestable. But when central claims of the field are that ethical leaders are principled (Treviño, Hartman, and Brown 2000) and altruistic (Brown, Treviño, and Harrison 2005), it seems apparent that scholars must also be willing to operate in the deontological domain. Most obviously, the deontological pillar of motive deserves much greater attention. From the leader's perspective, questions remain about the extent to which motives determine the effectiveness of an ethical leader. From the follower's perspective, Brown and Mitchell note that more and more research is revealing that much of ethical behavior is automatic and occurs without deliberate intention (e.g., Reynolds 2006; Reynolds, Leavitt, and DeCelles 2010). Given that, researchers need to consider not only how an individual can generate good but thoughtless outcomes, but also whether such conduct constitutes ethical followership. Research in other areas has empirically demonstrated that motives matter to both personal (Luthans and Avolio 2003; Walumbwa et al. 2008) and organizational concerns (e.g., Treviño et al. 1999), so clearly this type of research could be conducted in this area; it just has not yet been attempted. Researchers have laid a sufficient utilitarian foundation for the field, but as this issue illustrates, a comparable deontologically-minded effort is now warranted.

The second path pertains to the way the field casts ethical issues, more generally. To this point, research on ethical leadership has portrayed ethics in black and white. Perhaps not coincidentally, every concept and construct associated with ethical leadership has a generally positive connotation (e.g., organizational citizenship behaviors) whereas everything associated with unethical leadership has a generally negative connotation (e.g., organizational deviance). Lichtenstein, Smith, and Torbert

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(1995), however, argued that leaders who involve the ethical domain experience "light and shadow," positive and negative aspects of their approach. Have we been naïve to believe that ethical leadership is only associated with positive outcomes and unethical leadership the opposite? Recent research suggests that under the right conditions even the most positively framed constructs can be an antecedent of immoral behavior (Reynolds and Ceranic, 2007). It would seem particularly true that in situations where managers are expected to uphold multiple conflicting moral obligations (Goodpaster 1991) that what is ethical to one individual or stakeholder group could be equally unethical to another, either perceptually or in some objective sense of the term. Consequently, the next task for researchers is to push beyond the simple black and white demarcations of what is ethical and unethical to explore the gray that is a leader's reality. How, in the face of multiple conflicting moral obligations, is it possible for someone to provide leadership that is ethical for all who would follow? Or might we have to acknowledge that ethical leadership is an ideal that cannot be completely achieved?

Where is the leadership in ethical leadership? A quick glance at the larger leadership literature reveals that the concept of leadership involves or is associated with the achievement of some goal, objective or valued outcome (Chemers 2001). Indeed, the more deeply coveted, broadly appealing, and seemingly impossible the achievement (e.g., civil rights), the greater the leader. Interestingly, the study of ethical leadership has by definition focused attention on followers' behavior as if the ethical perfection of followers is the ultimate achievement. In that sense, we can say that the field has solely been interested in developing "nice guys," which is definitely an ethical endeavor. But if "nice guys finish last," then to what extent can these efforts be called leadership? As my first point conceded, the field has clearly had an eye on other consequences of ethical leadership (i.e., job satisfaction, organizational commitment), but these constructs have been discussed as if they are merely trailing associations. As a result, they appear to be merely rationalizations for pursuing employees' moral development rather than intrinsically important outcomes in and of themselves. Given that, perhaps it is time that the field looks beyond the pedestrian outcomes so readily available in management scholarship and targets achievements commensurate with our highest ideals. Is there not a noble set of feats that demand ethical leadership in order to be achieved? For the corporate player, does ethical leadership allow one to achieve previously unreachable stockholder and stakeholder support? For the political actor, does ethical leadership foster the attainment of some extraordinary social good? For the commoner, does ethical leadership hold the promise of greatness? This final point is particularly salient because I have no doubt that within the current boundary conditions (i.e., treating ethical behavior as a sufficient and intrinsically worthwhile outcome) scholars can continue to find correlation after correlation, but for better or for worse the relevancy of this stream of work to larger communities hinges on the extent to which it relates to the achievement of other accomplishments, and clearly, the grander the accomplishments the more meaningful the concept of ethical leadership will become.

To sum, there are many opportunities for furthering research on ethical and unethical leadership. Brown and Mitchell (2010) pointed to several promising avenues,

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and I believe that many more additional opportunities will be similarly forthcoming if scholars will view the boundary conditions of ethical leadership research merely as starting rails that can be adjusted as needed.

ORGANIZATION THEORY AND BUSINESS ETHICS: COMMENTS

Marshall Schminke

Heugens and Scherer's (2010) excellent article, "When Organization Theory Met Business Ethics: Toward Further Symbioses," is essential reading, not only for ethics scholars scanning for sources of new insights, inspiration, and ideas, but for organizational scholars doing the same. The authors provide an orderly summary of an inherently disorderly field—organization theory—and present a wealth of actionable advice for business ethics scholars considering a step outside their comfort zone. I share the authors' enthusiasm for the potential benefits of linking the two disciplines more closely. In this commentary I offer some additional issues, questions, and implications that might emerge from making such a connection, as well as one small critique.

First, the authors do a terrific job of codifying organizational scholarship into modernist, symbolic, and postmodern communities. In doing so they have captured in simple form some of the most pronounced differences evident among organization theory scholars. Of course, any single system for clustering organization theory scholars and topics—and any brief review of the field—is unlikely to account for all main themes in organization theory research. Interested readers might consider complementing this overview of the field with one of the more recent volumes aimed at providing a more in-depth review. Baum's *The Blackwell Companion to Organizations* (Baum 2002) and Clegg, Hardy, Lawrence, and Nord's *The Sage Handbook of Organization Studies* (Clegg et al. 2006) are two excellent examples. Volumes like these provide the reader with a more in-depth, but still manageable, exposure to topics Heugens and Scherer introduce (such as contingency theory, organizational ecology, and institutional theory) as well as a variety of other organization theory perspectives they do not touch upon (like organizational learning, networks, and cognition).

Second, the authors provide an insightful list of limitations of organization theory research. They note that organization theorists often have neglected important micro-level, behavioral foundations of their research, the role of leadership, and the role of social innovation. They observe further that organization theory research has suffered from retrospectiveness, a problematic pluralism, and normative vagueness. However, to an alert scholar (of business ethics or otherwise) each of these limitations represents a wonderful opportunity not just for research, but for a sound stream of research. The limitations outlined by Heugens and Scherer did not emerge overnight. Nor will they be corrected overnight. Addressing any one of these limitations could provide a business ethics scholar with a career's worth of opportunity to engage in research that would be beneficial not just to business ethics but to organization theory as well.

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Third, Heugens and Scherer's advice may be even more powerful than they suspect. For example, they identify four themes common to the business ethics and organization theory literatures: 1) values, 2) society, 3) power, and 4) organizations. They are accurate in that description. However, at least two of these themes, values and power, represent dominant themes in the field of organizational behavior as well as organization theory. Thus, the roadmap they provide for possible entrée into the domain organization theory may provide business ethics scholars with a path to learning from and making contributions to an even broader array of organizational studies.

Fourth, the Heugens and Scherer article makes clear that organization theorists are noted for cross-level thinking. In organization theory, this may take multiple forms. For example, organization theorists are often interested in intra-organizational issues that operate across levels within the organization, such as power and how it relates to structural position, network centrality, and so on. But organization theory also addresses questions of power at the inter-organization level, and extends that work to power relationships between organizations and institutions. Business ethicists have recently shown an inclination to think in similar cross-level terms, as in recent research that explores the positive impact of (external) CSR activities on (internal) employees, such as employee commitment (Brammer, Millington, and Rayton 2007; Collier and Esteban 2007) and retention (Galbreath 2010; Gande, Fortanier, and van Tulder 2009). The organization theory literature has a long history of considering such multilevel and cross-level questions via exploration of resource dependence effects, networks, and organizational learning. A deeper reading of the organization theory literature might prime business ethics scholars to do the same in addressing a wide array of interesting business ethics questions.

As is probably apparent, I strongly endorse Heugens and Scherer's call for business ethics scholars to take a closer look at potential insights that might be derived from organization theory research. However, I do have one small issue with their presentation. They refer to organization theory and business ethics as two sides of the same coin, with organization theory offering a values-free, positive perspective (i.e., what is), while business ethics embraces a values-laden, normative approach (i.e., what should be). However, in practice the distinction may not be quite so stark. For example, when organization theorists explore the sources of organizational learning, efficiency, productivity, innovation, profitability, or survival, both theoretical and empirical accounts typically view those as good things. Such outcomes are values-laden in that scholars and practitioners alike seek to understand how to generate more of them. In doing so, organization theorists engage in normative work, even if the values underlying that work are not made explicit. Conversely, business ethics scholars often adopt a positive approach. For example, research on whether top managers, supervisors, or coworkers exert a greater impact on employee ethics does not presuppose one as inherently more desirable than the others. Studies like these are therefore not inherently values-laden. In all, both organization theory and business ethics can, do, and probably should practice both normative and positive investigation.

One final comment is in order. Heugens and Scherer's piece correctly identifies the field of organization theory as a loosely connected body of theories with a common interest in organizations and organizing. The metaphor they employ, communities

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of scholarship, is on the mark. In fact, the Organization and Management Theory Division of the Academy of Management—which many organization theorists call home—echoes this sentiment in its identity statement: "By standing at the intersection of many intellectual boundaries we seek to be the "community of communities" that provides a lively, stimulating, and mutually beneficial engagement between organizational scholars." How could any curious business ethics scholar with even a passing interest in organizational issues not get excited about the prospect of a setting like that?

AHOY WHERE? ON CONVERGENCE AND SYNERGY BETWEEN INTERNATIONAL BUSINESS AND BUSINESS ETHICS

Sandra Waddock

Doh, Husted, Matten, and Santoro have tackled the linkages between business ethics and international business—or more accurately, the relative lack of such linkages and overlaps. The important insight by Doh and his colleagues is that the contents of the fields are almost entirely different, an insight that raises important implications around what scholars "see" as researchable issues and why they see them as they do, how issues of managerial practice in the global arena can be dealt with in light of the inherent ethical issues that are embedded in virtually any management decision, and how these two separate streams of scholarship can be brought together.

Blind Spots and What the Scholar "Sees"

Doh et al. highlight the apparent incapacity of scholars to "see" beyond their own disciplines, jargon, and the perspectives embedded in the specific ways that scholars frame their own disciplines. Part of the problem, of course, is that the disciplines themselves constitute their own silos, which is problematic because the problems that real managers and real organizations face do not come in neat disciplinary boxes. We all face this problem to some extent, of course, because we all come with disciplinary boundaries, and much of the training to become a scholar—whether in international business or business ethics—is bounded by the epistemology of a field, including its major sources and orientations. But those boundaries result in blind spots. In the case of ethicists, those blind spots often have to do with managerial practice and the "hows" of globalization. In the case if international business (IB) scholars, the blind spots usually have (at least) to do with the ethical questions that underpin their managerially-oriented studies. Let me elaborate.

Much (though far from all) of the orientation of business ethics scholarship is toward philosophy and thought experiments about the ethically problematic practices of managers and the organizations they manage. These conversations on ethics tend to be based on philosophical principles. Even corporate (social) responsibility scholars also tend to emphasize the problematic practices and issues facing (or created by) businesses. Although including scholarship around corporate responsibility, sustainability, and accountability in the business ethics frame moves the business ethics conversation toward a less philosophical and more managerial orientation, the *focus* remains similar. Business ethics (encompassing both perspectives) deals

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with issues of fact or practice that emphasize ethical quandaries, such as the impact of globalization on indigenous or developing nation cultures, the use of sweatshops to achieve efficiency, sustainability, human rights, corruption, moral responsibility, and corporate (social) responsibility (selected from recent tables of content), among many others. The business ethics orientation tends to be toward dealing with the tough "what" questions of content, which some philosophers discuss as "knowledge that," i.e., knowledge of facts (e.g., Adams 2009).

Managers and IB scholars, in contrast, are faced (for example) with decisions about where and *how* to operate a supply chain, how to enter a market in a developing nation, or how to compete effectively in a highly complex global arena. IB research is consistently faced with efficiency, market entry, competitive and similar pressures that push companies to best do what Frederick (1995) described as economizing. IB research is concerned predominantly with the practicalities of meeting a bottom line as efficiently as possible when under severe pressures from upper management, competitors, and Wall Street analysts to produce short term results. As a result, IB's scholarly contributions focus on competitive advantage, competition, efficiency, and opportunity. This entails significantly more attention on the "how" (e.g., how can we enter this market?) than on the "what" (e.g., what is the company or manager is doing, and what are its ethical implications). Philosophers sometimes describe this as "knowledge how," i.e., knowledge of skills (e.g., Adams 2009).

The distinction of relevance here is epistemological, and focuses on the difference between "knowledge how" and "knowledge that" (Adams 2009). In other words, as Doh et al.'s analysis reveals (at least implicitly), business ethics scholars focus predominantly on "knowledge that," while IB scholars focus mainly on "knowledge how." These are two quite different epistemological lenses that somehow need to be bridged if the insights of these two fields are to inform each other. Speaking the same language is important to generate understand and common ground, and currently that is not happening, as Doh and colleagues point out. The distinction between "knowledge that" and "knowledge how" helps us understand that the focus and underlying purpose of study is also different between business ethics and international business. Building bridges between the knowing "that" and "how" aspects might help scholars begin to find a common thread in their work.

Some Implications and Extensions of Doh and Colleagues' Ideas

Other issues that the article raises are worth noting. One point is that IB is explicitly about managing. Management of any kind inherently involves ethics (if one is not to commit the separation fallacy) (e.g., Freeman 1994), yet that linkage is little understood in practice (albeit business ethics scholars are well aware of it). Thus, it has long been recognized that managers and, by implication, the scholars who study them (except for ethicists), frequently fail to "see" or be able to talk openly about ethical issues in a managerial context (e.g., Bird and Waters 1989), despite that we might wish otherwise. Certainly managers do sometimes discuss ethical issues; yet when they do so, it is not with the deep understanding of the philosophical, sociological, or psychological underpinnings that business ethicists bring to the

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conversation. Further, as Bird and Waters (1989) noted, in many enterprises, even raising the ethical aspects of the organization's impact on stakeholders is difficult for many people to do, particularly when their lens is bounded by an understanding of the purpose and function of the business solely as maximizing shareholder wealth. The business ethics lens, on the other hand, tends to encompass the impacts of decisions not just in terms of wealth maximization but as they affect multiple stakeholders (e.g., Freeman 1984; Freeman, Harrison, Wicks 2007; Freeman, Harrison, Wicks, Parmar, and de Colle 2010), but there is too often little practical guidance in what to do (knowledge "how") about these issues.

Doh and colleagues also identify what they term a regulatory gap that has arisen in the world because of the increased power of corporations and the relative decline in power of nation states. In this context, Doh and colleagues allude to the reality that companies are increasingly faced with a global responsibility infrastructure that, while voluntary, fosters attention to issues of responsibility, accountability, and transparency, at least in terms of their public face and by the biggest corporate actors. Simultaneously, NGOs pressure companies for greater responsibility, and companies themselves voluntarily join what are being called global action networks (Waddell 2003), which create new sets of rules and principles for action on a global scale typically without the hand of government. Eventually, if effective, these global action networks can potentially create an alternative global governance framework that provides guidance to MNCs in a world in which nations are geographically bounded and pressing problems are not.

An additional point is that both the business ethics and IB literatures, in considering globalization phenomenon discussed by Doh and colleagues, focus mainly on the large transnational or multinational corporation. The reality in many developing nations (and also in some developed nations like Italy and Spain) is that most businesses are not MNCs, but rather SMEs—small and medium-sized enterprises. Neither literature has paid much attention to the ethical implications of global companies' impacts on these smaller enterprises, or how they are impacted by globalization forces, except perhaps to consider them as part of a supply chain for an MNC. Studying SMEs in the global context is an area where both the "how" and the "what" of the impacts of globalization might logically be brought together.

Further, it is important to consider that in different nations around the world there are different models of capitalism, of doing business, and of structuring companies that might well inform both the business ethics and IB literatures. Rather than assuming that the public corporation is the only appropriate, adequate, or useful company form, both business ethics and IB scholars might benefit from exploring the different models of enterprise that have been developed in different parts of the world—sometimes successfully on a global scale. One need only think of the success of Mondragon as a cooperative, of the rapid emergence of some Chinese state-owned enterprises, or of success of foundation-governed enterprises like IKEA to believe that other models of competitive success might exist in the world—with different managerial and ethical bases.

Finally, neither the IB nor business ethics literature deals sufficiently with the systemic implications of capitalism and international business as currently practiced,

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e.g., on the sustainability of human civilization on the planet, on consumption patterns and the fostering of increased materialism, or on the health and wellbeing of the planet's inhabitants (e.g., including issues like obesity and industrial agribusiness, as examples). Both literatures would benefit from a broader view that begins to integrate these issues into the conversation. In particular, I believe that the IB literature could benefit from BE's ability to raise the "what" and "what if" questions about the ethical implications of certain managerial practices that currently go largely unquestioned. And business ethics could benefit from the opposite tack: incorporating more "knowledge how" into analyses of issues facing businesses. But doing so will require assimilating new framings related to "knowledge how" into the "knowledge that" approaches currently in use in both fields.

CORPORATE GOVERNANCE AND FINANCE: HOW DID THEY GET THIS WAY, WHERE ARE THEY GOING?

Gary R. Weaver

Ryan, Buchholtz, and Kolb's interesting and wide-ranging account of research in corporate governance and finance raises an obvious question: why have these two fields of inquiry and practice sometimes been so different in outlook? After all, to many outsiders, I suspect the fields look closely related; finance is about raising, structuring, managing, and apportioning capital, and related matters of mergers, acquisitions, expansion, and so forth, while a large part of top management attention, board of director responsibility, and shareholder interest appears to focus on just those activities and their implications. Yet as Ryan et al. describe these two fields, we find one—corporate governance—characterized by a multiplicity of perspectives and theories (derived variously from law, behavioral and non-behavioral economics, organizational behavior, sociology, and, yes, finance), and at least some attention to the normative questions raised in corporate governance (and perhaps highlighted when the alternative theoretical frameworks of understanding clash), while the other—finance—is portrayed as having a broadening but still more narrowly focused theoretical framework, and a more limited range of evaluative self-consciousness (perhaps reflecting, in part, the relative absence of broad ranging and alternative theoretical frameworks of understanding). Possibly the difference can be explained by noting how corporate governance more directly involves individual actors as subjects (e.g., executives, board members), rather than more abstract financial and economic structures and processes, and thus corporate governance more obviously opens itself to the relevance of a wide range of fields that analyze and assess human behavior.

Beyond describing the foregoing difference between the fields, the authors note respects in which both corporate governance and finance present a variety of important and yet largely unaddressed ethical questions, ranging from the ethical evaluation of ideas such as net present value, to conceptual questions of the distinction between shareholder wealth and shareholder utility maximization, to ethical evaluations of alternative shareholder representation schemes, behavioral analyses of how boards of directors exercise their responsibilities, and other issues as well. Implicit in the recognition of these varied issues in both fields is the possibility that

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at least some current practices need reconsideration. And so one key question that arises from Ryan, Buchholtz, and Kolb's treatment of corporate governance and finance is that of how change might be effected in these venues. Related to this is the additional question of how matters of practice reached their current state—a state that includes many corporate and financial successes, but also its share of intended and unintended negative outcomes, ranging from the merely embarrassing, to the clear failures (e.g., Enron), to instances of extensive and collateral damage to other actors and institutions in society (e.g., financial and debt crises).

Thus I suggest that a crucial adjunct in addressing the kinds of issues and concerns raised by Ryan, Buchholtz, and Kolb is that of understanding the factors that give rise to and institutionalize the conventional practices of corporate governance and finance, along with that of explicating the processes by which conventional, institutionalized financial and governance practices might be altered. Corporate governance and finance, whatever their basis in complex theories of economics and agency, and whatever the structural details of capital markets and financial systems, remain social phenomena. Insofar as we see problems in current practice, we can ask how those practices developed, and consider what constellation of tangible and intangible resources help to sustain them, and what patterns of behavior and social interaction keep them stable. What taken-for-granted assumptions about the power of technology yielded the rise and legitimacy of high frequency trading in stock markets? How do academic theories legitimate and/or reflect current financial and governance practice? How and why did social norms and expectations change such that many bright physicists and engineers sought employment in the financial industry, and what changing patterns and ideas led financial industry leaders to increasingly link their future to mathematical sophistication (of the sort that the executives in question, and the sellers and traders of financial products, might not have understood adequately)? Why does the particular segment of society called "finance" view risk and net present value in a particular fashion? Why do particular corporate governance guidelines persist despite weak evidential support (Ryan, Buchholtz, and Kolb 2010: 678)? Why have corporate governance researchers been content to rely on easily available public data sources despite their known limitations, rather than seek more nuanced understanding via admittedly more difficult to obtain data sources?

It is not as though the worlds of corporate governance and finance have not had experience with significant change. Some of the practices just noted were not always the norm. Moreover, we have seen examples of the delegitimation of once conventional practices and their increasing replacement by alternatives. Witness, for example, the growth of shareholder democracy noted by Ryan, Buchholtz, and Kolb. And note as well the skillfulness of its proponents in framing it so as to make it a viable avenue of change, invoking a term—"democracy"—that might function as a kind of quasi-sacred trump card in policy discussions in Western societies, rather than possible alternative framings such as "dictatorship of the shareholders" or "executive serfdom" (to coin a couple of quick and simple alternatives). Similarly, framing complex or risk-laden practices such as securitization and high-frequency trading with language such as "financial engineering" helps to legitimate those

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practices by treating them as analogous to other social practices often considered benign; compare the likely result if collateralized debt obligations were marketed as "slice and dice securities" instead of "obligations," or if high frequency trading were called "securities churning." And note the potential reciprocal relationships between finance and corporate governance in such potential change; boards of directors and executives can use their formal resources and powers, and their informal status in the business world, to suggest, influence, and legitimate new thinking and new practices, while financial processes, policies and structures, when changed, can function as limiting or enabling influences on the power of executives and boards to push their companies in particular directions (witness the power of private equity funds and pension funds vis-à-vis executive decision making). As Boatright previously has argued (2009), CEOs have transitioned, over the last few decades, from "hired hands to co-owners." Although part of that transition, as Boatright notes, surely is due to the growing prominence of agency theory, the effective influence of that theory likely is enabled by other changes in economic and socio-political life, including changes in the nature and culture of the financial markets and financial industry upon which corporations often depend.

Meanwhile, there also remains plenty of work to do regarding corporate governance and finance, for both normative and social science scholars of business ethics. Ryan, Buchholtz, and Kolb correctly point out multiple issues in need of attention. For example, their discussion of CEO duality and its merits—i.e., the practice of a CEO also serving as chair of the board—presents a range of interesting psychological and social psychological questions regarding executives' identity, its formation and multiplicity, executives' corresponding identification with their organization, their conceptualization of their role, and resulting impacts on organizational outcomes. Greater shareholder control, through processes and norms of shareholder democracy, in turn suggest that corporate governance research might profit from other venues of research on democracy and democratic movements, such as political psychology and social movements and collective action research in sociology. Normative evaluations of different conceptualizations of net present value and risk can profit from attention to social and normative studies of accounting practices (thus opening the door to involving related research from other fields, such as that often published in *Accounting, Organizations and Society*) and from work in behavioral economics and game theory/decision theory. Ethics research on boards of directors can consider not only directors' formal and informal obligation, but also ask what specific kinds of virtues are particularly relevant to board members, while social science research can inquire into the factors that affect how much board members identify with the companies they serve, and how they mesh their identities as board members with the other roles they fulfill in the business world. Scholars more concerned with the public policy environment and the normative issues it raises can apply those concerns to finance and corporate governance, considering variously the ethics and processes of regulation regarding those issues (e.g., the Securities and Exchange Commission's inspector general's recent criticism of how the SEC handled its allegations against Goldman Sachs) and the existence and work of financial policy bodies beyond the awareness even of reasonably well-informed members of society or key government

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leaders (e.g., the European Union's mostly secret task force on Euro stabilization, the so-called "group that doesn't exist" [Walker, Forelle, and Blackstone, 2010]). In effect, one can inquire into the ethics of transparency vis-à-vis immensely complex but highly consequential systems and processes, such as financial markets.

So Ryan, Buchholtz, and Kolb leave us with a highly important and influential field facing a broad range of ethically relevant questions. Moreover, they offer scholars opportunities for addressing those questions by bringing to bear the multifarious perspectives that characterize business ethics research generally. And so business ethics scholars have much to contribute to corporate governance and finance, provided they also are willing to invest in learning the extant perspectives and positions presently animating those two fields.

LEGAL SCHOLARSHIP AND BUSINESS ETHICS RESEARCH: COMMENTARY

Andrew C. Wicks

The law is one of the "outside" disciplines that has perennial relevance for those interested in "applied ethics" and philosophy. Unfortunately, for a variety of reasons—some relating to the time-intensive task of keeping up with another very complex and technically challenging body of literature, some dealing with disciplinary differences and a tendency to see legal scholarship as asking quite different and potentially less interesting questions—business ethics scholars may be missing opportunities for learning from their peers in legal studies. Fortunately our colleagues John Hasnas, Robert Prentice, and Alan Strudler have taken the time to remind us of some of the core connections between the two fields and to highlight some specific themes in legal scholarship that are of import for business ethicists.

With the caveat that I am far from expert on legal studies, I would begin by recommending the article to my peers, and especially to those who do NOT have an inclination to follow developments in legal scholarship. The article does an excellent job of laying out why legal studies and business ethics have a lot to learn from each other, and digs into some of the details of specific questions that illustrate the connections between the two fields. Their work also includes a wide array of citations for future reading and research that many will find useful. One of the challenges of this kind of article is striking the right balance between isolating the right main themes and providing sufficient detail. Hasnas and colleagues do a commendable job in meeting this challenge—they have crafted an article that is accessible and combines conceptual breadth and clarity on the one hand and useful samples of the literature.

As for the focus of their article, Hasnas et al. choose a filter with three dimensions to highlight relevance for business ethics: methodology (especially the influence of interdisciplinary research and the role of empirical work within legal studies), theory (particularly the role of moral theory within legal theory), and policy (how white collar crime has evolved).

In looking at methodology, Hasnas et al. highlight the emergence of new research, particularly from the natural and social sciences (e.g., behavioral psychology, evo-

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lutionary biology, human decision-making and affect), that has gained significant traction within the literature and challenged the dominant view from "law and economics." Particularly as these other disciplines have provided new research that puts into question many of our basic understanding of human beings—who they are, how they think and act—legal studies has grappled with how to alter existing theories and core assumptions. Their article rightly looks at the potential value of these related influences (interdisciplinary work and empirical work) and highlights the relevant perils.

While I think they provide a fine array of issues to consider here on both sides, I would take some issue with the balance of this discussion and what is left out. It seems that more emphasis is placed on the perils of this "outside" work, particularly notions that the quality of research may suffer from these new influences. Most of the concerns raised (e.g., researchers with a new "hammer" tend to see "nails" wherever they look; the ability of editors and reviewers to assess quality; the creation of fads) are true of any stream of research and aren't unique to these specific influences in legal studies. In addition, there seems more emphasis placed on combating the conceptual chaos, faddishness, and dangers of specialization the authors see in these new research trends than on their potential to enlighten and re-invigorate both legal scholarship and business ethics. Statements like "business ethics journals must not become publishers-of-last-resort for articles that could not find a home in the top journals of their authors' primary discipline" are both confusing (i.e., how would we ever really know if this was true?) and overplay legitimate fears (i.e., about academic rigor and coherence)—the result of which may foster additional resistance to innovative work. While Hasnas, Prentice, and Strudler may lament the proliferation of ideas and theories, viewing them as getting in the way of a coherent body of research in the field, others may well see such new ideas as essential to asking good questions and offering more useful ways to look at the world—priorities that put into question what may count as "coherent" or that question the idea that "coherent" is a quality of scholarship that deserves as much consideration as "illuminating," "provocative," "useful," or "accurate."

The section on legal theory and moral theory is both interesting and sobering. While Dworkin remains a major figure in both fields, Hasnas et al. document that few other theorists embrace a non-instrumentalist view of the law. They note that both contract and tort law provide connections to non-instrumentalist thought and to moral theory. The specific case of the natural environment offers an area ripe with issues that cross the boundaries of legal and moral theory—how we should think about nature, what value we should assign to natural resources (and their degradation), what aspects of the law are most applicable (e.g., if no person is "harmed" directly)? All this is interesting and highlights some key intersections of legal and moral theory that deserve both our attention and further sustained dialogue. My only hesitation in this section is that the thinking here is framed more in terms of trade-offs and conflicts (e.g., "to what extent should we use the legal system to restrain business from activity that makes us richer but degrades nature?") that seemed bound to perpetuate this oppositional dynamic. While the law is deeply connected with adversarial thinking, one of the insights from moral theory on this topic may

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well be that such ways of thinking are optional and may not provide the best path forward—at least not for communities and perhaps not even for the law.

The final section, particularly in the era of Sarbanes-Oxley, Enron, and the financial crisis, may be the most interesting of all. The discussion of white collar crime, and how we ought to respond to it, is provocative and highlights a number of great connections back to business ethics—topics that are both conceptually challenging (e.g., what is the proper standard of corporate criminal liability?) and practically relevant (e.g., how do legal statutes like Sarbanes-Oxley alter the behavior of managers, both generally and in terms of topics like (legal) risk-taking?). This section is excellent in terms of the array of inter-connected issues that it raises. For instance, the authors note how new legal standards aimed at reducing wrongdoing and insuring compliance (e.g., Sarbanes-Oxley) also may be having huge unintended negative implications for employer-employee relations—on topics like protection of employee privacy, trust creation and maintenance, and the creation of organizational excellence.

One other topic of concern occurs late in this section, when the authors discuss the relevance of white collar crime to the question of the obligation of managers to stakeholders (versus shareholders). At best, this segment is unclear, but at worst it can be read to suggest that managers adopting a stakeholder theory-based approach to managing may be running afoul of the law (i.e., not acting in "his or her principal's best interest"). If the latter reading is accurate, their statement deserves considerably more discussion, including revisiting other work in the field highlighting that there is nothing legally problematic about following a "stakeholder theory" approach to managing in the U.S. (e.g., Marens and Wicks 1999).

Finally, it struck me that Hasnas, Prentice, and Strudler's article missed an opportunity—perhaps by design due to limits on its scope and length—to explore its topic as a two-way conversation rather than a "lessons from" business law for business ethics. Hasnas and his colleagues do a commendable job of highlighting many of those lessons, but I would posit that legal scholarship has much to learn from their colleagues in business ethics. While there are places where such thinking comes out in their work, a more systematic and critical look at how scholars in business ethics might provide relevant insights is a worthwhile project. Perhaps this can serve as encouragement to take up such a task and begin a more active and intentional conversation across these two disciplines.

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NOTES

1. This reminds us of quantum mechanics and the wave-particle duality in our understanding of light.

2. "A business affected with a public interest remains the property of its owner, but the community is considered to have such a stake in its operation that it becomes subject to public regulation to the extent of that interest" (Lehman and Phelps 2005: 189).

3. Or at least *partial* responsibility, since collaboration depends upon the joint participation of institutions from different sectors in addressing social needs. See Kenneth E. Goodpaster, "Corporate Responsibility and Its Constituents," *Oxford Handbook of Business Ethics*, ed. T. Beauchamp and G. Brenkert. Oxford: Oxford University Press, 2010, chap. 5. Also see my anniversary reflection in this journal, "Business Ethics: Two Moral Provisos," *Business Ethics Quarterly* 20(4): 740–42. I suggest in these articles that we need to go beyond not only the stockholder fiduciary insight, but also the stakeholder insight to embrace a more comprehensive kind of moral thinking in business ethics. It may be that the resources of political philosophy align well with this call for a larger perspective.

4. I wish to offer special thanks to Chris Bauman for his help in the development of this work.

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