Electronic Journal of Business Ethics and Organization Studies

ejbo

In this issue:

Manuscript Submission and Information for Authors

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Editorial objectives

Electronic Journal of Business Ethics and Organization Studies EJBO aims to provide an avenue for the presentation and discussion of topics related to ethical issues in business and organizations worldwide. The journal publishes articles of empirical research as well as theoretical and philosophical discussion. Innovative papers and practical applications to enhance the field of business ethics are welcome. The journal aims to provide an international web-based communication medium for all those working in the field of business ethics whether from academic institutions, industry or consulting.

The important aim of the journal is to provide an international medium which is available free of charge for readers. The journal is supported by Business and Ethics Network BON, which is an officially registered non-profit organization in Fin-

land. EJBO is published by the School of Business and Economics at the University of Jyväskylä in Finland.

Reviewing process

Each paper is reviewed by the Editor in Chief and, if it is judged suitable for publication, it is then sent to at least one referee for blind review. Based on the recommendations, the Editor in Chief decides whether the paper should be accepted as is, revised or rejected.

Manuscript requirements

The manuscript should be submitted in double line spacing with wide margins as an email attachment to the editor. The text should not involve any particular formulations. All authors should be shown and author's details must be printed on a first sheet and the author should not be identified anywhere else in the article. The manuscript will be considered to be a definitive version of the article. The author must ensure that it is grammatically correct, complete and without spelling or typographical errors.

As a guide, articles should be between 3000 and 8000 words in length. A title of not more than eight words should be provided. A brief autobiographical note should be supplied including full name, affiliation, e-mail address and full international contact details as well as a short description of previous achievements. Authors must supply an abstract which should be limited to 200 words in total. In addition, maximum six keywords which encapsulate the principal topics of the paper should be included.

Notes or Endnotes should be not be used. Figures, charts and diagrams should be kept to a minimum. They must be black and white with minimum shading and numbered consecutively using arabic

numerals. They must be refereed explicitly in the text using numbers.

References to other publications should be complete and in Harvard style. They should contain full bibliographical details and journal titles should not be abbreviated.

References should be shown within the text by giving the author's last name followed by a comma and year of publication all in round brackets, e.g. (Jones, 2004). At the end of the article should be a reference list in alphabetical order as follows

(a) for books
surname, initials and year of publication, title, publisher, place of publication: Lozano, J. (2000), Ethics and Organizations. Understanding Business Ethics as a Learning Process, Kluwer, Dordrecht.

(b) for chapter in edited book
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surname, initials, year "title", journal, volume, number, pages: Nielsen, R.P. (1993) "Varieties of postmodernism as moments in ethics action-learning", Business Ethics Quarterly, Vol. 3 No. 3, pp. 725-33.

Electronic sources should include the URL of the electronic site at which they may be found, as follows:
Pace, L.A. (1999), "The Ethical Implications of Quality", Electronic Journal of Business Ethics and Organization Studies EJBO, Vol. 4 No. 1. Available http://ejbo.jyu.fi/index.cgi?page=articles/0401_2.

New Insights in Applied and Business Ethics

EDITORIAL

Tuomo Takala, Editor in Chief

New EJBO (No 2, 2008) is in the Net. This EJBO's new number is a Special Issue.

Current EJBO considers many relevant themes around ethics, business, and leadership. The issue is also a new opening; it is made cooperation with Jyväskylä University, School of Business and Economics [with EJBO], and Queensland University of Technology (Luca Casali). The papers published are reviewed presentations from AAPAE 2008 conference on business ethics. We have here eleven good papers, which are vivid examples of actual themes of business and ethics.

Let me take some examples:

Alpaslan, Green and Mittroff write about and rhetoric and corruption. The field of rhetoric provides unique analytical frameworks for understanding the role of language in moral reasoning and tools to study and predict corruption. Aristotle's rhetorical appeals (pathos, ethos, logos) are one of several such rhetorical tools and frameworks. In this paper, they use these three rhetorical appeals to focus attention on the role and power of language and conversations in moral reasoning and corrupt behavior. In general, they advocate studying managerial conversations, focusing on how different rhetorical strategies influence moral behavior and its justifications.

J Sautter, Brown, Littway and C. Sautter investigated whether or not there is a correlation between studying business and the manifestation of personality characteristics that could lead to unethical behavior. Substantial academic literature and research has documented that business students tend to cheat more and act in a more selfish manner than the general undergraduate population. They looked at two underlying personality characteristics that would likely lead to unethical behavior by comparing the respective rates of these variables between different undergraduate majors.

This study has shown that there is no larger difference between business and non-business students. However, it does indicate that at least among business students, finance students in particular have a strong likelihood of possessing those qualities which may lead to unethical decision making. More research is necessary to test further the notion that business school pedagogy may be altering the personality characteristics of students. Panel data tracking students over their four years of study is the most important feature that a future study must employ to arrive at a better test of the effects of business pedagogy on students. They are sure that in the sample of students, finance students manifested those personality traits which would lead them to make decisions that value individual self-interest over group-centered outcomes.

McGhee and Grant state that a review of the relevant literature recognised several characteristics that permeate discussions on spirituality. This paper's premise is that these characteristics inform an individual's choice of values – they form a type of regulative ideal. The model developed explains the link between these values and virtue and therefore ethical behaviour in the workplace. The values frameworks developed recently in the spirituality literature specify those things a spiritual person perceives as worth having, getting or doing. This paper contends that these values, particular to spiritual persons, contribute to the flourishing of individuals and therefore lead to the acquisition of virtue. Spiritual persons are likely to be ethical persons. Such individuals are likely to be of significant benefit to their organisations.

Using a Rhetorical Framework to Predict Corruption

Can Murat Alpaslan
Sandy E. Green
Ian I. Mitroff

Abstract

The field of rhetoric provides unique frameworks and tools for understanding the role of language in moral reasoning and corruption. Drawing on a discursive understanding of the self, we focus on how the rhetoric of conversations constructs and shapes our moral reasoning and moral behavior. Using rhetorical appeals and a moral development framework, we construct three propositions that use variation in the rhetoric of conversations to identify and predict corruption. We discuss some of the implications of our model.

Corruption, Rhetoric, and the Self

Anand, Ashforth, and Joshi define corruption as "departure from accepted societal norms" for personal or organizational gain (Anand, et al., 2004: 40). According to Windsor, corruption reflects "a failure of moral regard for the public interest or the commonwealth in favor of illegitimate personal interest" (Windsor, 2004: 141). Banfield defines corruption as, "a socially undesirable deviation (or decay) from some ideal, norm or standard" (Banfield, 1975; Windsor, 2004: 141). Lange defined it as "the pursuit of individual interests by one or more organizational actors through the intentional misdirection of organizational resources or perversion of organizational routines" (Lange, 2008: 710). According to the Merriam-Webster Dictionary, corruption means "impairment of integrity, virtue, or moral principle", and is synonymous with immorality. Corruption related concepts include fraud, white-collar crime, employee deviance, corporate and organizational illegality (see Baucus and Near, 1991; Daboub, et al., 1995; Payne, 1980; Reiss and Biderman, 1980; Robinson and Bennett, 1995; see Rossouw, 2000; Szwajkowski, 1985). These definitions and associations suggest that "corruption" implies deviance from moral values, and often raises questions about the morality or values of individuals, groups, or organizations that engage in corruption.

Within the management field, there are several theories of ethical decision making (Dubinsky and Loken, 1989; Ferrell and Gresham, 1985; Hunt and Vitell, 1986; Jones, 1991; Rest, 1986; Trevino, 1986). Many of these theories examine the psychological processes the decision maker must perform to behave morally, the individual and situational factors moderating these processes, and the characteristics of the moral issue (e.g., Grover, 1993; Jones, 1991: 370-371; e.g., Rest, 1986: 3-4; Trevino, 1986; Weaver, et al., 1999). Although these theories have increased our understanding of ethical decision making in organizations, they fail to generate robust explanations for unethical behaviors such as fraud, lying, deception, and corruption (Grover, 1993: 478; Windsor, 2004: 136), and how these behaviors may spread to other individuals or become embedded in organizational cultures (Ashforth, et al., 2008: 671).

Recently, Anand et al. argued that corruption in organizations is explained in part by the rationalization tactics (e.g., denial of responsibility and injury) collectively employed by organizational members committing these behaviors, and in part by socialization tactics (e.g., cooptation and compromise) that persuade newcomers to accept these rationalizations as well as associated corrupt practices (Anand, et al., 2004: 39). Many of rationalization and socialization processes in organizations are expressed through language, and as Anand et al. argued, "one of the most important factors that abet rationalizing and socializing is the use of euphemistic language, which enables individuals engaging in corruption to describe their acts in ways that make them appear inoffensive" (Anand, et al., 2004: 47). Understanding the role of language in ethical/unethical decision making is important because our language shapes both the world and our selves (Burkitt, 1991; Mead, 1934; Peirce, 1992; Quinn, 1996: 1135; Taylor, 1989). Studies, for example, suggest that the language of neoclassical economic theories may make students who are exposed to this language less cooperative (Frank, 2004: 155-178; Frank, et al., 1993). Thus, examining the language used in managerial conversations may help us understand the effects of an organization on its members, and why otherwise ethical members of an organization engage in unethical behavior.

In order to further our understanding of the role of language in ethical/unethical decision making by individuals in organizations, we use a rhetorical framework. The link between rhetoric and ethics has been stressed both by the sophists and by philosophers such as Socrates, Plato, and Aristotle (Herrick, 2001). Modern rhetoricians defined rhetoric as "the art of reasoning together about shared concerns" (Booth, 1988: 105). Rhetoric influences the way we make judgments, and making moral judgments is a main component of ethical decision making and behavior (Aristotle, 1991; Rest, 1986; Solomon, 1994). Within our framework, we view the self as a product of symbolic

exchange (Booth, 1974; Mead, 1934) and as an expanding web of conversations (see May, 1996; Sandel, 1998). Specifically, we argue that conversations shape the self and what the self comes to perceive and label as acceptable or corrupt behavior; put differently, the rhetoric of these conversations persuade the self to make a moral judgment that a particular action, whether in the past, present, or future, is ethical or unethical (Aristotle, 1991; Nienkamp, 2001).

In the following sections, we first describe the role of language and conversations in constructing and shaping the self and its moral reasoning. Second, we develop a series of propositions to identify and predict corruption. Specifically, we propose that the self's propensity to engage in corruption, i.e., to deviate from moral values, is shaped and influenced by the rhetoric of conversations the self is exposed to. We conclude the paper with a discussion of methodological implications.

Corruption, Rhetoric, and Moral Development

From a rhetorical perspective, the varieties of conversations that construct and shape the self are influenced by social interactions. For example, children have most of their social interactions with their immediate family. Thus, during childhood, the self is usually exposed to a small variety of conversations. Exposure to a small variety of conversations reflects the moral immaturity of most children compared to most adults. This is consistent with most legal systems, which hold children to a lower standard of moral reasoning than adults. As children grow up, friends, teachers, and neighbors are added to the variety of conversations surrounding the self. Thus, during adolescence, the self is exposed to a greater variety of conversations than during childhood. As the variety of conversations increases, and the self transitions from childhood to adolescence, parents, teachers, and the larger community expect increases in the sophistication and ability of the self to apply moral reason appropriately. Similarly, the transition from adolescence to adulthood is marked with a further increase in the variety of external conversations. These conversations are characterized by the self's broader social commitments to work, family, the community, the environment, the future generations, and other fellow human beings the self may never meet. In short, as the childhood self develops first into the adolescent self and then into the adult self, the variety of conversations that shape the self increases.

During childhood, the self is more likely to be shaped by a few conversations (i.e., conversations with close and immediate family). During adolescence, the self is shaped by a moderate variety of conversations (i.e., conversations with family, teachers, and friends). During adulthood, the self is shaped by a large variety of conversations. As the self develops to include a larger variety of conversations, some of the conversations that shaped the self in the past become internalized or part of the self. The process of developing and including earlier levels is typical of most theories of development in general and moral development in particular (Gilligan, 1982; Kegan, 1982; Kohlberg, 1981; Piaget, 1977).

Rhetorical appeals. Rhetorical theory provides a potentially robust framework for measuring and connecting the variety of repeated conversations or social interactions that characterize the developing self with the type of rhetorical appeal. For example, pathos, logos, and ethos are appeals that resonate with particular forms of conversations (Aristotle, 1991; Bizzell and Herzberg, 1990; Green Jr., 2004; Herrick, 2001; King and Kugler, 2000; Nohria and Harrington, 1994). Pathos persuades by eliciting emotional responses, ethos persuades by appealing to

social mores and values, and logos persuades by appealing to the instrumental, analyzing mind (Green Jr., 2004: 659-660).
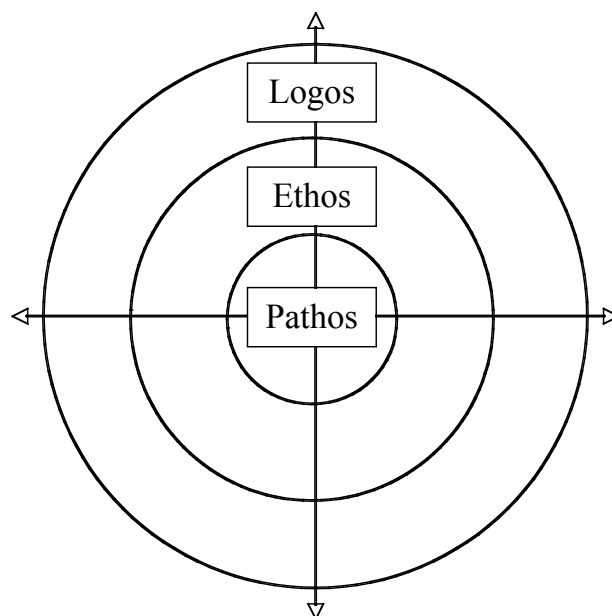
Figure 1. The Developing Self and Rhetorical Appeals

As the self develops, the conversations that shape the self become characterized by different rhetorical appeals (see Figure 1). For example, conversations that shape the self during childhood are often predominated by pathos appeals because most children act more emotionally than adolescents and adults. Similarly, during adolescence, conversations that shape the self are predominated by ethos appeals compared to the conversations during childhood, and most adolescents begin to learn the mores and customs of their community during this period. Conversations that exhibit pathos appeals do not disappear entirely during adolescence because the self develops and has a greater capacity to include a greater variety of conversations. Finally, during adulthood, conversations that shape the self are predominated more by logos appeals, and most adults behave more logically than most children and adolescents. Similarly, pathos and ethos conversations do not disappear entirely during adulthood because the self continues to develop and can include a greater variety of conversations.

In general, conversations that shape the self include one or more of the three rhetorical appeals: pathos, ethos, and logos. Although there may be infinite numbers of conversations characterized by different ratios of pathos, ethos, and logos, for the sake of brevity, we will focus on only three ideal types. (1) pathos predominated (logos and ethos appeals are weak), (2) ethos predominated (pathos appeals are moderately strong, logos appeals are weak but gaining strength), and (3) logos predominated conversations (pathos and ethos appeals are moderately strong).

These three ideal types also resonate with conventional theories of moral development (Gilligan, 1982; Kohlberg, 1981). The choice of these types and the sequence in which they are presented reflect an increasing variety of conversations, a developing self, an increasing ability to empathize with others or to take a greater number of perspectives, and hence, higher levels of moral development and lower levels of corruption (Kohlberg, 1976). Note that as the self develops, earlier rhetorical appeals that shape the self do not disappear. For example, ethos predominated conversations include a moderate proportion of pathos appeals, and logos predominated conversations include proportions of pathos and ethos appeals.

Pathos predominated conversations. Pathos predominated social interactions are often characterized by a few variety of conversations. For example, the self below a certain age rarely interacts with others outside the family, thus childhood exposes the self to a few highly repeated conversations such as those with family. These conversations often involve pathos appeals reflecting the emotions and passions of a highly attached self, and the self internalizes these conversations on morality not through rational reasoning, but through emotional attachment to parents (Rawls, 1999: 405-407). At this stage, moral behaviors and actions are often shaped by parental love, the fear of the loss of parental love, and feelings of guilt, fear, and anxiety (Rawls, 1999: 405-407). Since most interactions of the self have underlying emotional/pathos commitments, there is little room for other appeals in the self's conversations.

At this stage, the self is shaped mostly by pathos conversations, and is less conscious and inclusive of others. Thus, it can empathize with or take perspectives of a select few. For example, due to the lack of ethos appeals in its conversations, the self is often not fully conscious of its web of commitments or constitutive attachments to society; thus, the self cannot construct or participate in a shared or societal viewpoint (Kohlberg, 1976). Similarly, due to the weakness of logos appeals in conversations the self is exposed to, the self is often unable to differentiate fully between short and long term, or genuine and apparent self-interest; thus, the self rarely reflects on the larger or the longer term consequences of its actions and decisions for itself and others (see Hinman, 2003: 107). In short, the self whose conversations are predominated by pathos appeals has a narrow definition of the self and community, does not identify with many others, is at a low level of moral development, and lacks empathy.

At low levels of empathy or perspective taking, that is, in the absence of a variety of conversations that constitute and shape the self, moral reasoning is self-centric and moral principles are grounded in selfish needs (Gilligan, 1982:73; Kohlberg, 1976). The self does not mind or care when the pursuit of its interests hurts or is unfair to others (Duska, 2000). The goodness or rightness of an act is decided by the strength of internal needs, and this decision is questioned only when the self's needs conflict (Gilligan, 1982: 75; Kohlberg, 1976). The pathos predominated self avoids corrupt behavior when it fears the voices of authority and the negative consequences that result from corruption, such as reprimand or embarrassment in the eyes of family (Rawls, 1999: 407). At this stage, immoral or corrupt behavior means disobedience to the voices of higher authority (Kohlberg, 1976: 34) and the "morality of authority" is needed to make the pathos predominated self understand norms of reciprocity and the importance of helping others (Rawls, 1999: 462-479).

In short, the self who is constantly exposed to conversations that are predominated by pathos appeals will internalize and is shaped by a few variety of conversations. Thus, it cannot empathize with or take perspective of a great number of others. Its limited moral reasoning skills and its lack of empathy ill-equip the self to grasp the kairos of many situations. As a result, the propensity of the self to engage in corrupt behavior is high. We propose:

Proposition 1: The self who is exposed conversations predominated by pathos appeals will exhibit a high frequency of corrupt behavior.

The pathos predominated adult is a product of a small variety of conversations that include deep and extensive discussions about moral issues and justifications, and tends to make business decisions such as hiring and firing, based not on logos or ethos considerations such as merit or fairness, but on pathos considerations such as familiarity and social proximity (Hooper, 1995: 371; Husted, 1998: 242). Thus, pathos predominated conversations can be an indicator of cronyism, a corrupt behavior characterized by "favoritism shown by the superior to his or her subordinate based on their relationship, rather than the latter's capability or qualification, in exchange for the latter's personal loyalty" (Khatri and Tsang, 2003: 289).

Ethos predominated conversations. Ethos predominated social interactions or conversations are often characterized by a moderate variety of conversations. At this stage, while the repetition of earlier pathos conversations in the self's psyche decreases, these conversations do not disappear because the self develops and includes earlier levels. For example, if the self continues to identify and interact socially with others outside of the family such as those at school, then the variety of conversations the self is exposed to increases further. The conversations or social interactions with peers, classmates, and close friends are often characterized by ethos or appeals to loyalty to the group. The self begins to understand the norm of reciprocity and the importance of interacting with others outside of its family. As the self interacts with others outside its immediate circle, there is more opportunity for ethos appeals to be heard in conversations the self is exposed to. As a result, the self begins to internalize the perspectives and moral standards of others with whom the self does not have solely emotional attachments (Rawls, 1999: 409-411).

At this stage, the self is shaped mostly by ethos appeals, and is more conscious and inclusive of others than the pathos predominated selves. Nonetheless, due to the weak logos appeals in its conversations, the self is still relatively more disengaged from the larger community and equates rationality only with self-interest maximizing or acting in the interests of his or her immediate community (Johnson, 1993: 126-149; Quinn, 1996: 1129-1130; Rubin, 1998: 1714-1716; Solomon, 1992: 57-64; Taylor, 1989: 143-176). Self-interest, however, is not the same as the selfishness exhibited by the pathos predominated self (Duska, 2000: 121). Rather, emotions or pathos appeals are sometimes seen as impediments that divert the self from pursuing its interests (Margolis, 1998: 57). Thus, at this stage, the self takes an instrumental stance towards not only others with who the self does not associate, but also its own morals, passions, and peculiarities (Taylor, 1989: 143-176). In short, the self whose conversations are predominated by ethos appeals has a relatively broader definition of the self, identifies with a broader set of others, and is at a higher level of moral development than the pathos predominated self. Nonetheless, the self still lacks empathy for many others who may not affect or interact with the self on a continual basis.

At moderate levels of empathy or perspective taking, moral reasoning and moral principles are seen from a cost-benefit viewpoint. Thus, a decision to deviate from moral principle, such as violating the law, results from a cost-benefit analysis (Becker, 1968; Daboub, et al., 1995; Windsor, 2004). This view of the self and morality is widely utilized within the fields of management and economics: The self is motivated by its interests, and the restrained pursuit of self-interest is believed to lead to the greatest good for the greatest number (Beauchamp and Bowie, 1979; Friedman, 1970; Rand, 1943; Smith, 1776). The self believes that it is corrupt not to seek its interest, because the failure to do so is not in the long-term interests of the self and those with whom the self identifies. The "morality of association" (Rawls, 1999: 462-479) requires the self to maintain social ac-

cord and the functioning of the larger system (Kohlberg, 1976; Trevino, 1986: 605), and to make deliberate sacrifices for those with whom the self interacts (Rawls, 1999: 462-479).

In short, the self whose conversations are predominated by ethos appeals is shaped by a moderate variety of conversations. Thus, it can empathize with or take perspective of a moderate number of others. Its improved moral reasoning capability and increasing empathy better-equip the self to grasp the kairos of many situations. As a result, the propensity of the self to engage in corrupt behaviors is less than that of the pathos predominated self. We propose:

Proposition 2: The self who is exposed to conversations predominated by ethos appeals will exhibit a lower frequency of corrupt behavior than the self who is exposed to conversations predominated by pathos appeals.

The ethos predominated self makes business decisions such as contracting, based on costs and benefits of the transaction for the self and the relatively smaller community or group with which the self identifies. Ethos predominated conversations can be an indicator of crimes that result from cost-benefit analysis (Becker, 1968; Becker, 1974). For example, although Merrill Lynch executives knowingly helped Enron manipulate financial records, they also knew that being loyal to Enron and accommodating them was a low risk high return investment in future relationships with them (Anand, et al., 2004: 44; Swartz and Watkins, 2003). These executives may have thought that a moderate level of corruption is a reasonable cost of doing business, facilitating the economy and allocating resources (Windsor, 2004: 140, 142).

Logos predominated conversations. Logos predominated social interactions are often characterized by a large variety of conversations. At this stage, while the repetition of earlier pathos and ethos conversations in the self's psyche decreases, these conversations do not disappear because the self develops and includes earlier levels. The self realizes that the definitions of the self and community can expand constantly until they become universal and include all others such as the natural environment, the future generations, and all sentient beings (Rawls, 1999: 414-415). As the self becomes aware of its expanding web of commitments, there is a greater opportunity for logos appeals to be heard in conversations that shape the self. As a result, the self begins to internalize the perspectives and moral standards of others with whom the self does not have solely emotional or communal relations (Rawls, 1999: 414-415).

At this stage, the self is shaped mostly by logos conversations, and is more conscious and inclusive of others than the pathos and ethos predominated self. Thus, the self can empathize with or take perspectives of a great number of others (Rawls, 1999: 462-479). Moreover, the logos predominated self can differentiate between the short and the long term, or between the self and others, but sees them as interconnected. In short, the self whose conversations are predominated by logos appeals has an inclusive and expanding definition of community. The self identifies with a larger set of others than both the pathos and the ethos predominated self. Thus, the logos predominated self feels empathy for those who may or may not affect or interact with the self on a repeated basis. From this perspective, altruism is not self-sacrifice but a more inclusive conception of the self and community (Solomon, 1994: 67).

At high levels of empathy or perspective taking, that is, in the presence of a large variety of conversations constituting the self, moral reasoning is world-centric, and grounded in social con-

tracts, individual rights, and universal principles (Gilligan, 1982; Kohlberg, 1976; Rawls, 1999: 415). The presence of strong logos appeals in conversations facilitates a contextual and rational understanding of emotions and traditions; in a sense, logos appeals place ethos and pathos appeals in a larger and more universal context. The self recognizes that people "hold a variety of values and opinions, and that most values and rules are relative to group" (Kohlberg, 1976: 35). As a principle of justice or human rights, every single voice has the right to be raised or heard in the self's conversations, and the self intends to uphold nonrelative principles and to honor every single voice, "regardless of majority opinion" (Trevino, 1986: 605). Thus, the self learns to question the goodness or rightness of an act by empathizing with others who may or may not interact with the self. The "morality of principle" requires the self to make sacrifices for those with whom the self may not interact, such as the future generations (Rawls, 1999: 462-479). As a result, the self extends care both to others and to one's self, and is able to construct and participate in a shared moral viewpoint, as well as to transcend it (Gilligan, 1982; Kohlberg, 1976).

In short, the self whose conversations are predominated by logos appeals is more likely to have internalized a greater variety of conversations. Thus, it can empathize with or take perspective of a great number of others. Its superior moral reasoning capability and ever-expanding empathy better-equip the self to grasp the kairos of many situations. As a result, the propensity of the self to engage in corrupt behavior is low. We propose:

Proposition 3: The self who is exposed to conversations predominated by logos appeals will exhibit a lower frequency of corrupt behavior than the selves who are exposed to conversations predominated by pathos or ethos appeals.

Having realized that the very definition of an ethical dilemma involves listening to different perspectives all of which are at least partially right, the self whose conversations include a great variety of conversations often experiences "defining moments", and is forced to choose among alternatives all of which are right according to at least one moral framework (Badaracco, 1987). Thus, the logos predominated self tries to make business decisions never based solely on familiarity, loyalty, or kinship, but on the realization that the self and morality are inextricably intertwined, and each decision redefines the self and its moral stance. Johnson & Johnson executives' conversations, as reflected in the company Credo, include a great variety of voices such as those of doctors, patients, parents, employees, communities, the environment, and the stockholders. This may explain why, during the Tylenol scare in 1982, Johnson & Johnson executives quickly accepted responsibility, ordered Tylenol products off the shelf at the very first hint of the crisis, and shared the details of the situation with the media and the public (Mitroff and Anagnos, 2001).

Discussion

Having questioned the dominant view of the self, we argued that the self and its propensity to engage in ethical or corrupt behavior is shaped by conversations. Specifically, we linked the self's moral development and tendency to be corrupt to the variety of conversations the self is exposed to. We proposed a connection between the variety of conversations that constitute the self and the rhetorical appeals these conversations exhibit. Specifically, we argued that as the variety of conversations that shape or constitute the self increases, the rhetorical appeals in

these conversations follow a particular sequence: pathos predominated (logos and ethos appeals are weak, characterized by a few variety of conversations), ethos predominated (pathos appeals are moderately strong, logos appeals are weak but gaining strength, characterized by a moderate variety of conversations), and logos predominated (pathos and ethos appeals are moderately strong, characterized by a great variety of conversations).

Several methodological and practical implications follow.

Unit of analysis. Scholars of business ethics often focus on the individual and/or the situation as the unit of analysis. Accordingly, the explanations for ethical or unethical behavior involve "strong" individuals and/or "strong" situations (see for example Jones, 1991; see for example Trevino, 1986; Trevino and Youngblood, 1990). A rhetorical perspective, however, emphasizes that language is an action that constructs and shapes the way the self thinks, feels, understands, and acts in the world (Booth, 1974: 134-135; Eccles, et al., 1992: 29; Enos, 1996: 439; Rorty, 1989). According to this approach, individuals and situations are discursively produced, at least partially. Thus, a rhetorical approach shifts the unit of analysis in moral inquiry from individuals or situations to discourse.

Level of analysis. Using rhetorical frameworks and focusing on language as the unit of analysis may help researchers study corruption or unethical behavior at different levels of analysis and diachronically. For example, a rhetorical analysis of conversations taking place in the literatures on business ethics, stakeholder theory, and corporate social responsibility may suggest that the variety of conversations included in management discourse has been increasing. The introduction of the very term "stakeholder", defined as those who can affect and are affected by the firm's actions (Freeman, 1984), itself signifies an expansion of consciousness from a shareholder-centric to a stakeholder-centric view of the firm.

Other examples include the idea of "business citizenship", which represents one of the highest levels of caring and inclusion in recent management discourse (Logsdon and Wood, 2002). Business citizenship requires seeing everyone, peoples of both home and host countries, as us and not as the other (Logsdon and Wood, 2002: 167). Logsdon and Wood's discussion of the movement from individual to corporate citizenship to business citizenship, and the shift in attention from domestic to global resonates with moral development theories (Gilligan, 1982; Kohlberg, 1976) and the rhetorical model of ethics outlined here. Similarly, the longtime silent voice of the natural environment is becoming stronger as a result of several scholars' efforts (see Ruffin Series in Business Ethics, 2000, No. 2). Whereas some scholars use ethos appeals to make us see the natural environment as a stakeholder with a legitimate voice, both locally and globally (Preston, 2000), others use logos appeals, pointing out the economic benefits of environmental sustainability (Freeman and Reichart, 2000; Shrivastava, 2000). Finally, in another literature, scholars criticize the masculinist voices or language of stakeholder theory, and suggest including feminist voices emphasizing care and relationships (Burton and Dunn, 1996; Liedtka, 1996; Wicks, et al., 1994).

In short, a rhetorical perspective shifts the unit of analysis in business ethics research. It provides tools and frameworks that may initiate a rich domain of theoretical and empirical research, focusing on and linking multiple levels of analysis, accommodating historical and longitudinal approaches, and facilitating cross-cultural studies.

Conclusion

During the last several years, many corruption cases have made the headlines. Examples include Tyco, Enron-Andersen, Healthsouth, Adelphia, and WorldCom. At least partly as a result of these corruption cases, academic journals such as the Academy of Management Review, Academy of Management Executive, Organization, Critical Perspectives in Accounting, and Management Communication Quarterly have devoted special issues to corruption and ethical decision making. Clearly, there is a need for research on corruption, its antecedents and consequences, and how to prevent it.

The field of rhetoric provides unique analytical frameworks for understanding the role of language in moral reasoning and tools to study and predict corruption. Aristotle's rhetorical appeals (pathos, ethos, logos) are one of several such rhetorical tools and frameworks. In this paper, we use these three rhetorical appeals to focus attention on the role and power of language and conversations in moral reasoning and corrupt behavior. In general, we advocate studying managerial conversations, focusing on how different rhetorical strategies influence moral behavior and its justifications.

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Evidence-Based Policy and Mixed Economy in Australia

Matthew Birmingham

Abstract

This paper examines the nature of evidence-based policy and explains how the ethic can be applied to improve the position of the firm in the mixed economy. Government participates in the mixed economy in several imposing ways. Indeed, government is very much the 'elephant in the marketplace' to be understood and effectively managed by the firm. However, the firm can better its position by consistently applying an evidenced-based approach when dealing with government. Evidence-based policy practitioners purport to rely upon the empirical and 'scientific' rather than a priori arguments for policy setting. Where evidence is available, this should form the basis of petitioning government. If not available, then heuristic positions may be put, but only if arrived at through empirical rather than a priori means. The conclusion is that it is not so much what the firm says to government, but how it is said. Working consistently from within an evidence-based paradigm means the firm is more easily understood and, importantly, can positively influence decision-making to benefit the firm with effects lasting well beyond short-term political or news cycle.

Keywords

Evidence-based policy, Australia, Government, Firm

Introduction

Citizens, whether they be concerned, apathetic or ignorant are equally affected by decisions of government. Firms and households – the non-government citizen actors in the mixed economy – have a legitimate expectation that decisions of government are not made capriciously, arbitrarily or corruptly. Further, they reasonably demand that good decisions and policy be made. It is the expectation of good decision making and policy setting that constitutes a substantial quid pro quo for the power citizens cede to government for civil society in which government should give priority to serving citizens over self-interest. Citizens choosing to organise into firms for the purposes of profit, as well as for non-profit purposes, expect likewise.

There may be different perspectives about what exactly constitutes non-self-serving government but it is posited here that responsible and reasonable decision making is a prerequisite. While political and 'special interests' render naïve the assertion that governments are primarily concerned with all citizens all of the time, it has become less naïve to expect decisions be made on the basis of evidence and not (only) from preference, appeal or whim, because the latter is self-serving and undermines the fundamental compact. In this setting, the idea of evidence-based policy is being discussed more frequently in Australian policy settings.

Firms are especially affected by government decisions so it is the relationship between the firm and government that shall be the focus of this paper. To succeed in the mixed economy, a firm must both understand the concept and work within it to better its position and effectively deal with the 'elephant in the (marketplace)' – the government. It will become apparent that the potential of evidence-based policy, and how it is practised are somewhat divergent. Evidence-based policy will be considered generally, but also by the use of two illustrative case studies: one from Canada and one from Australia. Finally, some suggestions are made as to how the firm can act in ways consistent with the emerging ethic and reflect back at government its use of it. By holding government true to its rhetoric and practising the ethic itself, the firm has the potential to improve its position in the mixed economy. Opportunities therefore exist for the firm to improve its relative position by upholding evidence-based policy.

1. Government as principal actor in the mixed economy

Government is an imposing presence in a mixed economy in which firms and households are also participants. From the Left, government activism is claimed to be beneficial: governments effect necessary transfers of incomes, redistribute wealth, support the provision of public goods, and make laws to improve society through identifying and redressing injustices. From the Right, the government actor is viewed more cautiously: the 'elephant in the marketplace' substantially retards an otherwise freely functioning economy of rational firms and households actors that, unfettered, would make optimal decisions resulting in the most satisfying exchanges. If necessary at all, governments could make policy only to protect property, preserve freedom of markets, bring peace and order – a minimalist intervention. While the proper place and roles of government are open to innumerable definitions and preferences, the presence of a government defines the mixed economy over other kinds. And, within the prevailing global paradigm of trading nation-states, mixed economies are ubiquitous.

Actions and decisions of the government actor have far-reaching effects on the freedoms, rights and responsibilities of the non-government actors in the economy: households and firms. While government may decide that a policy or decision should also apply to itself, it is usually firms and households that are targeted by government activity. Underpinned by legislation and the application of appropriated (public) moneys, decisions are made in respect of virtually every subject matter. In Australia, this is particularly true when all three levels of government are taken together to constitute the one government actor. If government chooses not to intervene in respect of any subject, then this is rarely for want

of its ability to do so, such is the freedom of movement the government commands.

Although seemingly omnipotent, like other actors in the economy, governments must ration their choices. Notwithstanding the many opportunities of government, it is the scarcity of resources that requires this. Limits around political will, time, availability of public moneys, bureaucratic and market limitations as well as skill (or lack thereof) means the government is forced to choose carefully the decisions it makes and policies it pursues. The competing interests and values of firms and households as communicated to government confound things further. Because decision and policy making will invariably reapportion the rights of some actors to others, perhaps the most that can be hoped for is that preference and whim alone do not finally decide public issues. And, all the while, the self-interest of the government is a present threat liable to subordinate the interests of others, depending upon where the government finds itself in the political or news cycle.

2. The precarious firm in the mixed economy

The firm is particularly susceptible in the mixed economy to the decisions and policies of government. The power households have over firms is largely a function of their capacity to spend incomes and allocate their labour between firms. Absent of a government actor in the economy, households and firms would be left to resolve issues between themselves. Government, however, can dictate to the firm and modify its otherwise perfect freedom of movement in market through regulation. And governments can affect firms indirectly through households. Taxing and regulating households require households to present to firms in a modified form. Finally, governments become significant economic participants their own right through exercising the product of their coercive taxation and revenue powers. Governments encourage, create and perpetuate political, legal, social and economic institutions favourable to these ends and it is this context the firm must act.

Generally, households present as opportunities to the firm – to profit from, and as a source of labour. Government, on the other hand, generally threatens. While threats to firms posed by government may outweigh the opportunities, the latter cannot be ignored. For example, some opportunities for the firm to influence government include:

a.   selling goods and services to government;

b.   competing directly with government taking market share;

c.   being available to conduct activities for and on behalf of government as:

 i. an intermediary to distribute transfer payments, goods and/or services through grants or funding arrangements; or

 ii. as 'outsourced' suppliers of government services to households and other firms; and

d.   central to this discussion, provide policy advice to government and/or influence government decision making by using or requiring the use of evidence.

3. Policy setting and decision making

Before explaining evidence-based policy and how firms can seek to gain within that framework, the notion of policy setting must be introduced. As explained earlier, governments must ration their decision making and policy setting. Although powerful, governments' abilities are not unlimited. The government will

pursue some things, and leave others alone. The government must have partly or wholly decided that it has capacity and responsibility to resolve an issue and, usually, it is profitable for it to do so. A policy or decision made is a positive act by government to impose itself upon the other actors. Given this background, the following schematic representation of policy setting is offered:

1. An issue or problem arises or opportunity appears
2. Government chooses to respond or be proactive
3. Environmental scan – government defines problem; undertakes consultation; collects and considers information
4. It list options for resolution/action – including resources; cost/benefit
5. Government selects policy/makes decision
6. Implementation plan – budget; legislation; policy adoption; communication; market approaches adopted
7. Implementation – contract/program management; communication; expectation management
8. Troubleshooting – adjustment; further budget allocations; legislation; performance management, expectation/media management and public affairs
9. Review and evaluation – to assess efficacy; value for money; gather information for review and evaluation
10. Close-off/cancel program – or prepare for recurrence/renewal
11. Capture leanings; cost-benefit; identify new opportunities and policy options
[Some steps can be rearranged]

4. Different ways the firm might attempt to influence government

Having outlined the policy setting process, firms must seek to influence the policy and activity of government to ensure decisions are made that improve the position of the firm (or, at least, minimise harm). In light of earlier discussion, it becomes clearer that the inactive firm is at risk of being disadvantaged by actions and decisions of government. Firms must be proactive where possible and be prepared to positively influence the policy making process. Some ways of influencing government include:

A. 'Playing politics':
- confrontation
- political marketing to government; and 'win hearts and minds' of households
- political dis/endorsement

B. 'Sticky power'. Adapting the concept in foreign and strategic policy and applying to the present setting, a firm can use 'sticky power' (Mead, 2004) particularly in respect of large firms or industry sectors by:
- entering public-private partnerships
- supplying to government
- acting as agent for government
- competing with government
- research partnerships

All of these approaches draw government close to the firm thereby creating a relationship of interdependence, and influence, from which government cannot easily withdraw…

C. Working with government, preferably on a methodological 'level playing field', to develop policy or shape decision making:
- lobbying for change proactively or reactively in response to proposals or those already set, and
- working with evidence-based policy

Option A may be attractive to the firm, but it is a framework

within which government is well-versed. Politics is the domain of government and few firms will defeat the government playing in this space. If the firm or its lobbyist does not have the sophistication to effectively 'play politics', and does not have the scale to exercise sticky power, then a conversation with government developed within an evidence-based policy framework may be the best remaining option.

5. Evidence-Based Policy – Background, Emergence and Definitions

Lisel O'Dwyer describes evidence-based policy as policy based on research that has undergone some quality assurance and scrutiny, and distinguishes it from public policy based on little more than faith, intuitive appeal, tradition and politics, or policy based on unqualified evidence (O'Dwyer, 2003). "Evidence-based policy strategies aim to maximise the quality of the evidence and to minimise the influence of other factors in policy making" (O'Dwyer, 2003: 16, italics added). In citing his earlier work, Philip Davies describes evidence-based policy juxtaposed against inter alia 'untested views', but makes an important additional point: about the selective use of evidence (Davies, 1999):

Evidence-based policy has been defined as an approach that "helps people make well informed decisions about policies, programmes and projects by putting the best available evidence from research at the heart of policy development and implementation" (Davies, 1999a). This approach stands in contrast to opinion-based policy, which relies heavily on either the selective use of evidence…

A proponent of evidence-based policy purports to give primacy to 'the evidence' over other factors such as whim, opinion or appeal when making decisions and formulating policies that affect households and firms. Certainly, a claim that decision making or policy is based on 'the evidence' is a potent public appeal by government to legitimacy. A firm is well-placed to reflect this back to government, and appropriate it for its own uses. To convince government (and households) takes credibility, and evidence can provide it. But to more properly understand what 'the evidence' means in the present context requires consideration of the place evidence has in science and how this may differ to its political and public uses – something which will be illustrated in the case studies later.

The scientific method provides a way knowing based on the discovery and acceptance of truths through the accumulation of evidence to prove those things hypothesised or predicted beforehand. Importantly, a theory or known phenomenon resulting from this enquiry is accepted as 'truth' but only if (and only for as long as) positive attempts to falsify the theory or phenomenon fail. If new evidence arises so falsifies, the phenomenon is no longer true and cannot be remain within what is 'known'. Philosophers like Karl Popper (1959) explain how this conceptualisation and application of evidence lies beneath one of the great products of Modernity: the scientific endeavour. The idealised scientist properly adhering to the 'scientific method' may be curious, but must be agnostic as to the outcome, irrespective of their prediction and, importantly, their commitment to it. The scientist must follow the evidence to the conclusion. Evidence is king, and this is why it is claimed that science and its scientific method is the best way of knowing about the physical world (Gauch, 2003). However, when it comes to matters of policy and the political, notions of evidence are somewhat differently focussed.

The focus of the policy or decision maker diverges from that of the scientist when it comes to evidence. A different paradigm for 'the evidence' emerges. The policy or decision maker finds themselves in a social, economic and political world typical of contemporary pluralist liberal polities. Policy decisions need to be made, and must be defended, in the context of political and other accountabilities. This requires a focus on outcomes, rather than methods, particularly those that are able to be politically justified or legitimised. In terms of legitimacy and justification, 'evidence' becomes short-hand for a claim to some "gold standard" in policy that, supposedly, reasonable people ought not disagree with. Direct or indirect appeals to reason, empiricism, science (and its method) therefore enhance the status of a policy outcome. Scientific or quasi-scientific claims are brought to bear upon the political. The decision maker claims to be better able to overcome the difficulties of balancing competing interests, including private and public ones, as arise in the archetypal contemporary Western society. As Rawls (2005), Gaus (1990; 1995) and Nagel (1991) demonstrate, it takes considerable work to derive frameworks that routinely produce sufficiently correct and acceptable outcomes that are cognisant of all reasonable competing interests and claims in society. Claims to outcomes based on 'the evidence' attempt to make indefeasible to those decisions and policies imposed by government on the other actors.

Political uses of evidence immediately transform evidence-based policy into something very different from that arising in scientific endeavour. Evidence becomes a marketing method: a policy can be sold as reasoned, reasonable and is justifiable. And, while it may be all of these things, the outcome sought is persuasion or justification. With little regard to prediction, it is common for the outcome sought to be posited more definitively than any scientific phenomenon. This is a serious limitation of evidence-based policy and provides a somewhat ironical example of what John Venn meant when he said: "No science can be safely abandoned entirely to its own devotees" (1866: ix). The 'generalist' politician has appropriated from the scientist-devotee a means of best promoting and marketing their preferences and values in a world of competing interests in which the truth is difficult to derive from the milieu of positions found in pluralist liberal polities.

Viewed most favourably, it has been argued that evidence-based policy attempts to move government away from making decisions based on selective and dubious evidence and other methods more closely connected with traditional politicking. However, for reasons discussed (and by use of case studies to follow) it seems that evidence-based policy is quite vulnerable to be overtaken by other factors. Therein lay the limitations of the doctrine. Those in the political space that would genuinely purport to uphold the ethic of evidence-based policy, in its purest sense, run hard up against these other factors. Having considered some philosophical background to the notion, it is now timely to consider how the evidence-based policy emerged and actually manifests itself the public spaces of contemporary liberal polities.

In recent decades, evidence-based policy has gained currency in many Western countries. 'Evidence based medicine' emerged in Canada around 1990 and has been likened to "the mother" of a "new religion" growing in prominence throughout the West, including Australia (Sweet, 2008). In the United States, evidence-based policy came in the wake of laws such as the 1993 Government Performance and Review Act and later anti-drug/safety laws. These laws imposed requirements like benchmarking of programs, accountability of agency performance and the requirement that funding go to programs that arise from research outcomes (Petrosino et. al., 2001). In the United King-

dom, evidence-based policy emerged somewhat differently, as the evolution of the principles underlying those found in medicine applied instead to government (Sweet, 2008).

In Australia, evidence-based policy gained traction more recently (Sweet, 2008; O'Dwyer, 2003) even though the concept and its principles are not without precedent. To use one example, Australia's Financial Management and Accountability Act 1997 (Cwlth) applies at the federal level (Attorney-General's Department, 2008). Under this financial management framework, agency heads are made responsible and accountable for the use of public resources: the 'efficient, effective and ethical use' of resources for which the agency head is responsible (Attorney-General's Department, 2008: section 44). Effectively, the framework requires agency heads formulate local rules and systems to facilitate good decision making within a paradigm of evidence. In respect of procurement in particular, the Commonwealth Procurement Guidelines (Department of Finance and Administration, 2005) exist to ensure that, with very few exceptions, supplies to government are made competitively and there is evidence that decision making has taken into account as objective measures to arrive at 'best value for money' decisions. This framework of accountability purports to make empirical bases for decisions routine. The Australian experience that emerged in the late-1990s is therefore somewhat similar to that of the United States' several years earlier.

More recently, Australia's preference for evidence-based policy has become more akin to the British experience. Perhaps the biggest proponent of the "new religion" in the Australian context is the current Australian federal government. In a recent address to department heads Prime Minister Rudd spoke of the need to develop "evidence-based policy making processes as part of a robust culture of policy contestability" (Rudd, 2008). In the lead up to the 2007 Australian federal general election, the Australian Labour Party made repeated reference to acting on reviews proposed. Criticism was levelled at the ALP for policies and approaches to policy making that had arisen in the United Kingdom under Prime Minister Tony Blair's government. Referencing evidence-based policy, the Blair government espoused the approach: 'what matters is what works'(Carson, 2003).

The ideal (at least) of evidence-based policy is in vogue. As discussed earlier, the nature of political discourse appears to necessitate a disingenuous application of even robust methodologies from time to time. The case studies below support this conclusion. Melissa Sweet, who has written about the subject for various health groups in Australia and overseas, including Australia's National Health and Medical Research Council, provides examples of causes for scepticism around how evidence-based approaches have been undermined or are themselves deficient in dealing with policy processes (Sweet, 2008). Elaborating on Sweet's (2008) examples, and supported by the views of others (eg. Marston and Watts, 2003; Walshe and Rundall, 2001) important limitations around evidence-based policy become apparent real-world contexts:

• rhetoric is easy, following and committing to evidence based processes to inevitable outcomes, more difficult: 'when votes are at stake, evidence goes out the window', says Sweet.

• irrational assumptions

• the quality (or lack) of the data constituting evidence

• the extent or lack of public debate limiting what evidence is considered/used

• the limitations of the evidence generally: what works in one setting may not work in another

• the lack of sophistication or maturity of polities and institutions to take advantage of evidence based approaches.

Nutley et. al (2002) neatly summarise that the limitations of the application of evidence-based policy are very context dependant and include limits on the quality and quantity of the evidences available in different fields. "Thus knowledge of 'what works' tends to be influenced greatly by the kinds of questions asked, and is in any case largely provisional and highly context dependent" (2002: 4).

From this discussion so far, a hierarchy of a motivations for using evidence-based policy can be derived.

1. The political imperative is strong such that while government may be genuine in prescribing or upholding evidence based frameworks, it is simply unable to adhere to them.

2. A less favourable view is that government will work within evidence-based frameworks – to be seen to be doing so – but solely in ways that encourage outcomes that are politically self-satisfying, rather than those that best serve households or firms.

3. Less favourably still, governments use evidence-bases to 'cherry-pick' within the framework the best evidence bases not for good policy or decision making, but for the purpose of supporting a priori positions based on ideology, preference or whim.

4. Most cynically, with such a proliferation of both scholarly and non-scholarly work available in an information age, isn't hard for civil servants or a sufficiently forewarned independent experts or consultants to data-mine to arrive at the 'correct' outcome. In this sense, evidence-based policy is used merely as a façade to hide behind and disguise real intentions and a priori decisions – even those undermined by the actual evidence itself.

Accepting that policy making, by its very nature, is a political construct (Gerston, 2004) this doesn't entirely exclude the proper application of evidence bases even when political reasons prevail:

a. Political emphasis on value for money

b. The desire for robust evidence showing that something probably will work before committing public moneys to it

c. The need to show that spending is efficient and that potential losses are minimised;

d. Greater government accountability;

e. To counter a growing public cynicism toward governments, professionals and research institutions [as alluded to earlier] by an increasingly educated public (Sweet, 2008).

6. Case Study One

In light of the discussion thus far, if 'sticky power' is not available to the firm, and it wants to avoid a head-to-head political contest with government, then evidence bases may be the preferred way to improve a firm's position vis-à-vis government. The various points made in the preceding chapter are now illustrated by the following two case studies.

'Canada bans Bisphenol A'
The Canadian health minister announced on 18 April 2008 that Canada had conducted a review of the chemical Bisphenol A, used to make polycarbonate plastics and epoxy resins:

Based on the results of our assessment, today, I am proposing precautionary action to reduce exposure and increase safety… The draft assessment tells us that most Canadians need not be concerned. This is because health effects occur at levels much greater than those we are exposed to in Canada. But, this is not the case for newborns and infants. We have concluded that early development is sensitive to the effects of bisphenol A. Although

our science tells us exposure levels to newborns and infants are below the levels that cause effects, it is better to be safe than sorry. Consequently, I am announcing actions today that will reduce exposure and increase safety. And so, if no new, relevant and compelling information comes forward during the public consultation period, it is our intention to ban the importation, sale and advertising of polycarbonate baby bottles. With this action, Canada will be the first country in the world to take such action to limit exposures to bisphenol (Health Canada, 2008).

In December 2006 Canada instituted a Chemicals Management Plan placing the onus on industry to prove that chemicals reviewed by Canada Health were safe:

This approach puts the onus on industry. Instead of making government prove a substance is unsafe, the Challenge Program puts the onus on industry to prove to us they are using chemicals safely. When the Prime Minister and I rolled-out the Chemicals Management Plan, he committed to keeping our nation at the forefront of health and environmental protection. And with today's announcement, we are meeting that commitment (Health Canada, 2008).

In the Canadian public space, industry is being called upon by government to participate in an evidence-based policy debate around the use of bisphenol A. Interestingly, the government has decided to use a 'precautionary principle' in proposing the ban because of elevated levels of bisphenol A in polycarbonate baby bottles, even though evidence suggests the elevated levels of the chemical are below those which would cause harm. Even so, affected stakeholders, including industry, have 60 days in which to make their submissions to government.

Here government is following a heuristic approach in its application of evidence-based policy: it appears to accept that the there is scientific disagreement around the effects of bisphenol A at the levels of the chemical present but, because the levels present are much higher in certain contexts (for example, as a result of boiled water in baby bottles), this is sufficient to direct that industry 'show cause' as to why future use of bisphenol A in Canada should not be banned. And, remember, scientific disagreement extends to the conclusion that levels are in fact below unsafe levels (Canadian Broadcasting Corporation, 2008). In this case, government speculates that the mere possibility of some harm arising is sufficient to ban the chemical.

On 17 October 2008, Canada Health announced that bisphenol A would indeed be banned from baby bottles, making Canada the first country in the world to do so. The rationale was the uncertainty around the issue. Thus, following application of a precautionary heuristic, the outcome is a total ban of bisphenol A by early 2009. Interestingly, the Canadian Government has also committed to spending $CAD 1.7 million over three years to conduct further research into the issue (Health Canada, 2008a). In a response by industry, "Robert Brackett, chief science officer for the Grocery Manufacturers Association, said Friday that Canada's precautionary action regarding the use of BPA is disproportional to the risk determined by public health agencies" (Associated Press, 2008).

Such is the privileged position of government in the mixed economy that it can, as this case study illustrates, 'have a bet both ways'. Government can adopt a heuristic approach as reason to make a decision [one which, presumably, is politically satisfying] but then demand an evidence-based approach be followed by industry if industry has any hope of changing the government's policy. A key consideration for the firm working in this space is to ascertain just how frank their reporting of evidence should be. Consideration must be given to whether an evidence-based approach will trump the precautionary principle adopted by

government. Carefully balancing the requirement to fairly represent all issues and derive conclusions based on the evidence in the context of a decision that seems to have been made for a variety of other reasons (political, public health, precautionary) means the firm cannot effectively and properly 'fight its corner'.

While it may be of little comfort to realise that the firm's corner is one into which the firm has been placed by government, the firm is at liberty to emphasise deficiencies in the evidence or failures by government to follow its own purported preference for evidence, and may benefit from raising these arguments when seeking, for example, administrative law remedies. On the other hand, a firm or industry acting effectively and properly within a paradigm of evidence-based policy must be prepared to accept the outcomes of their own research, even when these work against their case for beneficial public policy outcomes. In this case study, a genuine discussion around the merits of evidence-based policy is largely made irrelevant by the approach taken by the government actor. Because of the nature of evidence in a policy and political paradigm, this will often be the case.

7. Case Study Two

'Alcopops tax rise'

A public policy debate arose in the wake of the Australian federal budget of May 2008 around an increase in the tax on 'alcopops'. Alcopops are premixed, spirit-based, alcoholic drinks popular among younger consumers. The Australian government has reportedly adopted a policy of encouraging fewer premixed alcoholic drinks be consumed, particularly by teenage girls, and that scientific and other evidence before it says that raising the per-unit price would reduce overall consumption levels. While acknowledging that there would be an overall increase in the rate of consumption of alcopops, the tax – which would accrue the federal government $3.1 billion over four years – would succeed in having retarded this rate of increase (Grattan et. al., 2008; Kerr, 2008). The opposition in Australia claims, on the other hand, that binge drinking in the age group concerned had already peaked, and emphasised the fact that the treasury department's own figures indicated a compounding increase of ten per cent per year in the increase in consumption of these ready-to-drink beverages (Australian Broadcasting Corporation, 2008).

Firms had no warning of the increase in tax on alcopops. As Josh Harrison wrote:

Federal taxes on pre-mixed alcoholic drinks were increased without warning at midnight last night [26 April 2008] by 70% under a Rudd Government plan to fund a new preventive health program and tackle binge-drinking among teenagers, particularly girls … Under the tax increase, the level of excise charged on the increasingly popular pre-mixed drinks — also known as "alcopops" — has leapt from $39.36 per litre of alcohol content to $66.67 … It means alcopops are now taxed at the same rate as spirits, closing a loophole introduced with the GST [Goods and Services Tax] in 2000 whereby the excise is lower when the product is purchased pre-mixed than when it is mixed fresh (Harrison, 2008).

Christian Kerr noted that news of the tax increase was given by government to selected media organisations on 26 April 2008 (Kerr, 2008). Notwithstanding this 'deliberate leak', news of the issue did not create significant public debate until a couple of weeks later, following the delivery of the May 2008 budget and the subsequent attack on the government's policy by the opposition party.

In this case study, the government appears to have based its decision on the evidence that, although rates of drinking among

teenage girls may have peaked, the government has nonetheless concluded this demographic of younger drinkers is still the most vulnerable to harm by alcopops. This, arguably, is the evidence basis for its policy decision (Australian Institute of Health and Welfare, 2008; Grattan, M. et. al., 2008; Australian Broadcasting Corporation, 2008; Harrison, 2008). Secondly, the measure was introduced to redress an anomaly in 2000 Australian Goods and Services Tax legislation that treated pre-mixed drinks differently from the constituent spirits from which they were derived (Grattan, M. et. al., 2008; Australian Broadcasting Corporation, 2008; Harrison, 2008). On the other hand, the $3.1 billion (over four years) is a small but significant contribution to a projected underlying cash surplus for financial year 2008-9 of $21.7 billion (Australian Government, 2008). Revenue, therefore, is suggested as another primary motivation for the policy (Kerr, 2008; Grattan, M. et. al., 2008).

In this second case study, the firm is placed in a difficult position by a policy around which it had little control over. A policy that arguably has positive health outcomes, as well as significant budgetary implications is unlikely to be reversed. Perhaps all that is left for the firm is to argue ad hominem against the government introducing it. Evidence may be gathered to show that people are buying fewer alcopops but, instead, buy a bottle of spirit and a bottle of soft-drink to 'mix your own'. It may be that a perverse incentive is been created whereby a 'mix your own' culture emerges amongst younger drinkers. Overall, consumption of standard-drink equivalents could be shown to increase as a result of the policy. Perhaps it is possible to demonstrate that it is not young teenage girls but some other demographic that is most at risk. Finally, it may be demonstrated that other social harms are being created by price increases more generally, through inflationary effects, and effects on small business and upon the budgets of people least able to afford price increases if their purchasing behaviours around alcopops do not change.

The case studies do demonstrate that there is uncertainty around governments' application of evidence-based policy. Claims of evidence bases are apparent in each example but the discussions around each beg the question, 'to what ends are evidences cited by government being put?' Answered positively, the case studies show evidence-bases being used to generate public policy decisions unfettered by preconceptions – allowing the evidence to lead to the outcome and then accepting it, come what may. Viewed negatively, the evidence is used as a device of public justification of decisions made a priori, more to do with defending political capital. Both views are arguable, and this illustrates an important point: firms that are most able to understand and work within the emerging paradigm of evidence-based policy are best positioned to influence policy outcomes or, at the very least, minimise harm imposed upon them by the 'elephant in the marketplace'.

8. Conclusion

The firm is precariously positioned in the mixed economy. The perceived power of all but the largest firms is overstated, because of the relative power of the government. This may be seen by many as a good thing. But the firm, being a creature of markets, prefers freedom of movement within its own space and therefore must successfully navigate imperfections in that marketplace generated by the activities, decisions and policies of government.

Over the last few decades evidence in policy setting and decision making has emerged as a preference of Western governments. In Australia, this emergent phenomenon is more recent still. As evidence-based policy takes hold and is used – and perhaps misused – by government, the firm has to position itself to work within the new paradigm if it seeks to be able to effectively influence decision making. The issues around evidence-based policy discussed here, including the case studies cited, demonstrate how problematic the notion of evidence-based policy can be, particularly for the firm. However, if the firm is prepared to work with government and, by doing so, aims to hold government to its own rules for decision making on the basis of evidence then (more) optimal decisions can result.

Given that mere rhetoric is no substitute for the proper application of the ethic, the firm must steer government away from preference and opinion and towards evidence as best it can. Using and promoting the use of the ethic in a positive and non-cynical way could positively influence both the scope and content of government decisions and policy settings to the benefit the firm and, perhaps, for the government too.

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Theories on Teaching & Training in Ethics

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Abstract

The paper examines the education and training of adults in ethics. It applies to courses at universities and colleges as well as in the work place. The paper explores the evidence on our ability to strengthen moral behaviour through courses on ethics, finds it to be weak, so starts with the assumption that we cannot teach people to be ethical. The paper asks therefore what the objectives of a course could be and how best to achieve them. It examines the different theories in the literature, eventually settling on four objectives: increasing moral cognition; teaching a widening and strengthening of ethical practices; adopting teaching approaches that maximise learning impact, and developing the personal skills of individuals in negotiation and persuasion. All four objectives are of value to people who seek an ethical work environment. The paper then explores the theories and differing approaches used for achieving each objective, including among others, public interest disclosures, structuring and using codes of ethics, case problems and other experiential learning techniques, organisational and institutional approaches to ensuring ethical behaviour, classroom interaction, the role of theory, team teaching and tailoring the courses to meet an ethical needs analysis for that discipline, profession or organisation.

Keywords

Introduction

At the time of the Enron and World Com collapses, the expectation that ethical behaviour can be "taught", and that university and college ethics teachers had "failed" was widespread. Evidence of this expectation was also seen within the US military who, following the revelations of torture at Abu Ghraib, instituted ethics training for all servicemen in Iraq. Civil sector research (Dean and Beggs, 2000) into the question of whether ethical behaviour can be taught concludes that most tertiary ethics teachers do not believe that they can teach ethical behaviour. In a comprehensive examination of the literature, they document the differing views on this issue and the overriding belief that no course will change ethical practices.

Their conclusions seem axiomatic - that we cannot build stronger ethical behaviour through exhorting people to be ethical - nor for that matter by coaching them in the multitude of ethical theories that exist. Sims claims, however (2002), that teaching ethics "can be effective in developing students' moral reasoning skills, ethical sensitivity and ethical behaviours. See for example (Weber and Glyptis, 2000)." That research does show a positive correlation between a course and the ethical values and opinions of students - an issue with which we agree and which is discussed further below. Nevertheless, although a course may bring about a desirable increase in intellectual awareness of the rights and wrongs of moral issues, such an increase does not necessarily ensure that people with strengthened moral reasoning will then act ethically. Interviews with an ethics trainer for a number of Fortune 500 companies, and with the President of the Academy of Management, also affirm this view (Thompson, 2006, 2007).

Objectives of a course

If we cannot teach people to be ethical, then what can we achieve with an ethics course and what should such a course include? The answers vary (see Wines, 2007). In an earlier co-authorship with Brinkmann, Sims (2001) set out seven goals for a business ethics course:

1. Know thyself, your own moral values and thresholds.

2. Learning to see moral issues, conflicts and responsibilities.

3. Learning to identify the specific moral aspects of a situation.

4. Learning to share moral understanding.

5. Learning how to handle moral issues and conflicts.

6. Acquiring moral courage.

7. Acquiring a critical attitude towards the business school curriculum and its disciplines.

They do not set strengthening moral behaviour as an objective.

Corey, Corey and & Callanan (2005) set nine course goals:

1. Ensure students recognise and appreciate the unavoidable ambiguity in ethics, i.e. of multiple points of view or contradictory possibilities.

2. Instil in students the idea that there are multiple pathways to addressing a single ethical dilemma.

3. Improve students' self-knowledge.

4. Improve ethical sensitivity.

5. Improve moral cognition.

6. Instil determination to act ethically.

7. Teach students the profession's established code of ethics.

8. Teach students their legal, ethical and professional responsibilities.

9. Teach questioning of the ethical dimensions of their workplace.

In their paper they ascribe students' determination to act ethically as a result of their courses. But again, this result - which the authors say they achieve - is based on students' self-reporting of changes in their values; not on an empirical measure of changed behaviour.

Webber (2007) says ethics courses in industry should build ethical awareness and promote the company's moral values in order to broaden the criteria used by managers when making decisions with moral implications. He advocates stimulating managers to become more 'other-oriented' by exercises in which all stakeholders are treated as equal in contrast to their level of influence on corporate performance. Other aims that Webber espouses are:

1.   To engender trust and confi-

dence among stakeholders.

2.　To stimulate mutual moral development through self-discovery in peer group discussions of real ethical dilemmas.

3.　To develop a concrete plan for a career-long, ongoing moral enhancement of individual attitudes and planned business behaviour.

Webber acknowledges research (Ferrell et al., 2002) that shows how the ethical culture of an organisation has a strong influence on ethical business judgements. Therefore ethics training should also make employees overtly aware of the ethical culture and values of the organisation and wherever possible leverage the collective pressure of teaching in groups to affect learners' and employees' ethical decision making (Weber, 2007).

We agree with most of these objectives, but believe that some are subsets of broader objectives; others are a natural outcome of an ethics course. We propose four principal objectives for a course:

1.　Building ethical sensitivity and moral cognition.

2.　Providing a widened applied teaching content that covers all ethical practices.

3.　Adopting teaching methods that maximise learning impact in relation to ethical knowledge and behaviour.

4.　Developing negotiating and persuasive capabilities (oral and written skills for use in assessing and advocating an ethical position).

Objective 1 is a commonly agreed objective, and one that is readily achievable.

Objective 2, enrichment of the teaching content, is our main departure from our interpretation of the content generally evidenced in the literature. We suggest expanding the content of a course in four broad areas: (a) building-in the ethical issues that are known to the discipline or organisation as a significant part of the course; (b) developing and using codes of ethics based on those issues; (c) teaching the management of public interest disclosures to all concerned parties – the organisation, the legislator and the whistleblower - in sufficient detail to ensure an effective impact ; and (d) providing an organisational structure that can manage each of these functions.

Objective 3 provides our interpretation, and teaching objectives, of five issues discussed widely in the literature: (a) skills required of trainers/teachers, (b) optimum class sizes, (c) teaching across the curriculum, (d) experiential learning and (e) the role of ethical theory in a course.

Objective 4 simply states that we need to build the skills and capabilities of both students and members of the workforce sufficient to effectively manage ethical situations that are at issue.

Building ethical sensitivity and moral cognition [Objective 1]

Courses in ethics with case problems and lectures on ethical theory do increase students' ability to reason through moral issues. The following examples of the impact of ethics courses on ethical sensitivity and cognition are drawn from engineering.

Self and Ellison (1998) used Rest's Defining Issues Test (DIT) to assess if there was an increase in moral reasoning from students who took an ethics course. The researchers applied the test before and after the course and found a significant increase in reasoning capabilities.

Drake et al. (2005), using the DIT on assessing capabilities in moral reasoning, also found a significant increase between the beginning of a course and its end. The class size was164 students, employing 6 teaching assistants.

Such findings are widespread and well accepted - that dis-

cussions on moral practices and the teaching of ethical theory increase capabilities in moral reasoning.

Whether this reasoning translates into higher levels of moral practice is a separate concern. Such an assessment is difficult to measure, as the Centre for Vocational Assessment and Research concluded after their study into the assessment of attitudes, ethics and behaviour at work (Mossop, 1997). Blasi (1980) reviewed 75 studies that assessed the relationship between moral judgment and behaviour. This classic meta-study found a positive, but strongly qualified relationship in a number of the studies. The research, however, is almost 30 years old, with some of the original studies now almost eighty years old. We have not found recent studies that correlated courses on ethics with improved ethical behaviour. The most we can be confident about is that courses do increase ethical sensitivity - a strengthened ability to tell right from wrong. This ability in itself, may lead to improved practices but such improvements have not, for the most part, been verified.

Extending the teaching of ethical practices [Objective 2]

The second objective, widening content, consists of four areas that extend existing content or add new content over that suggested by the objectives and content discussed in the references for this paper.

(a) Building the course on the ethical issues within the discipline, profession or organisation.

Two arguments can be developed that support a course being built around the ethical issues in that profession, discipline or organisation. Firstly, a new graduate entering a profession or organisation may encounter entrenched unethical practices that will be near to impossible for a new entrant, without basic knowledge and skills, to tackle alone. Continued acceptance of a practice where "everybody does it" can condition the new recruit to accept the behaviour. Prior classroom encounters with the issues they are most likely to face, however, will at least have helped clarify the new entrant's ethical assessment and may even provide a core of new graduates with the motivation and skills to resist entrenched unethical practices.

The second argument is that the ethical acceptability or unacceptability of some issues within a discipline can be unclear. A study by Bowden (2006) in the engineering profession identified a number of practices on which opinions were divided - reverse auctions being perhaps the most obvious, but bid-peddling and front-end loading were among other of the more contentious ethical issues. Every profession and industry has similar examples. There are many disputed ethical decisions in the medical field, for example. Examination of the issues within a class room environment will do much to clarify industry or professional ethical issues and establish conventions and build skills that will help rectify any sense of inadequacy that the newcomer might otherwise feel on entering the workplace. The lecturer or teacher therefore needs to undertake research sufficient to identify the issues in the profession and to translate them into teaching vehicles for the classroom. Tackling these issues within the course will also provide participants with insights into their own ethical positions and those of their work colleagues, as well as possible approaches to their resolution.

The adoption of this teaching practice can be extended into training courses within industry. The ethical issues within an organisation can be identified prior to the ethics course, either from semi-structured in-depth interviews, or from early work-

shops (or both). As discussed below, the themes identified for an ethics course also provide a strong underpinning to a code of ethics for the organisation.

(b) Teaching Codes of Ethics

The belief that a code of ethics is sufficient to control ethical behaviour is widely held. Betsy Stevens, for example, in a review of eight studies, concludes that "codes can be effective instruments for shaping ethical behaviour and guiding employee decision making" (Stevens, 2008). This viewpoint, however, - that codes are effective documents in their own right - can be disputed.

For instance, in contrast to Stevens' finding, Muel Kaptein and Mark Schwartz (2008) examined 79 empirical studies into code effectiveness and conclude that "the results are clearly mixed" (Kaptein and Schwartz, 2008).

Sven Helin and Johan Sandstrom (2007) analysed 38 empirical studies, drawing similar conclusions: that studies present a mixed image of the effectiveness of corporate codes of ethics. These results are determined primarily by interviews of users on the effectiveness of codes, and do tend to conclude that there is uncertainty about whether codes lead to more ethical behaviour.

Another problem is that codes are widely perceived as window-dressing (McKendall et al., 2002, Brytting, 1997, Emmelhainze and Adams, 1999, van Tulder and Kolk, 2001, Pagnattaro and Peirce, 2007, Weaver et al., 1999, Jovanovic and Wood, 2007, Collen, 2002, Stansbury and Barry, 2007). Research into the codes used by Australian companies, for instance, in comparison with international codes, finds that most corporate codes are directed towards internal, rather than external issues and are designed to stop wrongdoing by staff that is detrimental to the organisation (Wood, 2000). In short, codes designed to stop theft or misuse of the organisation's assets, or to reduce the incidences of interpersonal or inter-group conflict are more intended to benefit the company than to stop the company's wrongs. These multiple and at times dubious uses of codes can be examined on the Illinois Institute of Technology's (2008) web site, with an on-line collection of over 850 codes of ethics of professional societies, corporations, government, and academic institutions gathered over twenty years. The website describes codes as "controversial documents".

The process of developing a code is crucial to the sense of ownership and observance of the code by staff. Higher levels of staff ownership and contribution toward a code provide a more effective code. This issue is repeatedly acknowledged in code studies (Kaptein and Wempe, 1998, Stevens, 2008, Trevino and Weaver, 2003, Seshadri et al., 2007, Harned et al., 2003, Pagnattaro and Peirce, 2007). A participative approach to code development is the essence of our approach to teaching codes of ethics. We also agree with Kaptein and Wempe that a good code reflects the moral dilemmas that employees experience, and provides assistance in their resolution. This endorsement extends to codes developed by a profession or industry association.

We draw on institutional sustainability theory to further support this approach. This theory argues that placing responsibility for the development of any work change in the hands of staff or recipients rather than solely with management or other implementing agency is a powerful means of ensuring acceptance and adoption. Development agencies in particular use this approach (the involvement of participants in the decision process) to ensure commitment by recipient groups to sustain economic or social inputs (see Lewis, 2003).

Despite a reasonably widespread advocacy of a participative approach, little research has been conducted into the impact that the processes of adoption and implementation have on the effectiveness of codes of ethics (Helin and Sandstrom, 2007). More concisely: "To date, here is no empirical study which relates the impact of the code to the process in which the code has been developed and/or updated (Kaptein and Schwartz, 2008). Despite this gap in the empirical evidence, however, the participative approach is proposed as an answer to the assertion that codes are ineffective when written by management and passed down to employees as mandate (Stevens, 2008, Stohs and Brannick, 1999). Trevino and Weaver also support the claim that such management designed codes are not widely accepted by staff when put forward as instruments of control or for legal compliance (2003).

Generally, codes aim either to promote aspirations in terms of values, or to control certain kinds of behaviour. Based on the arguments above, our answer for

strengthening codes is to make them less of a tool of management, written by management for their own purposes, but a document developed by staff or members of the profession to identify and clarify their ethical problems and to provide guidelines for possible responses. This belief leads us to the concept that ethics training programs must also incorporate the development of a code that responds to the ethical issues faced by the organisation or profession. Classroom teaching of existing professional codes of ethics should note those that do not reflect the findings of research into the ethical issues of the profession. We also believe that the sanctions that are attached to the breaking of the provisions of a code should be also developed by the members of the organisation or profession.

(c) Public Interest Disclosures

There are strong supporting arguments behind the assertion that the most effective way to stop wrongdoing in any organisation is to create a more open, stress free method of exposing wrongdoing in the workplace. Any wrongdoing in an organisation is usually known to several people, any one of whom could bring the problems into the open. We believe that such disclosures (usually referred to as whistleblowing) are a very effective way to ensure honesty and ethical behaviour. Therefore, we would suggest that management of public interest disclosures must be an obligatory component of any ethics course. Topics would include the legislative protection available to whistleblowers, the limitations of that protection, as well as approaches that help ensure success without incurring the wrath that usually descends on whistleblowers.

The motivation for exposing wrongdoing has several interconnected sources. One is that it is engendered by peoples' preference to work in an ethical organisation. Maclagan (1998) for instance, in a treatise on the application of Piaget and Kohlberg to ethical reasoning stated his belief that most people in organisations are essentially well intentioned. Other support for employees' preferences to work ethically can be found in Valentine and Fleischman's survey of over 300 business professionals (2004). They reach the conclusion that people subject to formal ethical training have positive perceptions of their company's ethical position, as well as higher job satisfaction. Delany and Sockell had earlier (1992) obtained similar results from over a 1000 respondents. There is also strong support in the evolutionary biology literature to the effect that we are intrinsically cooperative, and to some extent, altruistic (Ridley, 1997; Winston, 2002; Levy, 2004; Joyce, 2006).

Employees, however, are subject to the prevailing culture and thought processes within the organisation. John Adams (2008) points out the problem of groupthink in an issue of the Journal

of the Australian Institute of Company Directors - a phenomenon where people tend to think the same on issues where diversity of thought needs to be encouraged. The term, first developed by a social psychologist Irving Janis, included a tendency not to question moral issues.

Bringing unethical actions into public view is likely to bring retribution on the person who revealed the unethical or illegal action. Jubb (1999) gives many instances of whistleblowers victimised for revealing wrongdoing. Micali and Near, two of the more respected researchers in this field, have also pointed out the difficulties that whistleblowers face (1992). 'They pay a terrible price' is another treatise on the difficulties whistleblowers face (Alford, 2001). 'Career suicide' was the term that the news media reported a senior officer in the Australian Wheat Board used when questioned why nobody in the organisation spoke openly against the bribes paid to the Saddam Hussein regime (Sydney Morning Herald, 7 February, 2006). These statements in various forms also explain why so few have spoken out in the spate of scandals that erupted in the State of NSW in 2007 and 2008 – the Wollongong Council and real estate developer bribes, the cover-ups in several hospitals, the minister accused of paedophilia (whose electoral secretary was the only person to speak out and who was immediately dismissed).

To minimise retribution, governments in the industrialised world have established legislation designed to protect people who reveal wrongdoing. Teaching the processes of stopping wrongdoing in organisations needs to include approaches to working with the legislation, and with its particular characteristics (the legislation varies widely from country to country). The course also would provide knowledge and skills in using the legislation so that success would be maximised, as well as approaches for the whistleblower to adopt to minimise the possibility of retribution. Whistleblower support websites are available in most western countries that could provides teaching information (for example, Whistleblowing Ethics; Government Accountability Project; Public Concern at Work). Training programs within industry need, of course, to raise the issue of the whistleblowing systems that are used internally by the industry or organisation.

(d) Organising for ethical behaviour

If the organisation (or industry association, professional body, etc.) is to develop a code of ethics, and manage that code, or operate an internal whistleblowing system, and decide sanctions for ethical transgressions, then it needs to assign people for these activities within the organisation. The teaching of this requirement and of the possible organisational approaches is an obvious component of an ethics course.

No organisational formulae for managing these functions appear as yet to have emerged. It is reasonably evident that the Chief Executive be involved in the more contentious decisions in the development of a code and internal whistleblowing system, or in other ways by which an organisation assures its staff that it is behaving ethically. But there are other tasks. If we take the practices outlined in this paper as a guide, an organisation obviously needs one or more staff members who:

• manage an internal whistleblowing system. If the organisation relies on a commercial external whistleblowing channel, it still needs somebody to organise and liaise with that group,

• teach or coordinate the ethics course. Again, if contracted out that contract still has to be developed and managed,

• identify the ethical issues in the organisation, for use in the training courses and code of ethics. We believe, however, that increased objectivity would result if this function was contracted independently, as staff are more likely to talk to an inde-

pendent outsider rather than to an internal inquirer,

• take contentious ethical issues to senior management for resolution,

• recommend what sanctions are placed on staff who contravene the code of ethics.

We propose no universal template. Organisations have hugely different objectives, staff sizes, ownership patterns and geographical locations. Each will need to address these issues in ways that suit their own needs. We do suggest, however, that the issue of responsibilities has to be included in a course. The above list of tasks could be used as an initial template.

Teaching methods (Objective 3)

This section examines pedagogical issues particular to the teaching of ethics. There are five that we believe warrant emphasis:
(a) Teacher skills and team teaching.
(b) Class sizes.
(c) Teaching across the curriculum.
(d) The use of experiential learning techniques.
(e) The teaching of ethical theory.

The same concerns are relevant whether the ethics course is taught within an organisation, be it public sector or private, or an industry association, or when taught at college or university classes.

(a) Skills of the teacher(s)

The question of whether a course should be taught by a specialist in ethics or a specialist in the discipline or profession is a long standing one. We dismiss the arguments found in a number of journals that philosophy needs to be the dominant discipline. e.g. Klein (1998): The Necessary Condition for a Successful Business Ethics Course: The Teacher Must be a Philosopher. Her argument is that philosophers are the subject matter experts in ethics and that they therefore must teach ethics courses.

Frederick (1998) disputes this assertion. He believes Klein's arguments are largely irrelevant, noting that if she is correct then in practice, two disciplines are needed to teach a course – a specialist in philosophical ethics and a second in the subject matter. We join with Frederick and others who dispute the philosophy argument. We base our beliefs, however, on the theories presented in this paper. We have argued that three necessary elements of any training course must be (a) workable codes of ethics, (b) managing public interest disclosures and (c) structuring an organisation to handle its ethical issues. These are not skills usually possessed by philosophers. The lack of concern for these areas is evident in the articles that philosophical ethicists write. For example, a search of the Journal of Moral Education that spans close to 40 years contains no article with titles on codes of ethics. Additionally, we found no article on 'whistleblowing' or 'public interest disclosures' in the Journal. The search for a discussion on the organisational structures and approaches that might be used to strengthen ethical practices, such as ethics committees or internal hotlines was equally unrewarding.

Another indication of the desirable skill base for ethics teaching was evidenced in our search for articles on codes on ethics and public interest disclosures over the last decade. It located 26 articles in discipline–based journals ranging from forestry to journalism to social work. None are in the Australasian Journal of Philosophy. There is only one in the Australian Journal of Professional and Applied Ethics. It has to be assumed therefore that the efforts of people in the philosophy disciplines are not placed on empirical research into the range of institutional changes taking place in ethical practices.

We put these findings together with the belief, argued in earlier paragraphs, that a primary teaching content of any ethics course must be the ethical issues faced by the discipline or organisation. This content demands that the basic skills of the ethics educator must be in the discipline itself, not in moral philosophy. We further argue that a low level of importance be given to teaching moral or ethical theories (see below), and in fact, such theory that is needed is easily acquired by a discipline based ethics teacher.

(b) Class sizes

We believe that ethics can only be taught in small classes. The issue is as important as any of the other teaching approaches, for effective teaching will likely have as strong an impact on class learning and subsequent practice as will any of the other approaches suggested in this paper.

One argument behind small classes is that they encourage teacher/student or student/student interaction, where students learn from each other and from the lecturer. In these interactions, they come to understand their own ethical viewpoints and those of others more clearly. This way of learning is akin to the dialogical pedagogy of Paulo Freire (1996).

A second reason is that one important objective of an ethics course outlined in this paper is building personal abilities in communication and persuasion. An increased ability to present to and convince others is an asset in persuading colleagues to adopt an ethical position. Such workplace skills can only be developed, in practice, in moderately small groups. Large undergraduate classes of 150 to 200 people are not conducive to this type of learning.

In our experience, for interactive presentations and discussions to work well, class sizes should not exceed about 30 people. Ethics training in the workplace are also handled more effectively with this class size (Ponemon 1996) Large academic classes will need to be taught sequentially in smaller groups, or rely on teaching assistants or tutors - a requirement that will increase the number of support teachers required by a course. The engineering ethics classes mentioned above have six teaching assistants. The undergraduate ethics class of one of the authors of this article has 170 students and five tutors.

(c) Teaching across the curriculum

An issue that comes up in an academic environment is whether ethics should be taught as one separate subject, or incorporated in each of the principal units that comprise the academic qualification. Sims (2000) argues that it should be across the entire qualification, providing an example from his undergraduate business program. However, he also cites the arguments the other way – that ethics can be taught as a discrete unit.

Business is multi-disciplinary, comprising several sub-disciplines (marketing, accounting, finance, human relations, strategic planning, etc.). In that context, the concept of incorporating ethical issues within the teaching of each sub-discipline is supportable. The marketing lecturers would cover the ethical issues in marketing, finance lecturers for their discipline, and so on. Even then however, there needs to be a separate core common to all sub-disciplines. This core would include ethical theory, public interest disclosures, the underpinnings to a code of ethics (but not all content), and the common elements of the program intended to build personal and professional capabilities.

(d) Experiential learning techniques

There is substantial support for the use of experience based learning techniques in teaching ethics. The most common approach is the long established case problem developed by the Harvard Business School. But there are other approaches. Live cases (McWilliams and Nahavandi, 2006), using Bulletin Boards for class interaction (Spence and Wadsworth, 2002), role playing (Sanyal, 2000), even Socratic dialogue (Morrell, 2000). Sims (2004) outlines a 'conversational learning' approach in which students in small groups – about 5 – discuss their personal attitudes and approaches to ethical issues which they raise themselves or are suggested by the lecturer. The advantage claimed is the further building of a trusting environment in which students can discuss personal viewpoints. This approach would also be of considerable benefit in workplace ethical training.

Hemmasi and Graf (1992) argue that experiential exercises have several positive attributes: students retain material longer over time, are actively involved in the learning process, actual work environments are simulated, and students enjoy and engage more.

Case problems, as well as many other experiential techniques which are used in small groups face the problem of the free-loader - students who do not prepare, leave the talking to others, etc. Litz (2003), however, offers some well tried approaches for overcoming some of these problems.

(e) Role of Theory

We believe that some teaching of ethical theory – the teaching of the ways we can distinguish right from wrong, good from bad - is necessary in ethics courses, but we suggest a modest, not a major role for theory.

We have several reasons for de-emphasising theory. Foremost is that most unethical behaviour in an organisation is clearly identifiable. As much of it is self evident, the student or staff member can often assesses the rightness or wrongness of an action on intuition. Also, much wrongdoing is captured by legislation, where the issue comes down to knowing those aspects of the legislation that apply to the profession.

There are, nevertheless, ethical issues which are complex and difficult to resolve, cases where the student or the member of the work force is uncertain of the best way to resolve issue. In such instances students, or staff in organisations, need knowledge of ethical theory. An example might be a whistleblowing decision where the whistleblower will suffer, along with perhaps his or her family, and even other staff, on account of their actions. The whistleblower has to choose between damage to themselves and associates and revealing a wrong. Distinguishing between bribery and extortion or, again, culturally acceptable gift-giving can be complex, as are the frequent conflicts between management objectives, owners' desires, workforce needs, and the wishes of customers. In business also there is always the constant battle between minimising costs and issues about safety and concern for the environment. Capabilities in ethical reasoning are required not only for these many current issues, but also for those that may arise in the future.

According to Peter Singer's Companion to Ethics (1993) the various ethical theories that have come down to us over the centuries number about fifteen. Three major ethical theories - consequentialism, Kant's categorical imperatives and virtue ethics dominate. The problem with using any of these three is that they can give either conflicting or inadequate answers. Consequentialism or utilitarianism for example, has the overriding problem that it is frequently accused of supporting a greater wrong in order to justify an acceptable outcome. Kant's first Categorical Imperative has similar problems. It requires us not to lie, for instance, when in fact there are a number of occasions when lying

is the preferred moral action. The conflict between these two theories has been described as "internecine warfare" by Pence (1993) who then advocated the adoption of virtue ethics. Virtue ethics, however, is possibly the least precise of all guidelines. It in fact creates conflicts – for example, the virtue of loyalty to one's organisation or colleagues conflicts with that of honesty when a potential informant is considering revealing the organisation's misbehaviour.

These conflicts between theories have resulted teachers advocating the minimal teaching of ethical theory. For students in a highly applied course, for instance, such as engineering, the teaching of the theory sufficient to give the student the capability to develop his/her own ethical decision-making approaches would be time consuming. In most cases, extensive moral theory with all its contradictions would put students off the ethics course altogether. Haws, in an analysis of 42 papers on education in engineering ethics (2001) found that most had no reference to ethical theory. Heckert (2000) in an examination of the content of engineering ethics courses in the US confirms the existence of a "debate on the proper role of moral theory". He concludes however, that in general a "theory modest" rather than "theory free" approach seems to be emerging.

We advocate minimal theory, but sufficient for the student or employee in the workplace to reach most ethical decisions. Our approach adopts some of the simplified ethical decision making methods developed over recent years. Most combine elements of Utilitarianism and Kant's Categorical Imperatives. We suggest Cohen's Moral Reasoning, a short book which outlines the three principal theories and then advocates a top-down, bottoms-up approach to thinking through the options and issues until reaching a point of moral equilibrium. Other approaches are Beauchamp and Childress' four principles: (i) Respect for the autonomy of others (ii) Non-maleficence (Do no harm), (iii) Beneficence (prevent the occasion for harm) and (iv) Ensure justice (fair treatment for all). Or William Frankena's listing, in priority order, to: (i) not inflict evil or harm; (ii) prevent evil or harm; (iii) remove evil or harm; and finally (iv) promote good. The harm could be assessed in all its variations, including the potential for harm, or even the requirement to balance one harm against a lesser harm.

We can sum-up in a simple rule "Be good when you can, but above all do no harm". Whether that harm is direct or indirect, against us as individuals or as a society, either now or as a possibility into the future.

Building personal capabilities (Objective 4)

Advocating change in ethical practices will need communication skills and a persuasive ability of a high order. But there are other requirements. Earlier paragraphs have advocated creating an understanding of oneself, and of one's ethical values. They have also advocated moral courage. These capabilities can be strengthened through an appropriate choice of experiential learning techniques.

These proposals are not new, although we suspect that one reason behind them - to give an employee seeking ethical improvement, the courage and skills to mount a campaign for change, is a relatively new emphasis. Advocating for ethical change requires courage, confidence, and a high degree of personal skill. For a young graduate, efforts to raise concerns about ethical practices will require considerable confidence and all the skills that a course can impart.

Corporate social responsibility (CSR)

Any ethics course with a business component would have a section devoted to CSR. Corporate Social Responsibility has a variety of closely related definitions. Masaka (2008) points out that the precise nature of CSR is elusive with conflicting interpretations by stakeholders. van Beurden and Gossling (2008), in an exploration of the connections between CSR in companies and financial performance, develop a definition which relates it to codes of ethical behaviour as set out in this article. The concept, in effect, examines the ethical impact of the corporation's decisions on its various stakeholders – owners, staff, suppliers, customers, the public at large, and finally, future generations.

In the same way that codes of ethics are questioned, there are mixed views on the practice of CSR. Some liken it to window dressing, somewhat akin to the way codes of ethics are at times regarded. Others argue that the implementation of CSR will have a beneficial effect on the bottom line. The reasoning behind this argument is that employees, customers, suppliers, etc. trust an ethical company and such increased levels of trust yield lower transaction and compliance costs.

The results of empirical studies on these issues have produced mixed results. We note that one meta-study (Orlitzky, Schmidt and Rynes 2003) examining the relationship between ethical and financial performance shows a positive correlation. The authors suggest that "corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility is likely to pay off…" The van Beurden and Gossling's study (2008) examines 34 research projects that attempted to relate CSR to Corporate Financial Performance and found that 23 of the studies found a positive relationship, nine found no significant correlation and two found a negative correlation. Their conclusion was that "There is indeed clear empirical evidence for a positive correlation between corporate social and financial performance".

Teaching and training - in conclusion

The above paragraphs apply to all types of organisations and institutions. A study on ethics training by Lawrence Ponemon (1996) for instance, of 41 US multinationals, for the KPMG Business Ethics Institute and the Center for Study of Ethics and Behaviour at Bingham University identified 12 common features of an "effective ethics training program" The 12 were (i) Live Instruction, (ii) Realistic case materials (over half the companies used case studies on ethics risks drawn from within their own organisations), (iii) Comprehensive roll out (i.e. covering a large percentage of their employees, (iv) Significant group interaction, (v) Separate courses for compliance (coverage of the legislation that the company has to comply with. (vi) Small class size, (vii) Building decision skills rather than preaching (viii) Use of a professional trainer, (ix) Strong senior executive support, (x) At least 4 hours of training, (xi) New employee program (xii) Follow – up, 2-6 months later.

Those of the 12 that can be applied to student classes reinforce the conclusions argued in this paper. Actual ethical cases drawn from the discipline, and the building of decision skills on these cases, rather than preaching, as well as group interaction and small classes are common themes across the spectrum of training and teaching in ethics.

This paper has also advocated a number of approaches outlining the authors' preferences and supporting arguments when the literature shows differing practices. Minimal teaching of moral theory is one such area. Additionally, however, we present teaching practices which widen and extend those already in general

use in a number of ways: by building not only the course but also the code of ethics on current ethical issues in the discipline or organisation; by the teaching of whistleblower practices and protection methods; and by the deliberate encouragement of efforts to build personal negotiation and presentational skills of participants. We believe these practices will strengthen the impact of

courses on ethics both in the classroom and in industry by better preparing students for the ethical issues they face in the outside world, and by giving them and those in the workforce who desire to work within an ethical environment, the tools and the skills to achieve that objective.

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Creating Managerial Ethical Profiles: An Exploratory Cluster Analysis

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Abstract

This study profiles managers according to the ethical criteria they bring to their managerial decision making. Profiling was based on exploratory cluster analysis of responses of academics & students and small business managers to a multidimensional questionnaire. The data were collected through a self-reporting survey (n=82) administrated to the two cohorts. An agglomerative hierarchical cluster analysis was then performed to the two groups separately on the 8 ethical subscales from the Managerial Ethical Profile (MEP). Between-groups linkage method and squared binary Euclidean distance measures were used to cluster groups in the given data sets. Five clusters were found as an optimal number for the given data set for one cohort and four for the other cohort. Four clusters were common to both cohorts. The study concluded that a cluster analysis was useful method for finding the natural grouping of not well understood influences of ethical principles in decision making, and their representativeness with common practice. Further study with a larger sample on identifying distinct variables that defined clusters will provide better understanding of ethical principles influencing managerial decision making.

Keywords

Business ethics, ethical decision-making, cluster analysis, small business managers, academics and students

Introduction

Since, almost the beginning of behavioral science, researchers and practitioners have sought to classify people according to their particular personality traits, with the aim of being able to predict their future behavior. Profiling is a process of grouping observed physical, social or psychological differences in individuals into a series of types, whose behaviour will be more or less predictable. One of the first recorded attempts at profiling was by the Greek doctor Hippocrates (c.460 – 370 BCE.), who developed four profiles based on four factors, which he called "humours" (fluids). Hippocrates argued that a person is healthy when the four humours are in balance and all diseases and disabilities are the result of having either too much or too little of one or more of these humours. The four humours were blood, yellow bile, black bile and phlegm.

Figure 1: The four temperaments

(Image of woodcut from 18th century text by Kaspar Lavater, in public domain)

According to Hippocrates, four profiles or temperaments were linked to the four humours: sanguine, choleric, melancholic, and phlegmatic (1945). A sanguine profile referred to a person with the temperament of blood, which was usually associated with optimism, cheerfulness, confidence, popularity, and fun-loving. On the other hand, a choloric profile was associated with the yellow bile, and the people in that group were usually leaders, with high ambitions and very energetic, who could dominate people of other temperaments, especially phleg-

matic types. A melancholic profile, which was directly related to the black bile, was associated with kindness, and was often perfectionist. Last but not least, there was a phlegmatic profile, which was related to phlegm. People in this profile were viewed as self-content, kind, and shy. This age-old urge to profile has not gone away. Donald Trump, for example, includes comments on the importance of understanding psychological traits in making deals in his "how-to-get-rich" strategies. He argues that understanding the psychology of people involved in his deals has contributed to his success as a dealmaker. Another example on the importance of psychological profiling in business is the notion that the potential degree of success in a particular role can be linked to the possession of particular personality traits; for example, extroverted, introverted, intuitive, emotive, rational and judgmental. Thus, Myers and Briggs (1998) developed a tool to psychologically profile people by a number of characteristic personality traits. Another widely-used profiling tool is the Defining Issue Test (DIT) developed by Rest (1979; 1990), which is based on Kohlberg's cognitive moral development theory (Kohlberg 1969). This tool presents respondents with different scenarios and asks them to choose between a numbers of courses of action, profiling them based on their answers. However, concerns have been expressed about how realistic it is to establish an individual's normal profile by testing their responses to extraordinary situations. To sum up then, from the ancient past to the present the need to understand human behaviour and render it more predictable and manageable has fostered profiling. Observing the number of scandals that have occurred over the past 10 years in the business arena, it is not surprising that there should be some renewed interest in being able to understand and predict the likelihood that individuals will engage in ethical or unethical behaviours. While much of the focus on the ethical renewal of public and private sector organisations has focused on institutionalising ethics through codes of ethics and other ethics regimes, there clearly remains a need to better understand the individual factors influencing

managerial ethical decision making. Analyzing managers' fluids, facial shapes, and character traits, or testing their responses to extraordinary scenarios, however, are unlikely to yield practical insights.

When profiling, individuals are clustered into groups using various characteristics as discriminatory factors. To be successful, these clusters should maximize differences between the groups, while at the same time minimizing internal differences within the group. In the modern era, profiling has been used in a variety of ways; for example, marketers profile prospective customers based of age, income, location and attraction to innovation (Maenpaa 2006). Profiling is also applied in the criminal justice system (Pollock 2004). Using factors such as gender, ethnicity, race, age, personal history, abusive childhood, peer pressure and others factors, profiles are created to identify the characteristics of the perpetrators of specific crimes (Pollock 2004). Potential suspects are then identified on the basis of these profiles. However, the experience with profiling in criminal justice opens it up to justifiable criticisms, not only on questions of individual rights, but also in regard to issues such as the biasing of profiles through prejudice and stereotyping, as well as the lack of theoretical and empirical support for its reliability and usefulness in practice (Pollock 2004). These misuses of profiling in the criminal justice domain remind us that the possible predicative capacity of profiling is always a matter of probability rather than certainty.—it is meant to discriminate between not against people. Profiling starts off as a facet of analysis; that is, the aim of the profiling, in each case, is to identify some factors (or dimensions) that can discriminate between people and group them into more or less homogenous clusters.

To respond to the current needs in the business environment, a new approach to profiling is overdue--a more realistic and practical approach linked to what managers are dealing with every day, and one that includes ethics in the mix. To further this aim, this paper will first review and evaluate the major research in the area of ethical decision making in the current literature and then propose a new method of profiling managers, based on their ethical preferences. With this purpose in mind, this paper seeks to answer the research question: Can managers be profiled according to the ethical frameworks that they bring to their managerial decision-making? To develop managerial ethical decision-making profiles, it is important to first identify the factors that can best facilitate a clustering process based on ethical characteristics.

Literature review

Usually, when people talk about ethics they wittingly, or unwittingly, refer to ethical frameworks that reflect the major schools of moral philosophy (Casali a 2008; Ferrell, Fraedrich et al. 2008). In the area of ethical decision making there has been a significant increase, over time, in the amount of research on individual ethical preferences, from virtually no studies before 1992 (Ford and Richardson 1994) to 21 studies up on 1994 (Loe, Ferrell et al. 2000), and 42 up to 2005 (O'Fallon and Butterfield 2005). It is not only the number of publications in the area of EDM that has increased over time, but also the kind of factors that have been tested. As suggested by Casali (2008) and Ferrell et al (2008), the range of influencing factors that have been tested over time can be summarized in four major categories: ethical, individual, organizational and external. As the focus of this study is limited to the ethical factors, further analysis of the literature will be concentrate on those tools which have been used to measure the influence of ethics on managerial decision-

makers. The most popular instruments used for this purpose are the Defining Issue Test (DIT) by Rest (Rest 1979; Rest 1990), the Managerial Judgment Test (MJT) by Lung (1974), the Ethics Position Questionnaire (EPQ) by Forsyth (Forsyth 1980), and the Managerial Value Profile (MVP) by Sashkin (cited in Hellriegel, Jackson et al. 1997). As indicated by Casali (2008), all these tools have limitations. Firstly, all of them make a priori assumptions about which and how many categories each respondent should be allocated. For example, the DIT aims to allocate respondents into one of the six stages of moral development created by Kohlberg (1969), and the MVP is focused on identifying whether those respondents are either driven by utilitarian principles, or by individual rights (deontology), or by social justice perspectives. When using these tools individuals are grouped into predefined profiles. A second limitation in most of these studies is the use of scenarios that are purposely developed to embody an ethical dilemma. Typically, respondents are provided fictitious situations and then asked what they would do in each case. Often, they are provided very limited options to choose from. Each option was developed and presented with the assumption that if chosen, that would have indisputably suggested that the respondent belonged in one particular category rather than the others. Once again, individuals are confronted with a forced choice situation but, more importantly, they are asked to think about how they would respond to situations that they might have never encountered before, rather than asking them how they already respond to more everyday ethical challenges.

Arguably, it would be better to profile managers according to their actual ethical preferences. This would require adopting an a posteriori approach that creates the clusters and profiles from the responses themselves. In the present study, for example, respondents were not asked to simply place themselves into one of the four major schools of moral philosophy. Indeed, within each major school, respondents were offered further various options. So, for example, two main approaches to utilitarianism (act and rule) were represented in the questionnaire. There was also a similar dimensioning of the scales representing deontology, virtue ethics and ethical egoism. These scales were not used to directly represent types; rather, individual responses to the multidimensional scales were subsequently analyzed to determine whether there was any statistically significant clustering of responses. These statistically significant clustering were then interpreted by relating the data to recognizable behaviours. Interestingly, none of the previous studies found that there is a universal ethical way to make a decision; the one thing they do agree on is that there is a need for further research in this area. The variety of approaches taken also confirms that there is not just one universal definition of ethics operating in the real world. Managers draw on a number of different ethical frameworks in their decision-making. These differences can be explained by the fact that managers can, for example, look at ethics in different ways (absolutism, relativism and pluralism), or tend to favor one of the major ethical frameworks (outcome-based, duty-based and person-based). Profiling managers based on their ethical preferences, then, requires a multidimensional approach.

Method

To profile managerial ethical decision making, a Managerial Ethical Profile questionnaire (MEP) was administrated to two different cohorts; one consisting of academics and students and the other consisting of small business managers.

Measure

The Managerial Ethical Profile (MEP) questionnaire is a new tool purposely developed to capture managerial ethical preferences (Casali b 2007; Casali d 2008). The MEP consists of a total of 52 items covering a number of factors influencing managerial decision making, such as ethical factors, individual factors, organizational factors and external factors (Casali b 2007; Casali d 2008). The first 24 items were purposely developed as a multi-dimensional ethical scale, representing different principles from four major schools of moral philosophy: egoism, utilitarianism, virtue ethics and deontology. The MEP ethical scale comprises eight ethical subscales (Casali b 2007; Casali d 2008):

- Economic egoism (EgoEconomic), represents managerial self-interest, particularly in terms of the role that economic outcomes, such as profit and cost reduction, play in the managerial decision-making process.

- Reputational egoism (Egoreputation), is a scale that refers to managerial self-interest pursued not in terms of economic outcomes, but by identifying one's organization as an extension of one's own interests. Therefore, the manager would act to protect the organization's reputation, and they would protect the organization's reputation, possibly even at the expense of profits.

- Act utilitarianism (ActUtilitarian), encompasses the idea that in order to create the greatest overall good it is fundamental to evaluate whether the consequences of each proposed action will create the greatest benefit for the greatest number of stakeholders.

- Rule utilitarianism (RuleUtilitarian), expresses the same interest in the greater good, but instead of focusing on each separate action it proposes to establish and follow those rules which benefit of the majority.

- Self virtue (SelfVirtue), promotes the idea that good decision are made by people who has exhibit a good individual character virtues.

- Others virtues (OthersVirtue), as a particular framework of virtue ethics concerns living well with others, promoting social well-being, and would include what is referred to as care ethics.

- Rule deontology (RuleDeon), focuses on fulfilling universal duties, such as the golden rules, or acting according to universal principles (e.g. justice, not harming others, doing good, and respecting autonomy) in all situations.

- Act deontology (ActDeon), expresses the notion that the rightness of an act is not determined by the ruthless application of a moral principle, but by determining what particular duty is demanded in each particular situation.

These subsets of principles are not only widely reflected in the current literature on ethics (Ferrell, Fraedrich et al. 2008), they also confirmed by the preliminary validation of the MEP. (Casali b 2007; Casali d 2008).

Sample Characteristics

For this exploratory study, two different target populations have been used. The first sample (study 1) comprised academics and nursing students (N=41). In terms of academic staff, 18 university lecturers from different faculties and universities were asked to answer the questionnaire. In addition, second year nursing students were asked to fill in the questionnaire, and 23 out of 60 returned it, providing a 45% response rate. For the second sample (study 2) small and medium size business managers members of a Business Enterprise Centre were approached (n=41). Out of 81 people participating at a business networking breakfast, 41 usable questionnaires were returned providing a 51% response rate.

Data analysis

As the objective of this study was to classify respondents based on their real ethical preferences, rather than pushing them into predetermined boxes, hierarchical cluster analysis (HCA) was performed using the eight ethical subscales dimensions of the MEP. The decision to use a hierarchical cluster method was indicated by the fact that this was an exploratory study and, as such, there were not initial pre-defined clusters to be confirmed and, therefore, using a non-hierarchical cluster analysis technique such as K-means would have not been recommended (Maenpaa 2006). Agglomerative hierarchical clustering can be used to group cases into clusters based on the assumption that cases that are close to each other in the input feature space are similar. Agglomerative hierarchical clustering begins with all cases as separate clusters and merges the closest clusters until some criterion is satisfied (Everitt 1993; Gordon 1999). The Euclidean distance was used to measure the distance between cases in the input feature space. The distance between two clusters was calculated as the average of the pair-wise distances between them (average linkage method) (Everitt 1993; Gordon 1999). The distance between the clusters merged at each step was used to determine when to stop the clustering. A large distance between merged clusters indicates that the two clusters may be so dissimilar that it is inadvisable to merge them.

HCA was performed by using the individual respondents' computed results for each of the eight ethical scales from the two cohorts separately (Figure 1 and Figure 2). The most common visual data representation used with HCA is a dendogram, which simply reports the degree of similarities between cases, by putting the ones that are most similar closer together and the ones that are dissimilar further apart. From a scrutiny of the graphical outcomes of the two hierarchical cluster analyses, it could only be possible to identify which are the cases that are most similar, rather than the ones that are most dissimilar. However, for the purpose of this study which is to profile mangers based on the degree of influences that different ethical principles play into their managerial decision making process, two questions have to be asked: What are the unique similarities in within the clusters? and What are the dissimilarities between the clusters? In order to answer these questions, it is necessary to further analyze each individual computed score of the eight ethical subscales, as the goal of the cluster analysis is to arrive at clusters of homogeneous people who differ in meaningful ways and display only small variations within-cluster, but at the same time a large variation between different clusters. As previously discussed, a characteristic for a successful profile tool is to be able to maximize differences between clusters, but at the same time to minimize internal differences. Thus, two principles have been used to interpret the results of the hierarchical cluster analysis. They are: high internal homogeneity, which generally means that the each object included in a particular cluster have a very strong similarities (for the purpose of this paper this means that people in a particular cluster have strong similarities in terms of their ethical preferences), and high external heterogeneity, which means that there are significant differences between each cluster, and in the particular that each cluster represents a unique mix of preferences about the eight ethical principles (Nunnally and Bernstein 1994; Hair, Anderson et al. 2003). Every individual computed score from the eight sub-scales were retrieved and grouped based on the cluster membership from each of the dendograms (Figure 1 and Figure 2). For example,

from the dendogram related to the study 1, the computed results for case 23 and 32 were put aside, then 39 and 40, then 38, 5 and 8, and go on and go fourth. When, all the respondents and associated computed scores were sorted into their most relevant cluster by the allocated number of data entry on the dendogram, then close clusters such as 23 & 32 and 39 & 40 were examined closely, to identify either a reason to join them together or to be keep them separate, based on their computed results.

Results

As a result of a process of mix and match based on the two principles (high internal homogeneity and high external heterogeneity), a number of strong cohesive clusters were found, and the overall means for each clusters calculated. Thus, five clusters for study 1 (academic and students), and four clusters in study 2 (small business owners) were found (see Figure 1 and Figure 2).

Even though, those two studies have ended up with two differ-

Figure 1- Dendogram for hierarchical cluster analysis on Academics and Students

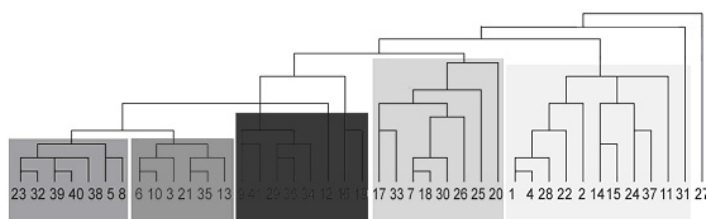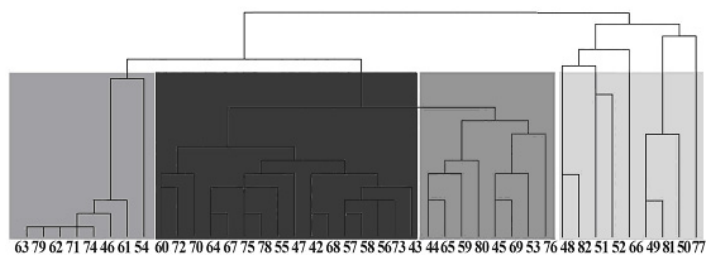Figure 2- Dendogram for hierarchical cluster analysis on Small Business Managers

ent overall totals of clusters (five in study 1 and four in study 2), closer examination of the pattern of responses in each cluster, based on the average scores of the eight ethical sub-scales, indicates strong similarities between the results of the two studies. In fact, it is possible to argue that the fours of the clusters from study 2 match with fours of the clusters from study 1 (see table 1).

Discussion

Based on the results from the two studies, four clusters with very similar patterns were identified in both studies, with one extra cluster found only in study 1. This result can be accounted for by the particularity of the second sample (small business owners). It is important to examine each cluster in detail in order to understand their differences, particularly in terms of the different degrees of influence that the eight ethical subscales have on decision making. Suitably interpreted, each of the five identified clusters can be treated as a managerial ethical profile, identifying what ethical frameworks are likely to routinely influence the decision making of the managers who were surveyed. The results used in the HCA reflected a five Likert-scale assessing the importance of each items in the respondents managerial decision making process, where 1 was extremely important and 5 was not important at all. Therefore, if for a particular ethical subscale the mean computed results is 1, or near to it, that means that ethical principle is extremely important for that particular managerial ethical profiles. The results for the five clusters are shown in table 1.

Developing the Managerial Ethical Profiles

As previously stated, managers use a number of ethical principles in their decision-making processes. These principles may be from only one ethical framework (absolutism) or a combination of principles from a number of different ethical frameworks (relativism or pluralism). Where a manager uses principles from different ethical frameworks, a further differentiation is needed. If a manager switches between ethical frameworks depending exclusively on the situation, then they would be included in the ethical approach called ethical relativism. Based on this view of ethics, ethical principles can be adjusted according to their fit with a particular situation. On the other hand, ethical pluralists are those managers who draw principles from different ethical frameworks; that is, they would argue that there are multiple perspectives on an issue, and each of those views contain part of the truth but none of them hold individually the whole truth. In more operational terms, for the purpose of this paper, managers who scored all the ethical principles equally, and who agree that all those principles are extremely important are considered to be ethical pluralists, and those who scored ethical principles equally but less important are treated as ethical relativists.

Due to the strong exploratory nature of this study, as the first study using the MEP to profile managerial ethical decision, the following structure will be used to interpret the results from the hierarchical cluster analysis:

- Graphically representing each cluster based on their scores on the 8 subscales from the MEP (as shown in table 1)
- Discussion about possible meanings of the results, and on how they can be interpreted in terms of managerial ethical decision making.
- Naming the profiles based on their characteristics, and
- Providing a "motto" to explain each profiles in a more general terms

Table 1- Comparison between HCA results (computed means) from Study 1 and Study 2 in relation to the 8 ethical subscales

Study 1 Academics and Students								
	EcoEgo	RepuEgo	ActUti	RuleUti	SelfVi	OtherVi	ActDe	RuleDe
Cluster1	1.8	1.5	1.4	1.5	1.3	1.3	1.6	1.2
Cluster2	2.6	2.1	2.3	1.7	1.5	1.8	1.4	1.3
Cluster4	2.2	2	2.4	1.8	2.6	2.4	2.2	2.3
Cluster3	3.5	3	2.2	2	1.7	1.6	1.4	1.8
Cluster5	2.2	1	1.8	1.2	1.8	1.2	1.3	1.2

Study 2 Small Business managers								
	EcoEgo	RepuEgo	ActUti	RuleUti	SelfVi	OtherVi	ActDe	RuleDe
Cluster1	1.1	1.1	1.1	1	1	1.1	1.2	1.1
Cluster2	2.3	2	1.9	1.6	1	1.2	1.5	1.2
Cluster3	2.1	1.9	2	1.6	2.1	1.8	1.6	1.5
Cluster4	2	2.2	2.6	1.6	2.6	1.9	2.3	2

(Table developed for this study)
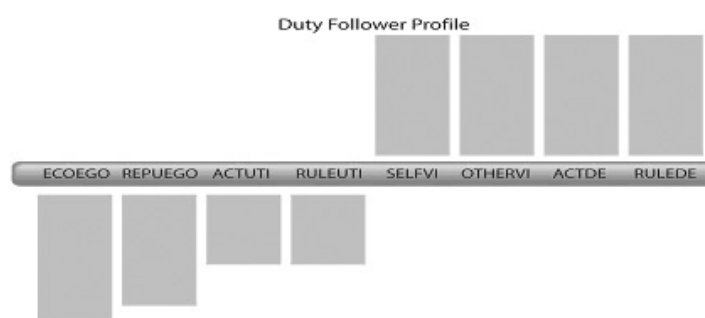
Profile 1: Duty Follower

Figure 3 duty follower profile according to the 8 subscales from the MEP

This profile is characterized by a very strong preference for the non-consequentialist theories such as deontology and virtue ethics and weak support for economical egoism. This would suggest that respondents in this cluster see ethics from a particular perspective and believe that some ethical frameworks are more important than others. They could, therefore, be also seen as supporting an absolutistic view of ethics (see table 1). Looking at the items representing the non-consequentialists ethical theories, it is arguable that the main philosophy behind the managerial ethical decision-making (MEDM) of the managers that belong to this profile, is that managers need to possess strong character virtues in order to fulfill their duties--in particular, their professional duties. Managers in this profile are committed to being ethical and applying universal rules in their decision making, and they are quite strongly opposed to allowing economic outcomes to override principle. Based on the strong propensity to follow duties, this cluster has been named the duty follower managerial ethical profile. In this case, decisions are guided more by rules and duties than by considering the consequences of those actions. They have a more absolutistic view or morality, and they are very strong advocates for particular universal duties such as do not lie or do not kill. Managers with this profile are very faithful to rule and duty, but the related risk is that this can be achieved at the expense of flexibility. For instance, as a general example, if a rule is not to lie, then a duty follower would not lie to the Gestapo asking if they know where the hiding place of some Jews is. Their major concern is about the moral standing of themselves, rather than the consequences for the reputation of the organization.

The motto for this profile is: "do what is right no matter what the costs"
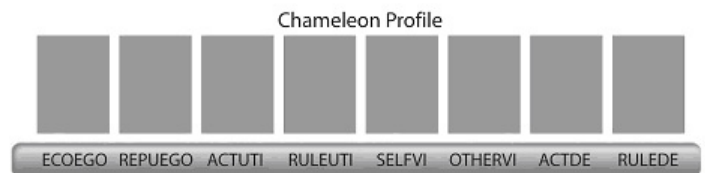
Profile 2: The Chameleon

Figure 4 Chameleon profile according to the 8 subscales from the MEP

This profile is very different from the previous one, due to equal importance given to each of the all eight ethical categories, rather than a strong preference for a particular one. However, the responses related to this cluster are not very strong (see table 1), suggesting that people in this cluster might use different ethical frameworks; not at the same time, but more instrumentally to a particular situation. The ethical philosophy behind

this profile is that the manager is aware of the different ethical positions, and will decide which best suits a particular situation. Managers in this group are not strongly committed to one type of ethical theory, therefore they might use particular ethical principles in order to protect the organizational reputation by following those rules that either promote the greatest good and that uphold human principles. This profile has been named the chameleon. Just as the reptile of the same name changes its skin color to fit in with its surrounds, these managers assess the different ethical view points and decide which is the most appropriate for a particular situation. Arguably, the chameleons have a more practical view of morality, as they do not rigidly hold a particular position but assess the context first and then apply the ethical framework that is most appropriate to that particular situation. However, while this profile is more flexible than the duty follower, there is also a risk that all this flexibility could simply encourage decision-makers to blend in with the prevailing culture—'when in Rome do as the Romans do'--rather than engaging with it proactively. Relatively speaking chameleons, compared to others profiles, have less independence in ethical decision making capacity because they are strongly affected by significant others (experts/superiors) and the organizational culture. Using a business example, a chameleon would be more likely to accept an expensive gift with no reservation if that is a common practice in that country and, most likely, keep it as well. Too many chameleons in an organization may be a barrier to effectively challenging and changing unhealthy organizational cultures. A possible motto for this profile is: "when in Rome do as the Romans do'

Profile 3: Guardian Angel

Figure 5 Guardian Angel profile according to the 8 subscales from the MEP

In this profile, the most important ethical principles are all the non-consequentiliasts principles, as for the duty follower, plus rule utilitarian—a combination that can be summed up as managers not only making sure that they conform to rules and that the dignity of others is maintained, but also keeping an eye on the overall outcomes (the greatest good for the greatest number) as well. They are strongly committed to fulfilling the obligations that go with a public or professional role and, therefore, they feel a duty to consider the consequences of their decisions and to treat others fairly. Due to very nature of this profile, which is to protect and to guide, it has been named the guardian angel. Like the duty followers, managers in this group tend towards an absolutistic view of ethics, but are not as narrow. They obey rules but, at the same time, they use their wisdom as well to consider the impact on others of so doing. Thus, if asked by the Gestapo about the hiding place of their Jewish neighbor, they would weigh up honoring the duty of truth-telling against the duty to protect innocent people, in this case by lying about their location. A risk with this profile is that the potential conflict between duties may lead to inconsistent responses. The Motto for this MEP is: "following those duties that promote the greatest good"
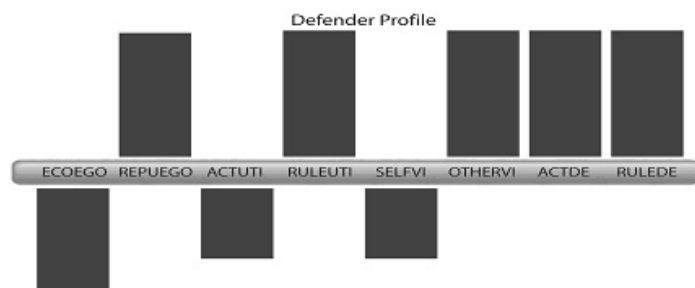
Profile 4: The Defender

Figure 6 Defender profile according to the 8 subscales from the MEP

The results for this cluster are strong on the non-consequentialist ethical principle but equally, if not stronger, on the ethical egoism sub-scale of reputation. Managers in this group are very loyal to the organization, and they would make decisions to protect the reputation of the organization. Good public opinion about one's self and one's organization are more important than the bottom line. People in this profile would spend more time weighing up what is good versus what is good for the organization. The virtues of the people in this cluster are directed strongly towards the wellbeing of their organization. Those people are extremely important for the company because they are the most loyal to the company, and are less likely to undermine its goals by pursuing their own individual self-interest (Casali a 2008). However, the excessive loyalty of the defender is not always helpful. Due to the fact that defenders have scored low on the sub scale of self virtue, it may indicate a lack of focus on internal morals. This situation could increase the chances of engaging in illegal or unethical actions in order to protect the organization reputation. Like an avid defender in a soccer team they would accept the risk of a penalty by taking an opponent down in front of goal, and perhaps even risk a personal sending off for the good of the team. Another example would be the behavior of some employees of the Australian Wheat Board. Its former chairman, when accused of bribe and breaching a number of UN oil-for-food sanctions, said in a statement issued by his lawyers: "I emphatically deny that I acted in any manner other than in the best interest of AWB and its shareholders." Going back to the example of the gold gift, managers in this profile would accept the gift only if that action would benefit the organization. A motto for this profile could be: "the defender of the faith"
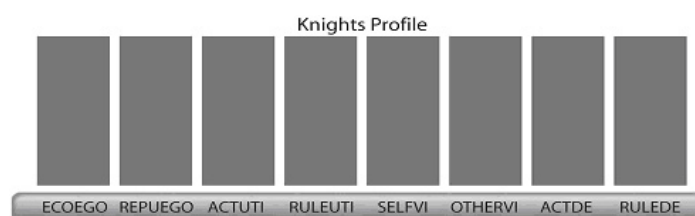
Profile 5: The Knight

Figure 7 Knight profile according to the 8 subscales from the MEP

The final profile identified in this study represents of the ethical view point of ethical pluralism. The average results on all the eight ethical sub-scales are between 1 (extremely important) and 2 (very important). This MEP has been named the knight. These managers are more consistent in trying to maximise their values, the organization's values, keeping economic factors in the picture, and considering the impact of decisions on all stakeholders. They try to maximise the good in both themselves and the world around them. They pursue happiness and excellence,

and aim to be a good person, working for a good organization and building a better world. Managers that are part of this profile are ethical pluralists, but in a much stronger sense than the chameleons. They will take into consideration all the individual moral principles, but put them into a more universal than local context. Usually, the knights are very conscientious and skilful and, therefore, very important to an organization. However, there are two main risks related to the knight profile. The first risk is that the organization might fail to live up to the knight's very high expectations, and they might become a troubling presence in the organization and a potential source of challenges to those in authority. The second risk is that knights are so highly skilled and independent that can easily transfer their allegiances to other masters (organizations). They would use their skills and experiences to maximize all the ethical frameworks in relation to all stakeholders. Motto: "Being the best I can be, doing the best for everyone, and doing the right thing in all situations"

As previously suggested, the five managerial ethical profiles represent a mix of ethical principles that managers are influenced by in making their managerial ethical decision making process. For example, the Duty Follower indicates that managers in this profile are strongly devoted to follow duties and in case of competing duties they would prioritise them not based on expected economic outcomes, but more based on fulfilling universal duties or protecting rights. The Guardian Angel is similar to the Duty Follower; however, the main difference between the two is intrinsically grounded in the idea that we should follow those duties that create the greatest good for the greatest number of people. On the other hand, the Defender profile suggests that managers would prioritise choices based upon the degree of impact that those possible options would have on the organization's reputation even at the expense of profit or fulfilling universal duties. The Chameleon is the most relativist profile of all, suggesting that managers in this profile are strongly influenced by significant others or by the organizational culture or both, as they are aware of the different conflicting ethical principles, but have not developed a framework for prioritising them in case of conflicting principles. Last but not least is the Knight. Contrary of the Chameleon, managers in this profile have developed that framework to assess conflicting principles, and underpinned it with their personal and professional experience and wisdom. A Knight profile suggests that managers would strongly rely on their own skill and knowledge and be less influenced by significant others or the organization.

Conclusion

As a problem of many profiling techniques currently used with respect to ethical decision making is that use "a priori" clusters (based on pre-existing schools of moral philosophy, reducing the capacity to adequate capture reality of decision making. This paper has established that allowing respondents to create their own clusters, rather than being simply allocated into one of the school of moral philosophy, can significantly advance current understandings about managerial ethical decision making in practice. Giving the opportunity to respondents to pick and choose particular dimensions reflecting different ethical frameworks has led to the development of a number of "a posteriori" clusters. As a result of this study, 5 clusters have been identified in the first study and only 4 have been found in the second study, results that can be explained by the nature of the second sample. The missing profile from the second study is the "Duty Follower", a profile characterized by a strong devotion to universal principles and organizational duties but a strong disre-

gard for economical factors (see table 1). While people working in large organizations may have the luxury of letting someone else look after the bottom line, it is arguable that small business managers, because of their very nature cannot disregard the bottom line, otherwise they would be out of the business immediately. It is important to emphasize that although these five profiles are all ethical, however that they would look at the same problem, and assess it based on different criteria. For example, a duty follower would make sure that universal rights and duties have been fulfilled even at a great cost in terms of money or efficiency or effectiveness. Where a chameleon, would mostly ask an expert opinion on that matter and then follow that advice. A knight on the other hand would look at the problems from a different point of view and then try to find that solution that would maximize benefit to all. The Defender would make any decision that would improve an organization's reputation or at least protect it at all costs. Last but not least, the Guardian Angel would seek to satisfy universal duties, but also takes economical factors in to account, thereby seeking the greatest good for the greatest number of people but not at the expense of the business.

Possible practical application for the MEP

Despite the fact that this is an exploratory research, some possible practical usage for the managerial ethical profiles (MEP) can be suggested. MEP could be used in assessing possible board members, as having each of the five profiles represented could increase a board's effectiveness and efficiency and reduce the risk of groupthink. At the individual manager level, the managerial ethical profile can be used as a self-education tool, informing individuals about their ethical strengths and weaknesses (based on their profile). On the other hand, the MEP could also be used by a multinational organization to map their subsidiaries around the globe based on the concentration of the different managerial profiles. They would be able to better assess the risks related to giving high degree of autonomy in terms of decision making to a subsidiary that has a strong concentration of duty followers, who would be looking for some rules to follow.

Knowing that the managers in an organization have differing ethical decision-making profiles would also assist in tailoring ethics training and internal communication on ethical issues to the workforce, with trainers and senior management knowingly adopting a variety of strategies to more successfully communicate and implement ethic regimes.

Future Research and Limitations

The purpose of this study has been to use statistical techniques (hierarchical cluster analysis) to identify clusters based on responses to responses to the MEP questionnaire. Further research in this area is needed to address a number of questions and to advance understanding about the managerial ethical profiles themselves. Questions that should be further investigated include: Are the managerial ethical profiles stable across different countries, sectors and cultures? Are there any particular individual traits that belong to a particular profile? Does organizational size affect managerial ethical profiles? The results of this study indicate that the MEP questionnaire will be a useful tool for further inquiry into managerial ethical decision making. As this is only an exploratory study based on the preliminary results of two rather small samples (41 respondents), the findings should be viewed with same degree of caution in terms of their generalizability. Having said so, each of the two samples were analyzed by using a statistical tool that performs at its best with small sample data and able to perform in a reliable and valid way, as shown in this paper by reproducing four of the five overall ethical profiles across the two studies.

Footnote

The five profiles discovered in study 1 were also found in a larger study based on 441 healthcare managers in Australia. A paper reporting the findings of this more confirmatory research has been presented and published in the peer review section of the ANZAM (Australian and New Zealand Academy of Management) 2008 conference proceedings.

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Corporate Executive Salaries – The Argument from Economic Efficiency

Scott Elaurant

Abstract

The very high level and constant growth in salaries for corporate executives has been a trend causing debate for over a decade now. It has given rise to a range of arguments for and against high salary levels. The single most prevalent argument for high executive salaries has been the argument based on economic efficiency. In this argument, high salaries for corporate executives are justified as they form an incentive that motivates them to high performance. While striving to earn these incentives, executives achieve improvements to productivity in their firm, which benefits society. This paper considers the argument from economic efficiency from a philosophical viewpoint. Arguments for and against this justification are examined for consistency with philosophical (distributive justice) and economic theory to test their logical soundness. Empirical evidence from Australian and United States salary markets is also examined where relevant to conclude on the validity of the arguments. Most arguments for high executive pay are shown to be unsound in that they assume cause and effect by linking the executive's actions to the corporation's performance. Philosophically, the efficiency argument may be valid, provided empirical evidence confirms that high executive pay leads to improved societal well-being. However on the evidence of most studies that is not empirically true for executives in Australia and the United States

Introduction

This paper considers corporate executive salaries from the viewpoint of philosophical (consequentialist) theories of distributive justice. That is, it considers whether the level of such salaries can be morally justified for the society in which the corporation operates. This paper will examine one category of commonly cited justifications for high corporate executive salaries - arguments from economic efficiency. These arguments for high rewards for leaders of corporations conceived as an incentive type argument. That is, the rewards are (ethically) justified in so far as they provide an incentive towards an outcome that increases utility in the society.

There are a multitude of corporate structures and terminologies used in capitalist economies. For purposes of this discussion we will focus on publicly listed corporations (or firms) typical of those traded on stock markets. These are defined as consisting of shareholders, directors representing shareholder interests, executives reporting to the directors, and employees managed by the executives (Jensen and Mecklin 1976). Executives are employees with power over the corporation's assets.

This paper was prepared largely before the advent of the global financial crisis of late 2008. Data considered is based on market conditions as they were prior to the severe declines in share values that occurred during the crisis. Although not examined in this paper, it is considered that the financial shock and subsequent events validate some of the concerns raised here about corporate executive salaries and raise further concerns.

Corporations and Ethical Justification

From a consequentialist (utilitarian) ethical viewpoint, an activity will be justified if is beneficial to the whole community of interest that the activity is practiced in. For most corporations this community of interest will be the society or nation-state it is incorporated in, and for international corporations it will be the international community.

The structure of corporations is such that the potential benefit and motivations for each stakeholder group in them is different. If the corporation is carrying out a socially beneficial activity the society will wish it to be profitable and continue. Depending on the structure of rewards within the corporation, if each stakeholder group within it acts through rational self-interest they may all have some varying degree of motivation to see the corporation be profitable and continue. They may still differ in their preferences for the distribution of the benefits of a corporation's activities.

Economic Efficiency Argument

Jensen (1990) and others used empirical evidence to demonstrate that there was a link between large pay bonuses provided to executives on a performance basis and improved corporate performance . These theories in part motivated the trend beginning in the 1990s of deliberate structuring of corporate executive salaries to match performance of the corporation as closely as possible, usually through options to purchase shares in the company on advantageous terms offered to the executive. Over time the under-costing and over-issuing of such bonuses has led to much higher salaries and Jensen's objectives not being realized. However this misapplication does not necessarily invalidate Jensen's theory. It is economically rational for corporations to pay executives bonuses such as those espoused by Jensen if it increases the economic efficiency of the firm and returns to shareholders.

Jensen was considering executive pay from a purely economic viewpoint in terms of the firm's self-interest. For philosophical justification this is a necessary but not sufficient condition for the economic efficiency criteria to be satisfied by high executive pay. For high executive pay to be economically efficient it must be such that:

- high executive pay increases economic efficiency for the firm and

- greater efficiency for the firm improves social utility.

The following conditions are also required to be satisfied for the corporation:

- gains from increased efficiency for the firm exceed the cost to the corporation of the high executive pay;

- gains from increased efficiency for the firm exceed the "opportunity cost" of the high executive pay. That is, there is not a more efficient way available to the corporation to achieve the same or greater gains at lesser cost.

An important qualification on this theory is that high executive salary needs to result in a benefit to the society for it to be justified in terms of consequentialist ethics. Increased returns to the firm are not sufficient. Increased efficiency for the firm is a potential justification, but the efficiency must increase social utility either directly or indirectly.

This means that the corporation must not be engaged in a legal but socially harmful activity. Improved efficiency for a corporation engaged in such an activity would not ethically justify a high salary for an executive. Even in beneficial activities, improvements in economic efficiency may create negative externalities that are not internalized and lead to social harm. There must be a net benefit to society to be ethically justified.

Similarly, improved efficiency for an individual corporation that gives it a competitive advantage but with no benefit flowing to the society would also not justify high salary. Examples of such cases might include improvements to increase market share by dominant corporations within an industry, where benefits may be confined to the corporation's shareholders but not distributed within the society in which the goods are produced or consumed. For these firms a high salary to attract talented executives would be a rational strategy in pursuing the corporation's own self- interest. The society in which they operate will be indifferent to gains in economic efficiency in such firms, if they merely result in a transfer of wealth or market share from one corporation to another.

More normally, gains in factor efficiency by a corporation should result in gains in social utility in the long term. Unless the corporation is a monopoly any gains will be won at the expense of other market competitors. These other firms will then have to either increase their own efficiency or lose market share. Over time more and more of the goods produced in that market will be produced more efficiently, and the price offered to consumers should be reduced by competition. (This will not hold for unregulated monopolies, where the benefits may not be passed on beyond the corporation, or multi-national corporations where the benefits may accrue to other societies.) Provided the industry is not a monopoly, social utility should benefit in the long run from efficiency gains by a corporation.

Provided that the increased productive efficiency of the corporation leads to growth in overall societal income and wealth, and that the income and wealth is fairly distributed within the society, it should then benefit all or most members of the society in the long run. The high executive salary may then be justified in consequentialist terms by being in the long term interests of all members of the society. Philosophically economic efficiency as a justification for executive salaries is, in terms of distributive justice, a form of incentive theory, loosely framed around (societal) welfare principles.

Jonathon Riley has described this as a "second best" theory. That is, it is only a partial justification, and applies if and only if the empirical evidence actually supports the claim. There is no inherent benefit to the society in high rewards to executives in themselves, and arguably some dis-benefit from the effects they will have on social equity. Thus the high rewards are only ethically justified for the society if the high rewards lead to additional benefits to the society.

Empirically it is difficult to prove this argument either way.

At the macro level there is a strong basis for economic efficiency arguments in the history of economic philosophy. Adam Smith (1776) cited the long term advantages to a society from increased economic efficiency as the primary benefit and reason for a market-based capitalist economic system. The countries having systems that encouraged economic efficiency were generally the richest at the time when Smith wrote. By the year 2000 all of the world's richest nations had market-based capitalist economies. These nations almost without exception enjoy the highest per capita incomes, longest life expectancy, and provide the greatest benefits to their citizens (based on OECD statistics and UN Global Development Index).

However the fact that the nations with most efficient corporations are generally the societies with highest utility does not prove that efficient corporations are the cause. Other factors such as better education systems, infrastructure, social change and technological change might all be identified as possible causes of economic growth. Efficient corporations might be a product of economic growth in a nation, rather than the cause.

At the level of individual firms it is more difficult to validate the economic efficiency argument. It would be necessary to demonstrate that high executive salaries cause more corporations to become more efficient to justify them based on economic efficiency. This would require proof both that the actions of executives caused greater efficiency in corporations, and that it was the high executive salaries that motivated the executive's actions. In both cases, defining the effects of executives' decisions on a corporation's efficiency is extremely difficult.

The practical difficulty at the level of individual firms is the same as for any contribution based theory applied to groups – it cannot be shown that gains in economic efficiency for a group are the result of the actions or efforts of any one member of the group, including the executive. If gains in the performance of a corporation are examined in isolation, they may be the result of economic, organisational or technological improvements that affect (at least) other firms in that industry. For this reason most studies of executive performance rely on comparing performance between corporations in the same industry or market. The studies then make the assumption that any differences in form's performance are due to differences in executive leadership. This ignores the potential for other internal and external influences, such as exceptional contributions from other members of the corporation. Hence it is likely to overstate the value of executive contributions where improvements occur. Nevertheless, comparative performance of a firm within an industry appears to be the best proxy available for measuring executive performance.

For corporations which do not have better than average performance, which will be most firms, it will not be possible to identify any contribution by the executive, which may greatly understate their contribution. For these reasons the comparative analysis should be carried out over time, with the change in relative performance over time compared with that firm's starting position in the industry used as a proxy of executive performance. This would require the performance component of executive pay to be made after the fact, when long term results are known. (This is consistent with current practices of delaying the time when executive share options may be exercised.) The results of comparative analysis of performance would then justify differentials between performance pay for individuals, although they would not justify any particular level of pay for executives.

Logically, if it is believed that executive performance is the primary determinate of comparative corporate performance, then some executives are also presumably responsible for the

losses on investment (relative to opportunity costs) incurred by any firm with below average performance. In such cases the value of the executive's performance is presumably a very large negative value, meriting dismissal or sanction, rather than any level of reward. Yet none of the studies trying to link executive pay and performance (Jensen et al) have attempted to measure the cost or loss induced by poor executive performance.

A final difficulty is that, even if the contribution to a corporation of executives' decisions can be isolated, it may not be possible to isolate the performance of the CEO from the performance of the rest of the executive group. One possible way to overcome this would be by identifying the period when a particular CEO was present and isolating the performance during their tenure from that before and after. The difficulty with this is that the impact of many decisions on corporate restructuring or strategy by a CEO may take time to take effect. Thus the full benefits or disbenefits of their decisions may not emerge till some time later. A solution would be to treat performance bonuses for the executive group in an identical fashion, distributing benefits to a pre-agreed formula at a later time when comparative industry performance is known.

Alternative Arguments: Economics of Superstars

Other arguments have been raised to explain the existence of high executive salary, but they are not ethical justifications. An example is the claim that executive salaries are an example of "the economics of superstars". There are some fields, notably sporting, arts and entertainment, where "superstar" performers may earn rewards far greater than the average for that field. The potential incomes in these fields have the character of prizes in a tournament, with a comparatively small number of prizes relative to the number of competitors.

It has been recognized in economic analysis by Rosen (1983) that in such highly competitive fields, a slight edge in performance may create a significant increase in the chance of competitive success. This allows more talented performers to charge an economic rent for their performance and attract a reward premium far greater than the actual difference in performance. The employer of the superstar (or the superstar themselves if effectively self-employed) can then charge users or spectators a premium fee for the performance. Thus very high rewards for superstars might still be in the rational self-interest of the employer.

This theory has been suggested to explain very high rewards for corporate executives with exceptional performance (Gabaix and Landier 2005). It can be applied to corporate executives at two levels – comparing salaries between CEOs of different firms, and between the salary of CEO and other employees within a firm.

Considered at the level of comparing CEOs between firms, if exceptional CEOs can generate exceptional performance for their firm, this theory would predict and justify a large range of CEO salaries, ranging from very low for poor to average executives, to very high for exceptional executives. The actual distribution of CEO salaries is not as would be predicted by this theory. While there are some CEOs paid more than others, none are paid poorly, and the average salary for CEOs is exceptional (Bebchuck and Grinstein 2005).

Considered at the level of comparative salary within firms, this theory might justify a wide variation of salaries between CEOs and other corporate executives. In this case, the position and salary of CEO could act as a prize that executives compete for, motivating higher performance from the executives, to the

benefit of the corporation (Benjamin 2002). While this application of the theory would implicitly acknowledge that CEO salaries were not justified by the performance of the CEO, it would justify high executive reward if the overall performance of the corporate executive as a group produced a corresponding benefit to the shareholder and/or community.

Arguments Against Economic Efficiency Justification

Having considered the arguments for economic efficiency as a justification for high executive pay, there are also several counter arguments to examine. These fall into four broad categories – (1) other causes of efficiency, (2) objections from more sophisticated motivational theories of behavior, (3) supply and demand and (4) burden of proof arguments.

(1) Other Causes of Efficiency

Measured at the societal level, a range of political, social, and technological changes may cause economic and social advances, apart from the business efficiencies that may be generated by a single executive or corporation. The economic growth and prosperity enjoyed by most OECD nations in the 1990s might just as easily be traced to other causes such as the "peace dividend" from the end of the cold war, increased computerization, the baby boom ensuring record high workforce participation, and the increasing globalization of world trade. There seems no reason to attribute the global growth trend particularly to corporate management decisions.

The most comprehensive studies to date of the causes of business efficiency and competitiveness were those carried out by Micheal Porter in the 1980s and 1990s. Porter (1990) developed a model of factors that consistently influenced the success of different businesses. Economic efficiency of the corporation or industry itself (regardless of cause) was only one factor in a firm or industry's success. One factor, government policy, was beyond the direct control of the corporation. The other four factors were external influences that firms had to respond to, rather than things they led. Corporate leadership was not identified as a significant factor, although it might be argued that it influences the response to some of the causal factors.

In an Australian study the apparent causes of improved efficiency have included scale economies, technological innovations, X (factor)-efficiency gains and the removal of behavior aimed at merely satisficing performance targets rather than maximizing performance (Quiggan 1998). Gains in factor efficiency may have been due to corporate leadership, such as through restructuring of corporations. This is plausible but difficult to prove. It cannot be isolated from other potential causes of factor efficiency gains, such as changes to regulation or government policy. For example, reforms to labor markets might improve factor efficiency in an industry regardless of the actions of an individual executive. Even where the fortunes of a single corporation had a determining and beneficial effect on a single nation's economy, such as the Nokia corporation's growth relative to the Finnish economy in the 1990s, that success has not been linked to the actions of any single executive (Haikio 2002).

The existence of alternative causes for corporate success and difficulties in measurement does not disprove that executive leadership affects corporate performance. It could be argued that putting an idea into practice, particularly in a large complex organizational environment, is a difficult task in itself and deserves pay separate to the desert base of conceiving the idea. Thus even if an executive has not developed the products or innovations responsible for improved performance, and is simply putting into practice standard concepts of management theory, that practice

still generates value and deserves reward. In this case the desert base is the relative effectiveness with which some new organizational or technological change is implemented in the firm. The other employees of the firm who must carry out the change also share in the desert base of any improvements resulting to the firm's performance. The desert base for the executive is, once again, some share of the comparative improvement of the performance of the firm relative to other firms in the same industry with similar organisation and technology. There still seems no justification to attribute all of the gains from the change in the firm's performance solely to the desert base of the executive.

(2) Executive Motivation

The efficiency argument assumes that the predominant motivation influencing the behavior of corporate executives while carrying out their duties as an executive is personal financial gain in the form of salary. It relies on closely linking the salary to the corporation's performance, typically measured through the share price. This assumption has been explicitly used by those in favor of high executive pay justified by links to corporate performance, such as Murphy and Jensen (1990). There are alternative theories which may be applied to executive motivation that would give different conclusions.

Economic viewpoint: Income and Substitution Effects

The assumption that CEOs motivated by salary will strive for greater corporate efficiency if paid more is simplistic from an economic viewpoint. It ignores the fact that there are two recognized effects on the supply of any type of labor from an increase in the price of that labor – an income effect and a substitution effect. These act in opposite directions.

The income effect means that the increased income per unit of work supplied will allow at least some workers in that field to reduce their hours of work and receive the same income, or retire early where rewards are sufficiently high. They may then substitute some of their work hours for leisure hours, thereby increasing their total utility. The substitution effect means that an increase in labor income will make workers more willing to work in that field, increasing the supply of labor.

For the efficiency argument to be true, it must always be the case that the substitution effect is greater than the income effect in the executive labor market. Given that corporate executives are already the most highly paid occupational group in the world, and thus the financial inducements for individuals to enter and work in the field are already greater than for any other occupation, this assumption seems highly doubtful. Put simply, no additional effort would be expected from paying executive management higher salaries, when their salaries are already sufficient to satisfy any reasonable needs on their part. Similarly at a group level, no additional persons would be expected to be attracted to a career in executive management by higher salaries, when those salaries are already higher than for any competing career.

Another difficulty implicit in this argument is that, even if economic efficiency is improved by an executive, it is not a sufficient reason to prove that a firm needed to offer an exceptionally high executive reward to achieve that result. The efficiency argument contradicts the normal behavioral assumptions of firms hiring all other types of labor, where it is assumed that most individuals maximize utility by satisficing income in combination with other working conditions. For most employers, it is desirable to hire employees that are highly efficient. However the method is not to pay the highest rewards to all employees

to achieve the highest performance. Firms pay rewards that are (just) high enough to motivate the desired level of performance. Firms seek to optimize their pay rates relative to worker performance, not to seek maximum performance at any price. It is not rational for corporate boards acting as employers on behalf of shareholders to pay corporate executives any more than the reward level sufficient to attract the executive to that position and motivate high performance.

Psychological Viewpoint: Motivational Theories

The claim that higher salaries will act as a motivator for executives may also be considered from a psychological viewpoint. One of the seminal investigations into the motivations that influenced employee performance in businesses was by Maslow (1943). Maslow identified a hierarchy of psychological forces that motivated individuals. These were ranked from primary needs (for survival), followed by three other levels of "deficiency needs" to a higher level of growth needs. Maslow's theory was that primary needs had to be satisfied first, and that individuals then sought the higher level growth needs.

Deficiency needs:
• physical needs (able to provide food, clothing, shelter etc)
• security (certainty of position, values, belongings),
• belonging (to a group eg firm or category of executives)
• esteem (respect for position)
Growth needs:
• self-actualisation (creativity through setting direction of firm)

For the executive, physical needs have probably already been satisfied in the preceding middle management career and are not relevant. Security is arguably reduced for the executive, due to higher risk of dismissal for poor performance. Satisfaction of the need for belonging is also questionable, as the holding of the power to discipline or dismiss other employees in a firm presumably reduces the ties of friendship to them. Conversely, the existence of an "old boys club" among executives suggests that being an executive represents belonging to a prestige group in itself. The desire for esteem would appear to be readily satisfied by executive employment for the same reason. The satisfaction of the desire for self-actualisation through executive employment is considerable, with frequent decision making, problem solving, and the opportunity to create a new direction for a large complex structure of people.

It could be argued that executive employment also contradicts Maslow's theory in some respects. Many executive contracts represent individuals trading off deficiency needs (eg security of employment) for growth needs (e.g. self-actualisation/ability to direct the firm). The less popular aspects of executive employment (cutting cost through dismissal of staff, accepting salaries many times higher than fellow staff and citizens) might threaten the need for belonging and esteem.

Maslow's theory has been criticized by subsequent behavioral researchers. For example, Wahba and Bridwell (1976) found that there was little empirical evidence for Maslow's ranking of needs, or any apparent hierarchy. Neef and others have argued that fundamental human needs as identified by Maslow are ontologically different and cannot be ranked or compared. On balance, it would be better to say that there are a range of different psychological needs and desires, which executive employment will satisfy to varying degrees. Whether taking Maslow's view, Neef's, or others', it does not seem plausible to say that additional executive salary will in itself satisfy psychological motivations on the part of the executive. Offering continually higher salary may simply predetermine a category of persons to

become executives, namely those who value salary more highly than other motivations normally considered by persons.

It has been suggested that executives seek higher salaries in comparison to other executives, as a means of recognizing comparative ability or performance. That is, high salary is a means of recognizing the status of the executive amongst their executive peers. In this case new provisions for the reporting of executive salaries as a means of restraining them would be self defeating. The information about salaries of executive peers would + serve to motivate executives to seek parity with any more highly paid executive. If executives with superior to average performance then received a higher salary it would result in a cycle of continual increase of executive salary, precisely as has been actually happening. The resulting increasing level of executive salaries would not be justified by increasing performance.

This motivation explains the desire for continually increasing executive salaries, but does not justify them. Nor does it explain why the higher salaries are agreed to. Recognition of ability is an understandable desire in members of every profession, and higher salary is one of the means of providing it. Yet it is not the case that salaries in every other profession are continually rising in real terms. Thus the desire for recognition might explain the motivation of executives seeking higher salaries, but does not explain why they are awarded. This motivation also has the undesirable feature that executives may seek higher salary as proof of their ability, irrespective of performance.

As there is not evidence that highly paid executives benefit individual corporations, a more logical strategy for a corporation rationally pursuing its own self-interest is to act as a free-rider with respect to executive salaries. That is, if the corporation had the lowest executive salaries, while based in the nation having on average the highest paid executives, it would gain the benefits of being in the most efficient nation, while having the least cost in executive rewards paid. The apparent absence of such behavior on the part of corporations suggests that their boards of directors do not pursue the rational self interest of the corporation when executive salaries are agreed.

If these motivational theories are correct, then there would appear to be potential to motivate executives through the use of alternative non-financial prizes or rewards for superior executive leadership as markers of status or recognition for high performance. These would satisfy the desire for esteem and comparative recognition, but not create a cost burden for shareholders.

(3) Supply and Demand Arguments

Another major argument against high corporate rewards on the basis of economic efficiency is based on the theory of equilibrating markets, which contradicts the continued trend of corporate executive rewards to rise. According to economic theory any field where resources are in demand, including labor markets, will see at first a rise in the price offered for the resource. The market will then adjust so that more resources enter that field. The price will then adjust down so that returns to those resources equate to normal levels of reward. Where this does not occur it is generally seen as evidence of rent-seeking behavior by owners of the resources, and a market that is not perfectly competitive. Such markets are unlikely to deliver efficient outcomes and hence not be socially optimal.

There may be a valid case to say that the demand for corporate executives is growing. The relative proportion of the world's economic activity carried out by large corporations has been growing in the long term (Galbraith 1967). This trend has accelerated since the end of the cold war with the replacement of most nominally Communist economies with market-based capitalist economies containing privately owned corporations. Within most OECD countries, the trend has been to reduce the proportion of government spending (other than welfare) and privatize many formerly government-owned businesses as corporations. The size of individual corporations has also grown in real terms, with 51 of the 100 largest economic entities in the world being corporations by the year 2000 (Anderson & Cavanagh 2000). Within each corporation, while other staff functions have typically been "downsized" or "outsourced" throughout the 1990s, there appears to be no trend to do this to executive positions. Thus overall there are more and larger corporations than before, and therefore a need for more executives.

However if the demand has risen, the supply has risen more dramatically. The number of persons being educated in the disciplines seen as entry level qualifications into business management careers – accountancy, business, economics and law – have greatly increased in all OECD countries. If these are indeed the skills required, then the supply of labor has increased to the point where some correction in the price of executive labor might be expected. If the supply of persons with the required skills to be an executive has not increased after two decades of constant increases in executive salary, this is contrary to labor market theory and raises the question of what blocks or prevents increases in the skill supply.

Some might argue that the critical skills for success as an executive are not gained from such formal education. This leaves two other possibilities – either the required skills are inherent qualities that cannot be taught, or they can be learnt through experience in the business concerned. If the required skills are inherent, then the supply of individuals with them will be fixed and not influenced by executive salary levels. If they are learnt from experience, then it is encumbent on current executives working for the good of their corporation to give opportunities to potential executives to develop their skills, so that there will be a sufficient number of replacements for themselves. If there has not been a sufficient number of future replacements trained so that there is a shortage of labor with executive skills, it would seem perverse to reward executives with higher rewards now because of their or previous executives past failure to train adequate replacements.

In reality, no shortage of applicants for such positions is reported. In an era of increasing skill shortages as the "baby-boom" generation retires, various professions are listed as being under-supplied but positions for corporate executives never make such lists. Since most executive positions are not advertised, it seems more accurate to say that these positions are only accessible to a small number of persons, but this does not prove that only a small number of persons would be able to perform them.

(4) Burden of Proof

Authors such as Nichols and Subramanian (2001) have correctly pointed out that some attacks on high executive rewards are unsubstantiated because of difficulties in measuring the value of executive actions in corporations. Thus the claim that executive rewards are too high is unproven. However in principle Nichols and Subramanian have reversed the burden of proof for justifying high executive rewards. Executives receive, and have sought to justify, higher levels of reward than all other occupations. Given this exceptional level of reward, it would seem that the burden of proof for their justification rests on those claiming, or seeking to justify, the exceptionally high levels of reward.

For any employer to approve an exceptionally high level of

reward for an employee, presumably the employer would want to be satisfied that it was justified. In the absence of such proof, a reasonable employer might pay the employee the average level of reward, but would seem to have little reason to go beyond this. In the same manner, for corporate directors to approve what are exceptionally high levels of reward for executives, presumably they would want some evidence of it being deserved. Otherwise the directors would have failed in their duty to protect shareholders' interests, from whose returns the reward must ultimately be paid.

Empirical Evidence – National and Societal Level

At the national level it is possible to compare economic performance with CEO pay as reported in World Bank statistics. This has been done for selected countries where data up to 2006/07 is available for CEO pay, average income, GDP growth rate and share market index returns. The statistics have been adjusted to show net impacts per person for comparison. Average CEO pay has been divided by average income to obtain an index representing how high CEO pay is relative to average pay for each country. Similarly GDP Growth rate has been divided by population growth to obtain a GDP growth rate per capita.

CEO pay as reported by the world bank is shown against average incomes in Figure One. Generally CEO pay is proportional to, and much larger than, average income. The pay rate for US CEOs appears to be an outlier. For subsequent graphs CEO pay has been reported as a multiple of average income.

National GDP growth rate per capita is compared with the

Figure Two – GDP Growth Rate compared with CEO Pay multiple
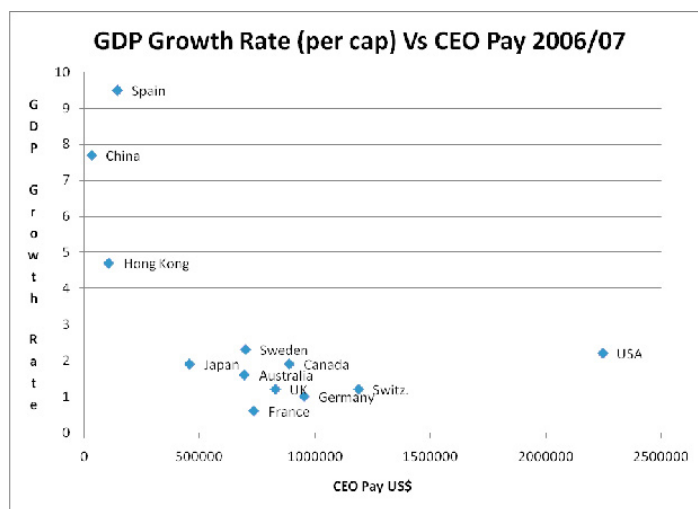
Figure Three – GDP Growth Rate compared with CEO pay

is affected by many factors beyond the CEO's control. Average share market returns over ten years for (publicly listed) corporations is compared with the CEO pay multiple (of average incomes) in Figure Four and with unadjusted CEO pay in Figure Five. Again there is no obvious relationship apparent in the data where higher CEO pay leads to higher share index returns. The best performed share markets appear to be those where CEO pays is average to low.

Empirical Evidence – Corporate Level

Figure One – CEO Pay Compared with Average Income

CEO pay multiple (of average incomes) in Figure Two and with unadjusted CEO pay in Figure Three. From these GDP growth appears to be inversely related to raw CEO pay. That is, the higher the CEO pay, the lower the economic growth rate. When CEO pay is adjusted to a multiple of average incomes there is no obvious relationhsip apparent in the data. At best, there appears to be no evidence at the national level that comparatively high CEO pay leads to higher national income or economic growth.

Proponents of high CEO pay might argue that it is better measured against corporate returns, as national GDP growth

Figure Four – Share Index Returns compared with CEO pay

Figure Five – Share Index Returns compared with CEO pay

Acknowledging measurement difficulties, recent studies have examined empirical evidence on the relationship between executive pay and corporate performance. These analyses are difficult to perform because it is not possible to isolate the effect of the executive's decisions from other factors which affect the corporation's performance. Firstly, the performance of a corporation must be isolated from other general economic trends, preferably by comparing its performance to that of its market competitors. Secondly, it must be assumed that this comparative performance of a corporation during the period a particular executive controls it are due to that executive's decisions. This method potentially overstates the value of an executive's contribution, since it ignores other potential sources of comparative improvement in the corporation.

Most empirical analysis assumes that CEOs ability to influence corporate performance depends on their degree of control over the organization. Adams, Almeida and Ferriera (2005) have shown that firms with structures giving greater power to the CEO have more variable performance than other firms, both for better or worse. This suggests that the CEO role is influential.

Nohria (2001) analysed differential corporate performance in each US industry group. He found that, assuming CEOs were responsible for the differential performance change that occurred during their period of control, their influence was at most 21% of performance improvements (in Communications Equipment) and at worst 2% of performance improvements (in meat products). In this way Nohria concluded that on average 14% of the gains in performance made by US corporations could be linked to decisions made by the corporation's executive.
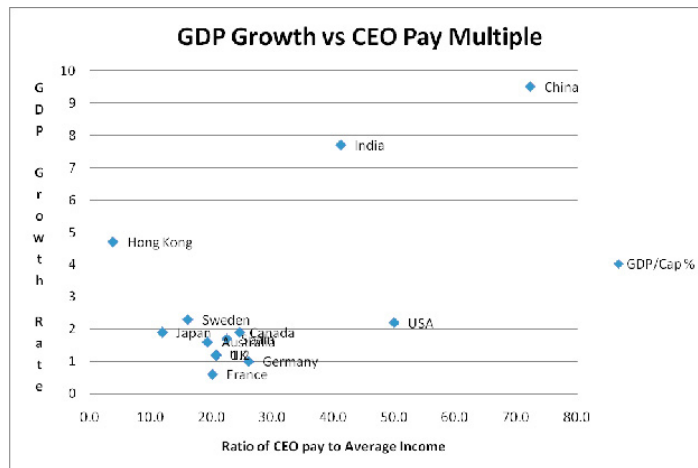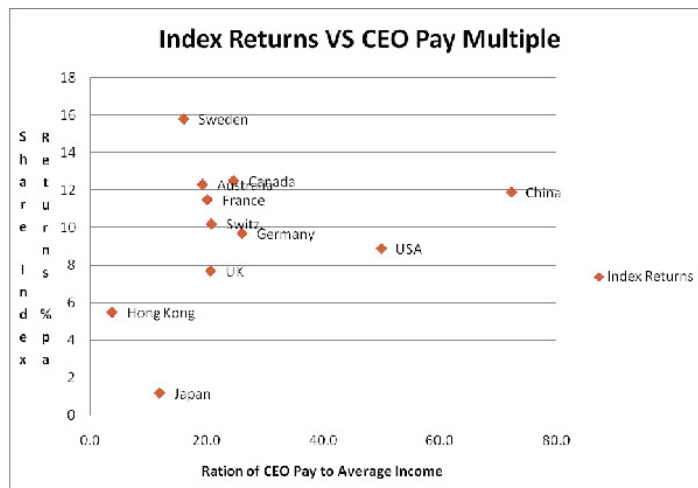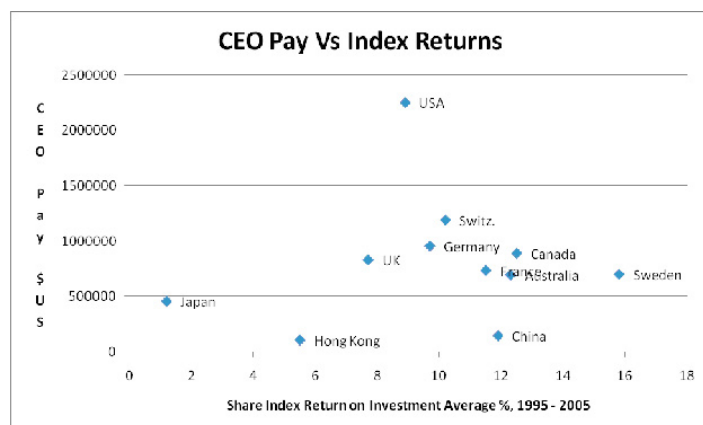
If we accept the assumption that it is the CEO's actions that affect changes in a firms performance relative to its market rivals, then it is possible to compare CEO pay and performance. Daines, Nair and Kornhauser (2005) refer to a continuation of good performance of a firm relative to its rivals or change in poor performance as being due to CEO "skill". They showed that there were instances of when CEOs paid higher than average did display high "skill" (i.e. good relative performance) and other instances where CEOs paid higher than average did not display such skill. Overall they found that highly paid CEOs displayed high skill when the pay was performance based, and when there was a single large shareholder. Where one or both of these factors was absent high pay did not guarantee a highly skilled CEO. This suggests that it is possible that high CEO pay may be justified in cases of exceptional performance. Conversely, it shows that high CEO pay does not in itself guarantee high performance, and also does not explain the high average level of CEO pay, only differences between pay of individual CEOs.

Bebchuk and Fried (2004) undertook a comprehensive review

of empirical studies of CEO pay in the United States. They concluded that in the majority of cases, high CEO pay was not due to performance but due to a windfall gain from an overall rise in the share market. Many CEO pay contracts did not rigorously link CEO pay to relative performance. The fact that bonuses for "exceptional" performance were invariably paid indicated that most such contracts were written to reward average performance rather than truly "exceptional" performance. Widespread practices such as generous CEO severance benefits regardless of performance, unsecured company loans to CEOs and complex financial arrangements camouflaging the true extend of CEO pay all appeared to be contrary to shareholders interests. After the passing of the Sarbanes Oxley Act (2002) in the United States, effectively prohibiting some of these practices, Bebchuk and Fried concluded that the situation may improve slightly. Nevertheless, given that the underlying cause of excessive CEO pay in their view, managerial power, was not greatly altered, they considered that significant problems would remain, and average CEO pay would remain very high.

Overall, the empirical studies indicate that, even assuming differences in comparative performance are due to the executive, the salaries paid to executives of individual corporations cannot be justified by their relative impact on the corporation's performance in the majority of cases.

Figure 1: Australian Shareholder, Worker and Executive Incomes
Source: John Shields (2005)

Putting aside these limitations, there does not appear to be evidence at the level of individual corporations that high executive pay leads to improved economic efficiency. Following the work of Jensen and Murphy (1990) and others, it had been concluded that corporations performed better where executive pay was closely aligned to returns to share holders. Subsequently salary packages were increasingly tied to the corporation's share price, typically by allocating options to purchase shares at a discounted price as a performance bonus to the executive. Yet over the past two decades executive salaries have consistently risen faster than corporate share prices and returns on investment. Figure 1 shows this trend for Australian data from 1990 to 2005 (Shields 2005).

There are several reasons why pay schemes as suggested by Jensen may lead to higher executive pay outcomes. Abowd and Kaplan (1999) have shown that the reporting rules for share options in the 1990s tended to hide the true extent of executive pay from shareholders and enabled large entitlements to be built up with little scrutiny. At the same time the share options did not motivate executive performance to the degree assumed, as they tended to be discounted by executives because they were payments both in the future and at risk. In practice, share bonus schemes resulted in large pay bonuses to executives when

the overall share market rose, regardless of the comparative performance of the corporation.

Given these findings it is not surprising that, where empirical studies have been carried out, current levels of executive pay could not be justified on the basis of economic efficiency. Shields (2003) demonstrated that for Australian corporations, the correlation between corporate performance and executive salary was negative, that is, the highest paid executives controlled corporations with the lowest comparative performance.

Recent reforms to requirements for corporate reporting of executive rewards has enabled more complete research of trends. Bebchuk and Grinstein (2005) have carried out a comprehensive analysis of the growth of executive pay in the United States. Their analysis of the period 1993 to 2003 included both CEOs and top-five executive incomes reported for each of 1500 United States corporations including small (Small Cap-600), medium (Mid-Cap 400) and large (S&P 500) firms as defined by their market capitalization. They tested whether movements in executive pay could be correlated to individual firms size, growth or profitability. Conclusions were as follows:

‧ Real growth in executive pay was double what could be explained by changes in firm size, profitability or market capitalization;

‧ Growth in equity (performance) based pay has been in addition to, rather than in lieu of cash compensation. That is, the amount of executive pay not at risk has not reduced as performance pay rose;

‧ The pay growth trend applied to CEOs and other senior executives;

‧ The trend applied to small, medium and large firms, though was greatest for large firms;

Considering Bebchuck and Grinstein's findings, one conclusions is striking: the quantum of executive pay is now so large (aggregate pay to US top five executives now averages 10% of aggregate earnings for the 1500 listed corporations) that in itself it represents a significant cost to shareholders. This strongly suggests that economic rent is being obtained by incumbent corporate executives.

Conclusions

There is now a significant body of literature analysing economic efficiency arguments for or against particular levels of corporate executive rewards. Some consider the argument from a corporate governance perspective, although few consider the philosophical strengths and weaknesses of the argument.

Despite the large and growing number of empirical studies of executive rewards, there are many difficulties in reaching conclusions based on these studies. Information on the level of corporate rewards is very difficult to determine, particularly the value of stock options which are exercised at a future date. For empirical arguments, it would also be desirable to base conclusions on trends which are as long term as possible. Recent improvements in corporate accounting requirements for executive benefits have enabled more rigorous studies of pay and performance to be completed, such as that by Bebchuk and Grinstein in the United States. In Australia's case complete information on executive rewards has only been available since 2001, making long term tend analysis more difficult.

Economic efficiency arguments for high executive pay appear to face a fundamental difficulty for executive positions, with the inability to distinguish the contribution of the executive from the fortunes of the corporation as a whole. Attempts to compare performance against similar corporations might allow comparative evaluation of executives, but still do not resolve the difficulty of deciding what is an appropriate comparison base. There seems no answer to the question of how to determine the value of the contribution of the average executive.

Despite these qualifications, it is possible to reach some conclusions about the validity of most common arguments used to justify executive rewards, and based on empirical evidence of recent trends. Philosophically, the efficiency argument could potentially be valid, provided the evidence supports it, and executive pay markets conform to conditions for free and fair markets (which current corporate executive labor markets do not meet).

Empirically the efficiency argument appears to be false. At the societal level, there seems to be no evidence that economies that pay higher executive pay are more efficient. From Shields and Bebchuk's research, even if all increases in individual corporations' economic efficiency are assumed to be due to their executives, they do not appear to be sufficient to justify the rewards being paid to those executives. Thus at the level of individual corporations the case for large executive rewards to encourage economic efficiency appears to be false.

To summarise the empirical evidence then, from the viewpoint of economic efficiency narrowly defined, the recent trend of rising executive pay is not justifiable by economic efficiency in Australia. In the United States both the trend of pay increase and the quantum of executive pay is also unjustifiable. This is summarized in the following table:

From a philosophical viewpoint, the economic efficiency argument for high reward appear to be potentially valid. However on the evidence of most studies, it is not empirically true for executives in Australia and the United States. Therefore the current trend of increasing executive salaries would appear to be evidence of rent-seeking behavior by incumbent executives.

Argument for High Reward	Philosophical Theory	Empirical Proof?
Economic efficiency	Conditionally valid	Societal level: False, Corporate level: False
Economics of Superstars	Not valid	False
Argument against High Reward		
Efficient Labor Market	Valid (criteria for efficient market)	Executive market fails to meet criteria
Motivational Theories	Valid	Unproven but Plausible
Supply and demand	Valid	True
Burden of proof	Valid	Not applicable

Summary of Arguments for High Corporate Executive Rewards

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Ethics in Emergency Medical Services – Who Cares? An exploratory analysis from Australia

Erica French
Gian Luca Casali

Abstract

Due to the complexity, stressfulness and often the life threatening nature of tasks that ambulance professionals have to deal with every day, ethical decision making in Emergency Services is a daily challenge. An Australian Association of Ambulance Professionals undertook a project of research to identify the individual ethics profile of members and their perspective on organization ethics and ethical conflict to better understand apparent conflict in ethical values between members and their employer organization. Due to the exploratory nature of this study two types of data (quantitative and qualitative) were gathered through a self-administered questionnaire of members and semi-structured interviews. Results indicate a gap between individual ethical decision-making approaches and organizational ethical decision-making in EMS. This has implications for EMS in how it maintains it organizational processes yet retains its professional staff. Further, managing the stress and conflict levels of staff may be important in order to ensure current standards of care are maintained.

Keywords

Ethics; Emergency Medical Services; Ambulance Professionals, survey, thematic analysis, qualitative analysis, and quantitative analysis.

Introduction

Interest in ethics in business has increased over recent years. Developing in the 1970s as a field of study (Fraedrich 1991) it widened to practical application in the 1990s with organizations realizing the value of understanding and managing ethical behaviour in the business setting (Travino & Nelson 1999, p.3). Ethics is a set of values and rules that define right and wrong conduct and indicate acceptable and non-acceptable behaviour. It also provides a basis for decision making (Hellriegel et al, 2005, p.151) and can be shaped by cultural forces, legal and regulatory forces, organizational forces and individual forces. Business ethics today refers to reasoning and judgment based on both principles and beliefs for making choices that balance economic self interests against social and welfare claims (Weiss 1998, p.7). And, people do care about ethics in business. Trevino and Nelson (1999, p.23) point to social, organizational, managerial and individual concerns of ethics in business; while Wright (1995) identifies the growth of ethics in business schools curriculum. Despite considerable research into ethical decision-making and behaviour using vignettes; scenarios; individual moral philosophies and moral development (Loo 2003; Singhapakdi, Vitell & Franke 1999; Wimalasiri, 2001) there has been little focus on basic ethical principles (Zaheib 2005). Yet, Cohen (2001) concludes that ethical principles are useful, utilizable, applicable and effective in normative research. This study investigates the individual ethical principles of workers from one industry and their employer organizations to identify any conflict in ethical values that may be hindering effective ethical decision making.

Background

It has been suggested that in business the ethical decision-making principle most consistent with business goals is the utilitarian principle where ethical decisions are made solely on the basis of their consequences e.g. cost versus benefits relationships. Yet, with increasing trends towards individual rights and social justice, there is the potential for greater conflict in ethical decision-making (Cohen 2001). One of the areas of greatest change and conflict in the use of ethical reasoning and managerial decision-making has been identified in the health care industry. "Ethics pervade the smallest and simplest health issue (Martin, 2004 p. 317). All carers face ethical conflicts when providing care for people in need, regardless of the care context (Sandman and Nordmark, 2006, p.592). Friedman and Savage (1998, p.59) believe that managers and administrators of organizations that provide health services can be torn between two conflicting but equally compelling values. This includes distribution of resources, and the issue of equity. There is a simultaneous need to provide an appropriate level of health services to the patients while keeping expenses as low as possible in order to maximise revenue. Within health care industry the pre-hospital emergency care arena deals regularly with ethical dilemmas that must be addressed quickly by individuals often in emergency situations. Emergency Medical Service (EMS) professionals provide care for patients under an ambulance cover as efficiently as possible dealing with further difficulties such as distance to resources including personnel, medico-technical aids and information; caring where people's normal living takes place; being on public ground; emergencies; arriving at crime scenes and working tightly within a small team (Sandman and Nordmark, 2006, p. 592 and Maggiore, 2006). Further, conflicts that are normally handled by physicians in other care contexts (e.g. to provide care or not) may now be handled by nurses and paramedics (Sandman and Nordmark, 2006, p.605). A further issue involves legal obligations and duty (Maggiore, 2006). How these professionals manage ethical decision making is the subject of investigation in this study. More importantly we sought to explore how conflict in ethical decision-making is identified and managed.

There have been few surveys of the ethical conflicts; dilemmas or issues faced by pre-hospital carers (ambulance professionals) Sandman and Nordmark (2006). In a study undertaken on the ethical at-

titudes of mental health practitioners, Rawwas, Strutton and Pelton (1994) recommended that future research consider ethical attitudes of different health care professionals. Their results indicated that psychiatric professionals do experience conflict between personal ethics beliefs and their role as well as their institution. Based on this research we proposed that:

Proposition 1   Ambulance professionals will identify conflict between their individual approach to ethical reasoning and that of their organizations.

Professionalism and Ethical Decision-making in EMS

Kohlberg (1981) suggests that ethical principles evolve according to experiences over a lifetime and that the general progression is towards higher ethical values. Maggiore (2005) identifies that ethics has become generational with 'me generation' paramedics driven by time and money rather than a passion to make things better. While, Singhapakdi et al. (1999) suggests that exposure to various ethical problems can sensitize a decision maker to the harm that ethical transgressions may do. There it is proposed that there will be differences in ethical reasoning based on the number of years a person has spent in the profession. We propose that:

Proposition 2   Ambulance professionals of long standing will identify conflict between their individual approach to ethical reasoning and that of their less experience colleagues

Gender and Ethical Decision-making in EMS

Research continues to be mixed on the influences of gender on ethical reasoning. Gilligan (1982) argued that men are more likely to adhere to the "ethic of justice" and individual rights, whereas women are more likely to adhere to the "ethics of care". However Derry (1989) refutes this argument. Schminke and Ambrose (1997) suggest that women are more ethical due to their early socialization to institutions of family and schools. Therefore it is proposed that there will be differences in ethical reasoning based on gender.

Proposition 3   Female ambulance professionals will identify conflict between their individual approach to ethical reasoning and that of their male colleagues.

Changing Ethical Standards in EMS

(Maggiore, 2006) suggests that ethics in emergency medical services (EMS) is changing. She believes it is declining because it continues to be the area of emergency services overlooked in funding as less necessary while police and fire services are recognized as essential public safety components of society. Yet, Rawwas, Strutton and Pelton (1994) found that more than 53% of respondents in their survey of emergency service workers believed ethical standards were higher than those ten years previously, due to increases in education and professionalism, while only 16% thought ethical standards were lower.   Based on this information we propose that:

Proposition 4   Ambulance professionals will identify that ethical standards have changed in the past ten years.

Managing Ethical Conflicts in Decision-making in EMS

Rawwas et al (1994) identified that individuals have trouble identifying ethical conflicts and the proper approaches to take in resolving such conflicts. In order to resolve ethical conflict that may occur when addressing these complex ethical issues in EMS, greater understanding of ethical conflict; ethical decision making and decision-making tools are needed. Mason and Griffin (2005: 626) suggest that such tools assist in increasing individual and group satisfaction at work. However, according

to Rawwas et al 1994 p. 598) professional organizations are generally doing little in terms of workshops or continuing education programs that address issues of ethical conflict. What organizations usually have in place are those formal procedures to be followed in case of ethical conflict. However Kickul, Gundry and Posig (2005) suggest that "trust" is a paramount condition for those organizational procedures to be effectively followed by staff members. Furthermore, Kickul, Gundry and Posig (2005: 209) indentify trust "as a perception held by employees that the organization trusts them". With the likelihood that employees and their organizations manage ethics and decision-making differently we propose:

Proposition 5   EMS Staff in the case of ethical conflict would not use formal procedures in managing that conflict.

Methodology

This research is exploratory in nature to explain ethical reasoning approaches in EMS and identify ethical conflict and strategies used in managing that conflict. The design involved a duel emphasis on qualitative and quantitative approaches in data collection. The strategy involved a mixed method approach utilizing two phases, first the collection and analysis of quantitative data then the collection and analysis of qualitative data and finally the joint analysis of findings permitting a sequential explanatory strategy (Creswell, 2003). To understand the characteristics of the ethical reasoning processes of individuals in EMS a questionnaire survey of members a national association of Ambulance Professionals whose members are engaged in pre-hospital emergency care, was implemented through the use of a self administered questionnaire. This allowed for statistical significance to be highlighted, while identifying ethical reasoning processes and ethical conflict in greater detail. To gain a deeper understanding of any ethical conflict and individual approaches to its management in EMS the second phase of the study consisted of semi structured interviews with members of the same organization. Each phase of the study is described in greater detail below.

Phase One: The first phase involved a survey of EMS professionals using a questionnaire developed to identify their preferred ethical reasoning approach and their perceptions of ethics in their organizations as well as their means of addressing ethical conflict and the effectiveness of their methods of addressing the conflict. The survey was designed including the Managerial Value Profile (Saschkin 1997). The profile consists of 24 ethical statements or behaviours put into pairs. Respondents select one of each pair as the most appropriate behaviour or statement that explains their preferred behaviour (see Appendix A). The 24 options fit in three categories (eight questions for each category reflecting the three ethical principles, utility, morality and justice). The Managerial Value Profile (MVP) was used twice in the questionnaire – a second time for the respondents to record their perspective on what they believe is their organizations' ethical standpoint. Ten (10) extra questions sought further information on the perceived conflict between individual ethical reasoning and the perceived organizational ethics experienced by EMS Professionals. These questions are listed in Appendix B. The extra questions sought information on the sources of ethical conflict; the factors that contribute to the conflict; current ethical standards in EMS and perceived changes in ethical standards; unethical practices; consultation processes in relation to ethical conflict and the most helpful avenue for assistance in ethical dilemmas. We also asked the respondents to indicate where they thought they would be in 5 years. Demographic in-

formation was sought on gender, age, years in the profession and education level. Fifty- eight (58) surveys were completed from 300 participants at their annual general meeting and conference, providing a 20% response rate. This provides a convenience sample of people who completed the survey under their own volition without strong endorsement or motivation from their organisations. Because the research was exploratory the questions were as open as possible with a list of pre-set responses and a catchall category of "other – please specify". Respondents were encouraged to be as inclusive as possible by indicating as many responses in each question as they required. De Vaus (2003) recommends this inclusive approach to capture a full range of information. The questionnaire was pilot tested on a group of eighteen (18) ambulance professionals from the above mentioned organization, and they were not part of the final pool of respondents. A number of changes to the ten open questions were suggested by this pilot group and these were included by the researchers. These involved the addition of extra response options.

Phase Two: The second phase of the study investigated the nature of ethics in EMS in more detail, allowing greater exploration, particularly relative to the conflict between personal ethical standards and organizational ethics. The Association provided a list of 15 names of the Queensland Chapter to be further contacted for the interviews, and 8 agreed to be interviewed. A semi-structured interview technique was used to enrich the results from the questionnaire. In order to maintain consistency of approach, procedure and content in the collecting data, all interviews were conducted by the same investigator. The interviews were conducted via the telephone due to the different geographical location of each participant. The telephone in this case provided a reliable way of contacting a range of people in different geographical locations and maintaining individual anonymity (de Vaus 2002). All interviews were carried out using the same process starting with an introduction of the researcher and introducing the purpose of the project. Each respondent was asked for consent to participate in this study. Each interview took between 30 and 45 minutes, and each respondent was asked six main questions that had been developed a priori plus additional probe questions perceived as important by the investigator to generate more insightful information.

Analysis

Phase 1: Data were entered in the SPSS software, and the means and standard deviation of six different categories of ethical reasoning were calculated: individual utility, individual morality; and individual justice; as well as organizational utility and organizational morality and organizational justice. The data were then subjected to t-tests and one way analysis (ANOVA) to determine the differences between several groups. Cross-tabs was utilized to review the data from the ten inclusive questions on conflict management. The quantitative analysis of qualitative data can potentially prove a threat to accuracy and reliability as there is the possibility that the researcher may "force" cases into categories that reflect the biased views of the researcher rather than the substantive actions of the respondents (Crompton and Harris 1999). To address this issue we used extensive preset responses and checked these with the expert panel from the Australian College of Ambulance Professionals. We also encouraged respondents to tick as many boxes as they deemed appropriate in their answers. Further we provided a final opportunity for respondents to identify their own category should it not be available in the pre-set responses.

Phase 2: A thematic analysis of interview responses incorporating the specified categories was undertaken to explain and examine ethical reasoning and conflict as well as barriers and strategies for addressing conflict. Thematic analysis was used to identify, analyse and report on patterns or themes which emerged from the interviews. This method was carried out in six stages as suggested by Braun and Clarke 2006: get familiar with the data, generate initial codes, search for themes, review themes, define and name themes and produce a report. Finally, the interpretation and analysis of the entire findings provided an important part of the sequential explanatory design that ensured a fusion between the two phases of the study and encourage rigour in the results (Creswell, 2003)

Findings

Phase 1: Fifty eight (58) respondents completed the survey and Table 1 describes the parameters of the sample.

Table One

Category		No.	Percentage of Sample (%)
Sex of Respondents	Male Female Missing	35 9 14	60 15 24
Age	20-30 years 31-40 41-50 50+ Missing	4 20 26 7 1	7 35 45 12
Education Level	Grade 12 TAFE Undergrad Postgrad Missing	4 11 19 23 1	7 19 33 40
Years in Practice	Up to 5 years 5-10 11-20 20+ Missing 1	8 10 21 18	14 17 36 31

Data was subjected to t-test and one way analysis (ANOVA) to determine the differences between several groups. It was determined that the t-test was most appropriate rather than the Mann-Whitney U-Test because most of the variables were normally distributed. There was a mild skewness in one area only, that of ethical reasoning – utilitarian. This position was somewhat expected because the respondents (ambulance professionals working with emergency medical cases) assessed themselves low on this measure and their organisations (highly bureaucratic public agencies) as high on this measure. We analysed the difference in the mean scores of the three ethical principles that resulted from the Managerial Value Profile between different groups: males and females (gender) ambulance professionals of more than 10 years experience vs those of less than 10 years experience (professionalism) and age. A p value of less than .05 was considered significant.

Table 2 shows the mean scores of the three ethical principles utilized by individuals overall. The overriding principle was rights (morality) with almost 60% of respondents demonstrating a preference for right based ethical decision making. The least utilized was utility with less that 10% of respondents indicating a preference for utilitarian based ethical decision making. However the mean scores of the three ethical principles identified by the individual respondents as applying to their organizations were overwhelmingly utilitarian

Table 3 shows the mean scores of the three ethical principles the respondents perceived as their organizations' most preferred ethical reasoning approach. The overriding principle was the utility approach. More than 60% of respondents indicated their belief that their organizations took a cost/benefit approach to ethical decision making.

Evidence indicates that ambulance professionals perceived their own individual ethical reasoning differently from that of their organizations.

Table Two Ethical Reasoning Approaches in Ambulance Professionals

	Mean	Std. Deviation	%
Individual rights	5.6	1.6	66
Individual utilitarian	2.3	1.7	8
Individual justice	4.2	1.3	26

Table Three Ethical Reasoning Approaches in Ambulance Professionals

	Mean	Std. Deviation	%
Organizational rights	2.5	1.9	8
Organizational utilitarian	6.0	1.9	75
Organizational justice	3.8	1.7	17

Gender and Ethical Decision Making

T-Test shows the gender differences in the three mean test scores. No significant difference was found between males and females on ethical reasoning scores in rights or utility. However there was difference on individual justice – females (M = 4.89) score higher on individual justice than males (M= 3.97), t (42) = -2.023, P <.05. But there were only nine females in the sample. There were 14 cases of missing data on the question regarding gender. However on all other demographic questions there was only one consistent case of missing data. This would indicate that some people deliberately chose not to answer this question. This may have been a decision made to ensure anonymity in this male dominated industry.

	T	Df	P
Individual rights	0.076	41	> 0.5
Individual utilitarian	1.286	41	> 0.5
Individual justice	-2.023	42	< 0.5
Organizational rights	-1.008	40	> 0.5
Organizational utilitarian	0.286	41	> 0.5
Organizational justice	0.999	38	> 0.5

Professionalism and Ethical Decision Making

No significant difference was found between the mean test scores of those individuals who have worked in EMS for more than 10 years and those that had worked in EMS for less than 10 years.

	F	Df	P
Individual rights	0.485	(3, 51)	> 0.5
Individual utilitarian	0.752	(3, 51)	> 0.5
Individual justice	0.522	(3, 52)	> 0.5
Organizational rights	0.585	(3, 49)	> 0.5
Organizational utilitarian	0.575	(3,50)	> 0.5
Organizational justice	0.07	(3, 48)	> 0.5

Age and Ethical Decision Making

No significant difference was found between the mean test scores of individuals based on age across any of the four groups.

	F	df	P
Individual rights	0.536	(3, 51)	> 0.5
Individual utilitarian	1.79	(3, 51)	> 0.5
Individual justice	0.789	(3, 52)	> 0.5
Organizational rights	0.539	(3, 49)	> 0.5
Organizational utilitarian	1.149	(3, 46)	> 0.5
Organizational justice	1.093	(3, 48)	> 0.5

Ethical Conflict

With the literature indicating a strong likelihood of ethical conflict in EMS this study sought confirmation through the use of the ethical reasoning Managerial Values Profile. A significant difference in approaches to ethical reasoning was identified between individual professionals and their organizations. How-

ever the study also sought to identify how individuals perceived that conflict and how they attempted to manage it.

Sources of Ethical Conflict

The respondents were asked to identify whether they believed ethical conflict occurred within their work experience in emergency medical services. Overwhelmingly respondents indicated a conflict with their superiors (65%) the medical staff at receiving institutions (60%) and their organizations (60%). Cross tabulation with individual ethical reasoning demonstrated that this response occurred across the three ethical reasoning approaches.

In addressing the question related to conflict experienced with institutional practice respondents indicated a general conflict across areas related to unfair practice, particularly transparency of organizational processes (60%) equal access to promotion or transfer opportunities (60%) honesty in internal communications (57%) unfair discrimination (40%) and access to training (50%). Cross tabulation with individual ethical reasoning demonstrated this occurred across the three ethical reasoning approaches.

Factors contributing to higher and lower ethical standards in EMS

Factors contributing to higher ethical standards in EMS were identified as an increase in professionalism in role of EMS and ethics training. Cross tabulation with individual ethical reasoning demonstrated that this response was supported across the three ethical reasoning approaches. Factors contributing to lower ethical standards in EMS were identified as work life balance of ambulance professionals and poor funding of EMS and poor rewards for ambulance professionals. Again, cross tabulation indicates that this response was across the three ethical reasoning approaches.

Changes to Ethical Standards in EMS

Having identified different opinions in the literature regarding changing ethical standards we sought information from respondents on their perspective of ethical standards over time in EMS. 32% thought ethical standards were higher today compared with 10 years ago and 32% thought standards were lower today than 10 years ago. 15% thought standards were unchanged and 21% indicated not applicable due to less time than 10 years in EMS.

Inappropriate practices and eliminating inappropriate practices

Questions seven and eight required information on the respondents' perception of inappropriate practices in their institutions' and the most important unethical practices that required elimination. It was noted that none of the actions or practices identified were related to the services provided to patients. Rather, they were the institutional practices provided to employees. Inappropriate processes identified included dishonest dealing with employees (70%); lack of information disclosure to employees (66%); and harassment and bullying (63%). In eliminating these practices the respondents identified dishonest dealings with employees (65%); current roster practices (65%); and information disclosure (63%).

Consultation on ethics conflict

We were interested in identifying who EMS professionals contacted with regard to addressing the conflict they were experiencing. Respondents overwhelming indicated that the actions they took and the people they contacted were individual choices including colleagues (60%); supervisors (51%); friends

(36%); rather than the organizations' ethics committee (7%) or the LAC (2%). Those indicated as providing the most helpful support in overcoming ethical dilemmas were colleagues (48%); and friends (29%).

Future

The final issue we gathered information on related to the respondents' perception of their own future. Having identified the potential for consideration conflict between the professionals and their institutions we wanted to find out whether this affected the professionals view of their own future with the organization or the profession. A large number (65%) identified that they would stay in the profession with (25%) indicated they would go elsewhere (25%) including Nursing and others (6%) and (4%) would retire.

Phase 2: The findings are structured on the main 6 questions/topic areas discussed with the respondents during the interview. These areas a comparable to those in the questionnaire to allow us the opportunity to both compare the findings with those of a questionnaire and to explore the areas in more detail supporting the sequential explanatory strategy determined by Creswell (2003).

Ethical conflict

At the beginning of the each interview, the interviewer sought information from the respondents regarding any perceived differences respondents noted in their ethical decision-making and those of their organization. Overwhelmingly the respondents noted a considerable difference particularly relative to the dealings they have with the patients and the dealings the organization has with themselves as employees. Respondents highlighted that the biggest difference between the ambulance professionals and their organization hinged on "care". The professionals believed they dealt with patients in a caring manner, but when it came to their employment they believed that the organization demonstrated little care for them as employees. Another point made by the respondents was that organizational policies are strict in terms of ambulance professionals reporting anything that happens during a shift in an honest and open manner, but once again when it comes to the organization and its dealings with employees these remain very obscure and not open. Further comments were made that organizational rules and policies are bypassed totally or partially in order to reduce time or costs. Other comments were that community engagement activities and the community education programs have in some cases been reduced, and in others totally stopped in order to reduce cost pressures on the organization. This supports findings from phase 1 where respondent's ethical reasoning was identified as different from the organizational ethical reasoning as perceived by the respondents based on the MVP.

Sources of Ethical Conflict

Respondents indicated they encounter the most ethical conflict within their organizations. However the sources of conflict varied. For example, some suggested that people have been asked to use personal leave to cover obligatory breaks between two nights and/or long shifts. Others commented on the fact that political games are played at the expense of staff morale and staff morals. One respondent suggested the organization had policies that are clear and for everybody, but the real problem is when other people bring their own rules and ethics. Another comment was that policies in the same organization have been interpreted and used differently based on the role of the person (e.g. staff/paramedics versus manager/bureaucratic). Last but

not least, is the case of bad managerial practices toward particular people (nepotism) that would affect the fair distribution of the scarce resource as for example overtime bonuses. These responses acknowledged conflict with institutional practice. Several respondents indicated the greatest ethical conflict with staff of other institutions rather than practice, but they had different interpretations of what constitutes 'staff'. For example one respondent talked about the ethical conflict with the staff of different hospitals, highlighting the fact that as an ambulance professional they deal with a number of people from different hospitals with different cultures and practices that sometimes can create a clash of values. These results support the findings from the questionnaire which found respondents identified conflict with institutional practice including discrimination and access to opportunities, as well as conflict with medical staff at receiving institutions and their organizations.

Changes to ethical standards in EMS

Because the results on "changes to ethical standards over time in EMS" from the questionnaire were inconclusive we sought further information from interview respondents on their perceptions of change to ethical standards over 5 years. The majority of respondents indicated a perceived change in ethical standards over the past 5 years for the worse. The reasons for this included "staff have lost interest in performing well and trying to do their best because of a lack of recognition" and "a lack of motivation". Another reason was seen as the political agenda of the organization being more focused on cutting costs and increasing efficiency rather than on people. As a result individual integrity, often proven through years of excellent work commitment, is not seen as enough in the case of conflict where the committed staff member is judged as guilty until proven innocent regardless their long term loyalty. A small number of respondents said that the ethical principles were changed for the better in terms of health and safety regulation due to changes in the legal system rather than the organization being proactive in that area. One respondent could not comment on this question as their service was less than 5 years. This finding is contrary to the findings of the questionnaire where the majority of respondents indicated a change in ethical standards over the past five years.

Consultation on ethics conflict

Respondents indicated a preference to discuss ethical conflict with peers, friends, family or union delegates rather than following formal organizational procedures (superiors). This preference is due to the fact that these people are seen as empathetic without fear of legal repercussion though any formal process. A common concern with the formal process was people dealing with the matter may simply apply procedure and pass it on to an external body dealing with ethical breaches. This body was feared by respondents as more of a "witch hunt" than a support mechanism. The small number of respondents that suggested they would follow the formal process indicated they were driven more by duty rather than believing in the effectiveness of that process. These findings support the findings of the questionnaire which found that respondents overwhelmingly made individual choices in contacting others regarding ethical conflict, including colleagues, supervisors and friends rather than organizational processes or committees.

Solutions for reducing ethical conflict

Two main solutions were offered to reduce ethical conflict. They included the better education of staff, especially managers in ethics and managerial ethics, and the adoption of an internal peer review process rather than using an external body to deal with ethical issues. Other suggestions were to have better leaders to lead staff toward change, taking more consideration of personal integrity and previous performance in dealing with errors or ethical situations rather than assuming that everyone is guilty until proven innocent. Good people should be celebrated and appreciated, and treated equally and fairly. These findings support the finding that much of the ethical conflict identified occurs at an organizational level (between staff and the organization) rather than at the patient level. These findings are compatible with those of the questionnaire. Similarly both findings have indicated the need to increase best practice through education and leadership.

Future

Half of the respondents indicated that they will stay with the service in the next five years. A quarter pointed out that they will move on to other jobs, and the remaining are uncertain, and they will look closely on the future situation in the service before deciding what to do. These findings are comparable with those from the questionnaire, but they provide a bit less positive picture of the future for the service, with only 50% of the respondents having indicated that they will stay in the service for sure.

Discussion

The results of the study show that the most significant ethical principle used by ambulance professionals is the rights based reasoning (morality) and the least significant is, utility. The professionals perceived ethical principle of EMS organizations is utility. According to proposition one, we proposed that ambulance professionals would identify conflict between their own ethical reasoning approach and that of their organizations. We believe the most important aspect here involves the recognition of competing interests in ethical dilemmas in emergency medical services and the perception that these competing interests coalesce with perceptions of "care" where the utility of the organization is identified as uncaring while the human rights approach of individual professionals is identified as one of care. As emergency medical services involves the delivery of pre-hospital care and pre-hospital care research in addition to other community services including education and emergency planning activities (QAS 2008) care is a strong consistent service component of EMS. Finding a balance between utility reasoning and rights reasoning to address the dichotomy on the approaches to care remains an important consideration if the conflict between care providers and their institutions is to be addressed.

In the professionalism analysis we proposed that ambulance professionals of long standing would identify conflict between their individual approach to ethical reasoning and that of their less experienced colleagues. Findings indicate an incongruent result with the literature. There was no difference between professionals of long standing and those with less experience in their ethical reasoning approach.

In the gender analysis we proposed that female ambulance professionals will identify conflict between their individual approach to ethical reasoning and that of their male colleagues. Findings indicate an incongruent result with the literature. There was no difference between men and women ambulance professionals in their ethical reasoning approach

In the ethical change over time we proposed that ambulance professionals would identify that ethical standards have changed in the past ten years. Results of phase one indicate no support for

Maggiore's (2006) suggestion that ethics in emergency medical services has changed in the past 10 years. Rather than declining it is proposed that while the area of emergency services is overlooked in funding, the morality of its officers is maintained both through the different genders, across the different age groups and despite years of services. This supports Rawwas, Strutton and Pelton's (1994) findings more than a decade earlier of higher standards in health care professionals comparative to the past. However, the results of phase two of the study do indicate that ethics in emergency medical services may have changed for the worse in the shorter time frame of the past five years, due to the ongoing limited recognition of the accomplishments and competence of the professional staff. It should be noted that it was acknowledged by a very small percentage of respondents that some positive ethics change had occurred because an increase on prescribed health and safety requirements in that sector.

While the identifying aspect of difference in managing ethical dilemmas was the delivery of care to consumers, other ethical issues were identified relative to employment of professionals. Limited acknowledgement of professional expertise and biased or unfairly interpreted organizational policies signaled poor support for employee decision-making and consequentially a lack of trust toward their employers. In analyzing the managing ethical conflict process issue it was of particular interest to find that the professionals chose individual support in managing ethical dilemmas rather than organizational processes or supporting committees. Despite support systems that include panels, local contacts and advisors respondents identified their peers and family as being the people they most go to and those that offer the best support in ethical dilemmas. Those interviewed supported this finding and adding that "trust" was the primary reason for their lack of support of organizational mechanisms. Building a culture of trust within Emergency Medical Service institutions will take more than the acknowledgement of the conflict in managerial ethics. Recognition of competence and accomplishment of professional staff with appropriate support for employee decision-making seem obvious steps in building trust between two areas of work. However with reports of discriminatory practice and audit of current processes an investigation into communication process may assist in developing the long term relationship. While it could be argued that unity across the organization on ethical reasoning is not essential or even likely, the effect of its mismanagement may be costly. More than a quarter of the respondents in each phase of the study discussed movement out of the profession in the longer term.

Conclusion

The main purpose of this study was to explore managerial ethics in the emergency medical services arena in Australia. This is an area of both change (Maggiore 2005) and limited research (Sandman and Nordmark 2006). We chose to identify differences in ethical reasoning as a means of identifying ethical conflict because few studies have used this approach in the past (Zaheib 2005) despite ethical reasoning providing useful, utilizable, applicable and effective means of evaluation (Cohen 2001). We found that ethical conflict is evident in EMS between ambulance professionals and their organizations principally relative to different reasoning bases of right and utility. We found that this difference was emphasized on the delivery of 'care'. While we found no differences between the ambulance professionals themselves based on professionalism; gender or age, we did identify a number of other interesting issues. The professionals do not use organizational means to clarify or resolve ethical issues but individually choose people close to themselves to assist in managing ethical dilemmas. The professionals do believe that ethical dilemmas have changed in the past 5 years rather than the past 10 years and seriously believe they are at odds with their organizations because they are undervalued.

The study is a small exploratory study that looks specifically at one perspective in managing ethical dilemmas. The findings have enormous ramifications for EMS organizations in building trust with employees that view managerial ethics differently from their organizations; ensuring a culture that supports employees in order to retain them and developing organizational processes for ethical review that support the individual decision making and managerial ethics process as well as organizational requirements. The study does not survey management professionals in EMS.

We recommend doing a similar study with management professionals of EMS organizations. It would be valuable to compare management ethics with ambulance professional ethics to clarify ethical reasoning differences.

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Appendix A

Instructions: Twelve pairs of statements or phrases follow. Read each pair and circle the number of the one that you most agree with. For example, do you agree with 1 or 2? 3 or 4? 5 or 6? You may of course, agree with neither statement. In that case, you should check off the statement that you least disagree with, the "lesser of the two evils".   It is essential that you select one and only one statement or phrase in each pair

1.	The greatest good for the greatest number.	OR	2.	The individual's right to private property.
3.	Adhering to rules designed to maximise benefits to all.	OR	4.	Individuals' rights to complete liberty in action, as long as other's rights are similarly respected.
5.	The right of an individual to speak freely without fear of being fired.	OR	6.	Engaging in technically illegal behaviour in order to attain substantial benefits for all.
7.	Individual's rights to personal privacy.	OR	8.	The obligation to gather personal information to insure that individuals are treated equitably.
9.	Helping those in danger when doing so would not unduly endanger oneself.	OR	10.	The right of employees to know about any danger in the job setting.
11.	Minimising inequities among employees in the job setting.	OR	12.	Maintaining significant inequities among employees when the ultimate result is to benefit all.
13.	Organisations must not require employees to take actions that would restrict the freedom of others or cause others harm.	OR	14.	Organisations must tell employees the full truth about work hazards.
15.	What is good is what helps the company attain ends that benefit everyone.	OR	16.	What is good is equitable treatment for all employees of the company.
17.	Organisations must stay out of employees' private lives.	OR	18.	Employees should act to achieve organisational goals that result in benefits to all.
19.	Questionable means are acceptable if they achieve good ends.	OR	20.	Individuals must follow their own consciences, even if it hurts the organisation.
21.	Safety of individual employees above all else.	OR	22.	Obligation to aid those in great need.
23.	Employees should follow rules that preserve individual's freedom of action while reducing inequities.	OR	24.	Employees must do their best to follow rules designed to enhance organisational goal attainment.

Managerial Value Profile (Saschkin 1997)
Zgheib, P.W., (2005).

Appendix B

Is there a difference between your ethical principles and those of your organization?
Where do you encounter the greatest conflict in ethical standards; with the people you work with or with the institution?
Do you believe that ethical principles in EMS have changed over time? If"yes"For better of worse?
In times of ethical conflict with whom do you consult? Why?
What would you do to change the ethical standards or to reduce conflict in the future? Why?
Where do you see yourself in the next 5 years?

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Promoting and Assessing Integrity in the Research Degree

Howard Harris
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Abstract

Although postgraduate research is increasingly supported through the formalisation of supervision and programs providing generic support, those programs have seldom addressed the intention, often stated by universities in their graduate profiles, that postgraduates should have integrity, and ethical values. What methodology is required – how will universities support students to cultivate such sensitivity, assess this, and fulfill the expectation? The paper provides evidence that quality statements including some aspect of integrity are used in many UK and Australian universities. The importance of integrity, or ethical behaviour more generally, in postgraduate degrees and in professional practice is confirmed by reference to Sandor Kopatsy's model of intellectual capital, where knowledge, morality, talent and effort are multiplied together to determine the level of intellectual capital. The main section of the paper considers how assessment might be achieved and the desired qualities fostered. Three distinct forms of moral qualities or skills can be found among those identified by the universities – some refer to technical skills, some describe graduates sensitive to ethical and social issues and some talk of graduates committed to ethical action and social responsibility. The paper draws on the authors' experience in Europe, Australia and Asia.

Keywords

Integrity, research education, ethics, assessment, professions

Introduction

Conceptions of what constitutes quality in post graduate education have changed over the past decade. In some institutions there is a trend to include coursework components in research higher degrees and to greater formalization of the supervision process, and in others a move to give greater weight to intangible aspects of the learning which occurs in a research degree. Some institutions have adopted sets or lists of graduate qualities or generic capabilities and made these, rather than content, the aim their educational programs. Some of those lists contain references to personal integrity. Whilst we agree that personal integrity is essential for full participation in professional practice – a view which some institutions have always held – this can lead to competing and conflicting views of quality. Coursework and lists suggest a more quantitative approach to assessment, seemingly open and transparent, while the assessment of integrity and commitment to ethical behaviour present quite different challenges to the assessors. It is to this latter challenge that we address our attention.

The paper has three sections. The first provides examples, from Australia and the United Kingdom, of the moves to establish sets of graduate qualities or generic capabilities, placing it in the context of wider changes in the nature of research degrees and the growing recognition of the importance of intellectual capital. This is followed by an exploration of the concept of intellectual capital, focusing particularly on the work of the Hungarian economist Sandor Kopatsy and on the important place which it gives to morality. The third section considers how such an ethical quality might be assessed within a postgraduate research degree.

The generic qualities response

Over the past decade or so there have been a number of reviews of the purpose, effectiveness and structure of the postgraduate research degree (see for instance Harman, 2002; Pearson, 2005). Some reviews have been national, others local. Many were prompted by concerns about the effectiveness of research degrees in the eyes of students, graduates, employers and funding agencies, or by staffing concerns within universities. Some reviews recommended the introduction of coursework elements in those degrees where the award has traditionally been by thesis alone and others sought a greater degree of formality in the student-supervisor relationship. In business schools there has been pressure to include explicit ethics components, often in response to pressure from the main accrediting bodies – AACSB and Equis.

The responses have perhaps been as diverse as the reviews. In this section we look first at the adoption of graduate quality criteria in Australian universities and then at responses in the United Kingdom to the 2003 White Paper there.

We have not conducted a rigorous search to determine who has, or has not, gone down this path. There is a more extensive consideration in Gilbert et al (2004), and such an analysis is not the purpose of this paper. Our six examples will, however, provide evidence of the range of responses – which is sufficient to show that our theoretical considerations are relevant – and show that the practice of adopting research degree qualities is not restricted to newer institutions without long experience in the granting of research degrees.

A number, but by no means all, of the forty Australian universities have not only established sets of generic qualities for graduates but also sought to apply them to postgraduate research degrees. Six are included in this analysis. Two are long-established research intensive universities – the University of Melbourne and the University of Western Australia; two are members of the Australian Technology Network, descended in part from centres of technological education established in the nineteenth century – University of South Australia and University of Technology Sydney; and two are institutions with a more recent heritage – Charles Darwin University in the Northern Territory and Edith Cowan University in Perth.

Table 1 shows the graduate qualities – however described – at these six universities. Explicit mention of intellectual

integrity, ethics, social responsibility, equity values or ethical dilemmas can be found in five of the six examples with Edith Cowan having a more general approach, aiming to produce graduates with generic skills including collaboration and teamwork.

of skills, networks and know-how necessary to build successful careers' which is facilitated by the university's 'strong collaborative links with business, public services and external academic networks'.

Table 1: Qualities of ethics & integrity in research graduates in Australian universities

University of Melbourne	http://ww.sgs.unimelb.edu.au/phd/enrolcandid/phdhbk/intro/attributes.html
Qualities and skills of Melbourne doctoral graduates	14 items including : A profound respect for truth and intellectual integrity, and for the ethics of research and scholarship
University of Western Australia	http://www.postgraduate.uwa.edu.au/home/current/generic_skills
Generic skills of research graduates at UWA	16 "doing" skills and 8 "being" skills including: Ability and capacity at an advanced level to be …sensitive to ethical, social, and cultural issues.
University of South Australia	http://www.unisa.edu.au/resdegreees/gradquals.asp
Research degree graduate qualities	Seven qualities, including …committed to ethical action and social responsibility as a researcher in a discipline or professional area and as a leading citizen
University of Technology Sydney	http://www.gradschool.uts.edu.au/prospective/application/Process/Gradattributes.pdf
Statement of attributes of successful doctoral students	Three categories of attributes, each with a number of descriptors including the ones listed here. Intellectual attributes : application and reflection Professional research and research management attributes: awareness and sensitivity to ethical dilemmas Personal attributes: mature understanding of responsibility to the broader community
Charles Darwin University	http://www.cdu.edu.au/newsroom/documents/cdu-graduate-attributes120506.pdf
Graduate attributes Adopted May 2006	Three core attributes including Citizenship with three skills, communication, teamwork, social responsibility. The descriptor for social responsibility is: Is able to apply equity values, and has a sense of social responsibility, sustainability, and sensitivity to other peoples, cultures and the environment
Edith Cowan	http://www.research.ecu.au
Introduction to ECU's high quality higher degree by research program	The University aims to produce graduates with the knowledge … within their discipline area complemented with generic skills of collaboration and teamwork, problem solving and communication.

In the United Kingdom the urgency of formulating a viable research strategy has been hastened by the publication of the White Paper on The Future of Higher Education (2003). Universities responded to the White Paper with different initiatives. The UK web pages we visited do not talk about ethical behaviour, personal qualities or personal growth. They primarily highlight the research calibre of academics, research ratings, research award high standards, technical support and geographical attractiveness of the campus. Once again we do not claim to have comprehensively examined all universities, but present a selection which is sufficient to support our general argument.

There are 'new route PhDs' at Exeter and Portsmouth, with a 'skills programme' at Exeter which includes workshops on presentation, interview and career management skills; taught courses at Loughborough and Portsmouth, and ethics or philosophy courses at the London Business School, Edinburgh and Warwick (for details of the website URLs see the table at the end of the reference list). That this is by no means universal is shown by the positions taken by Bristol and Nottingham Trent.

On the other hand, the University of Bristol exemplifies the content focused approach. Its mission is to continue to be research-led and to develop a number of strategic partnerships with other universities in the UK and overseas, carrying out research that is world-leading in terms of originality, significance and rigour. Similarly concentrating on content, Nottingham Trent University notes that the PhD is awarded solely on the basis of the thesis, with the criterion for the award being a significant contribution to knowledge. Nottingham Trent does draw attention to other benefits which the research degree candidate will acquire in the course of the degree, namely 'the development

With the emphasis in the UK more firmly on subject-related knowledge and research methodology, perhaps a strong personal integrity is assumed, in the apparent belief that these are sufficient to allow graduates to fulfil their true potentials in life. Indeed at Cambridge, candidates for a degree are presented to the Vice Chancellor with the attestation that they are 'suitable as much by character as by learning to proceed to the degree'.

So, in some universities at least there is a commitment that graduates will go into the world having particular capabilities, and in some cases moral capacities. In the next section we link the interest in moral capacity and integrity to the ability to generate, maintain and deliver intellectual capital. In the third section of the paper we consider how universities can have a methodology for the practice of integrity in post-graduate education, and for its assessment in post-graduate students.

The concept of Intellectual Capital as a basis for the research degree

Three related ideas contribute to the concept of intellectual capital and its importance in society and the economy. The transition to the information age led to the acknowledgement of the importance of the knowledge worker (Reich, 1992), the gap between the value of a company measured on the stock market and that shown in its traditional accounting reports led to a recognition of the importance of intangibles in the resource theory of the firm (Barney, 1991 and elsewhere), and the acceptance of the balanced scorecard (Kaplan and Norton, 1992), stakeholder theory (Freeman, 1998) and the triple bottom line (Elkington, 1999) showed to many that business success did not lie in purely

financial or technical fields. In the knowledge economy the key competitive advantages (Drucker, 2000) are creativity, problem solving, the ability to transfer knowledge, trust in success and openness to new ideas.

Organisation whether firms, communities of practice, or nations, 'are becoming dominantly repositories and coordinators of intellect' (Quinn, 1992), and the extent of their repository and their ability to coordinate it is their intellectual capital. 'Intellectual capital thus represents a valuable resource and a capability for action based in knowledge and knowing' (Nahapiet and Ghoshal, 1998), Whilst there are many definitions of intellectual capital, in general for an enterprise its value is made up of financial capital and intellectual capital, while intellectual capital includes both human capital and structural capital. Human capital is made up of the 'values, attitudes and habits of the components of the organization' while structural capital consists of the organisation's systems and culture and its customers (Sánchez-Cañizares, Muñoz and López-Guzmán, 2007). Social capital, the 'networks of strong, crosscutting personal relationships developed over time that provide the basis for trust, cooperation, and collective action' has been shown to be important in the development of human capital, at both individual and community levels (Nahapiet and Ghoshal, 1998).

Trust, openness and creativity – important elements of intellectual capital – are social competencies that can only be developed through human interaction In academia, in business and in government, when team members work together there is a synergy, a special energy flow. This energy has two sources: it either comes from the interaction of the members or from the intellectual capital of the individuals (Laáb, 2007). The level and size of the synergy among team members is determined by the level of trust or distrust between the team members. The quality of the individual's synergy is determined by the individual's intellectual capital. An acknowledgement that intellectual capital is an important outcome of the research degree can be found in the statements of most if not all of the universities we have mentioned. This may be based on a narrow view, that intellectual capital is a fancy name for knowledge, and that the creation of knowledge is the ancient purpose of the university. It may find its source in the economic view that 'knowledge is our most powerful engine of production' (Marshall, 1965), and a concern for the generation of intellectual property (IP). For some the broader notion of intellectual capital incorporating knowledge, human and social capital is apparent.

Kopatsy's Model of Intellectual Capital

It this section we use Sandor Kopatsy's model of intellectual capital to show why moral education is essential to the development of intellectual capital, and to provide support for our view (and that of those institutions which have specifically included ethical elements in their graduate quality lists) that this is important, not only in research degrees, management and business schools, but in all education.

Sandor Kopatsy (www.Kopatsy.hu) is a Hungarian economist who has published several books and hundreds of journal articles on many aspects of economics including issues in agriculture, monetary policy, taxation, the role of SMEs, education and health care in the economy, although the majority of his work remains untranslated to English. He is perhaps best known in the West for his writings about the relationship of economic prosperity and social well being in society. In his 1999 conference paper A szellemi vagyon mindennél fontosabb (The Intellectual Capital is the most Important) he argues that intellectual capital cannot be treated and measured in the same way as tangible properties.

In Kopatsy's view social development, is the result of the harmony between society's needs and its intellectual capital. Taking a longer view than those who propose a recent movement to a knowledge economy, Kopatsy see this relationship in the growth of Western societies over the past 500 years. Intellectual capital, Kopatsy says, has four components: knowledge, morality, talent and effort. Given the nature of these components intellectual capital, whilst widely accepted as an important factor of political and economical life, cannot be treated by society in the same way as any other resource. Knowledge, morality, talent and effort cannot be purchased or acquired by someone else. They can only be employed or rented and used effectively when there is a common interest for the owner of the intellectual capital and the individual or organisation that employ it. (Knowledge here is taken to include knowing, or wisdom as well as what is often called tacit knowledge such as Newton's Laws, or the knowledge found in an engineer's handbook.)

Kopatsy claims that each of these components is equally important and when all four are present with a positive sign they can magnify and multiply each other. Thus

Intellectual Capital = Knowledge x Morality x Talent x Effort

If any of these components is missing the total intellectual capital will be zero. He claims that only the multiplication and not the sum of the components will show us the size of the Intellectual Capital. In accordance with the law of multiplication when one factor is zero the product will also be zero. In our case it means that when there is zero knowledge, zero talent or zero effort the Intellectual Capital is also zero. But it is also zero when there is zero moral intent.

Kopatsy explains the relevance of the four components in the following way:

a.   Knowledge is only valuable for society when it appears with right morality. With wrong morality knowledge causes only harm to society. When there is no talent knowledge on its own is meaningless. Without effort one cannot achieve a lot even though there is knowledge, right morality and talent. So knowledge in itself is not a value. It is made valuable by the other three components of the equation.

b.   Morality (Moral intent). Morality is considered to be valuable for society only when it comes with knowledge, talent and effort. Wrong intent causes damage to society. The higher the talent, the knowledge and the effort the bigger the damage when it is combined with bad moral intent.

c.   Talent is only valuable when the owner of the talent is able to guide it by knowledge and combines it with good moral intent and effort. A society loses most when its talents are not developed properly and are not equipped with right morality and effort.

d.   Effort has become the main virtue in modern society. Effort also includes ambition, initiative and enterprise. It is easy to accept that without effort for example it is not possible for the talent to show outstanding results.

Note that three of the four factors – knowledge, talent and effort – can only be positive as their starting point is zero. On the other hand morality can be negative as well as positive. Consequently intellectual capital can only be positive and add value to society when it is accompanied by good moral intent. On the other hand the more knowledgeable, the more talented and more diligent the individual with bad moral intent, the bigger the damage to society.

The nature of morality

Morality is the idea that some forms of behaviours are right, proper, and acceptable and that other forms of behaviours are bad or wrong, either in your own opinion or in the opinion of society (Hock, 1999; Collins, 2001). Our concern here is not with that narrow view of morality which equates it with sexual probity, but with a wider view, identifiable in society at least since the time of Socrates and Confucius, that morality is the essence of the well-lived human life.

An ethic of a particular kind is an idea or moral belief that influences the behaviour, attitudes, and philosophy of life in a group of people (Hock, 1999; Collins, 2001). The word ethic comes from the Greek 'ethos'. The verb 'etheo' means first of all to filter through, to examine something. The Greeks believed that one's destiny and journey in life can be discovered from human nature. The second meaning of the verb is to stretch toward something, to strive for something. The Greeks believed that humans were naturally moving towards the manifestation of the 'divine sketch' that the 'Gods dreamt of them' and willingly or unwillingly they had to fulfil. In this respect one behaves with morality when he gradually fulfils the 'divine dream' that was personally meant for him. Repeated activities lead to reasonably stable behaviours. This is why in certain Greek dictionaries 'ethos' means habit, manner, ettiquette and so on. These meanings approach ethics through external characteristics. Although this is one sided it can be argued that the external signals the internal qualities.

A contemporary parallel can be found in the concept of communities of practice (Wenger 2000) where there are internal ways of working which produce both outputs valuable in themselves to the the wider community and internal benefits in the growth of the community of practice, benefits which MacIntyre calls 'goods internal to practices' (MacIntyre, 1985).

The seventeenth century European philosher Baruch Spinoza argues that morality is the most important manifestation of human nature. He believes that some manifestations are in line with human nature while others are opposed to it. Spinoza gives joy a supreme place in his anthropological-ethical system. Joy, he says "is man's passage from a lesser to a greater perfection. Sorrow is man's passage from a greater to a less perfection" (cited in Fromm, 1997). In order not to decay, we must strive to approach the 'model of human nature', that is we must be optimally free, rational, active. We must become what we can be. This is to be understood as the good that is potientially inherent in our nature. Spinoza understands 'good' as "everything which we are certain of a means by which we may approach nearer and nearer to the model of human nature we have set before us"; he undestands 'evil' as "on the contrary ... everything which we are certain hinders us from reaching that model. Joy is good, sorrow, sadness, gloom is bad. Joy is virtue; sadness is sin. Joy, then is what we experience in the process of growing nearer to the goal of becoming ourself" (cited in Fromm, 1997).

The Hungarian poet Sándor Weöres explains perhaps even more clearly what it means to fulfil one's human nature and morality:

Virtue is all that is equal to the eternal measure and lifts you towards completeness; sin is all that opposes the eternal measure and distances you from completeness. One who has reached completeness becomes one with the eternal measure and has no virtue or sin any more. He becomes similar to the fire. The light is not the virtue of the fire but it is its nature. Similarly one who has achieved completeness has the eternal measure not as a virtue but as part of his nature. In completeness there is no good and bad, no merit and mistake, no reward and punishment

(Weöres, 2000).

Intellectual capital can only be positive that is, value to society when it is accompanied by a moral disposition and a tendency to do good. How is it that morality can have a negative sign? If morality is the essence or fulfilment of human life then one who acts against that life can be considered to have negative morality. In addition one can argue that the reluctance to do good is immoral and has a negative sign. As Dante put it (in John F. Kennedy's 1963 translation) 'the hottest places in hell are reserved for those who in a period of moral crisis maintain their neutrality' (Kennedy, 1963).

Reluctance to do good is immoral because the individual is tempted to use his or her talent, effort and knowledge to harm, damage or destroy himself/herself or the people and nature around him or her. Someone with a bad morality is particularly dangerous to society when he/she is talented, knowledgable and puts effort into his/her negative behaviour.

Morality and integrity are essential elements of human functioning and a component of intellectual capital. Morality is the only component of intellectual capital which can be negative.

Developing and assessing personal integrity

This final section of the paper discusses ways in which integrity, commitment to ethical action, social responsibility and other such qualities, considered by at least some universities to be present in their research degree graduates, can be developed and assessed. As we have shown, intellectual capital cannot be developed without a positive moral orientation and hence an understanding of purpose.

Some of the changes in tertiary education have been intended to develop those elements of intellectual capital which lie outside the realm of discipline knowledge. However, research degrees, and university education more broadly, frequently fail to provide an environment for exploring the broader context of human life where one could test the emerging thoughts on ethical issues, paradoxes and dilemmas of every day life. Tertiary education in its current form, including the research degree, provides plenty of opportunities for the acquisition of tangible knowledge. There is no shortage of support for those who buy into the ideology that promotes financial and material success as a measurement of human worth and value. However, tertiary education in general falls seriously short of providing opportunities for soul searching and finding purpose in life.

Character formation, the development of virtues, seems to fall outside the remit of management education (Wall, Platts and Illes, 2007). This is perhaps a product of the mistaken view (Jackson, 1993) that character is formed in the family and throughout primary and secondary education and by the time one enters tertiary education profession-specific technical knowledge is all that is needed.

We are not alone in our questioning views. Various authors have called for a fundamental review of management education (see for instance Mintzberg, 1994). Some have argued that traditional educational approaches are deeply rooted in a mechanistic view of management evoking the illusion of control and predictability (Berends and Glunk, 2006), whereas daily experience in the workplace shows that events are not necessarily predictable or controllable (which is in accord with the principles of complexity theory (Mitleton-Kelly, 2003 and elsewhere). Even the deployment of increasingly sophisticated information and decision support systems cannot take away the need for human judgment in a social context.

Some management educators have therefore started to engage

in a more serious debate as to how to prepare individuals and organisations to make sound human judgments (as regards decision making?). Most of the textbooks treat the subject of management and management development in a highly detached way, focusing on a variety of sophisticated, often quantitative techniques to yield 'optimum' solutions and often prescriptive training programmes to further the attainment of technical competencies by position holders. (It is a management development in this mould, we argue, that is conjured up by the taught courses and additional skills mentioned in many of the higher degree program statements.) This approach suggests that the manager as a person is not of primary importance to managerial effectiveness. Practice, however, suggests the opposite, and as a significant proportion of research graduates enter commerce, industry or government this is relevant for research degree programs as well as for business school courses.

Success in managerial or leadership roles depends to a great extent on the level of maturity, growth, self-awareness and personal mastery (Covey, 1989; Platts, 2003) of the individual. Universities still need to come to terms with these facts, and redesign research degrees and other aspects of the curriculum in ways which provide opportunities for self-discovery, personal development, reflection, questioning, individual growth and projects which would allow the individual to look beyond herself. The opportunity to develop and confirm these qualities are particularly crucial in research degree programmes. Research degrees are highly regarded both in organisational and social contexts. Individuals with such degrees usually enjoy a special status in the community. Their behaviour is closely observed, imitated and used as examples particularly in connection with moral and ethical dilemmas. Their actions and daily behaviour can have an energizing, positive effect or a demoralising, negative effect on others.

Experience in early postgraduate manufacturing leaders program at the University of Cambridge, shows how a close cooperation between industry, students and academia has been successful in the development of integrity and personal morality (Platts, 1998). A recent review of all theses submitted by students in this program, which includes coursework, an industry project and a research thesis, show of that the workshop, led by Etsko Schuitema, author of the care and growth model of leadership (2000), was the most highly valued element of the course, and that this position was maintained over the more than ten years that the course has been run.

This shows perhaps that academia can provide a community in which postgraduate students can develop skills in reflection and moral integrity, goods internal to the practice of research and the professional life. Such a community would need to include a number of postgraduate students together with an established academic community of which they were made part. The Cambridge experience shows that it also requires active participation by supervisors in the reflective processes of the community and the support of an intensive workshop experience.

Assessment

If, ethics, integrity, equity and social responsibility are important qualities for academic and professional success, as those who have included them in the qualities which a graduate from a research degree will acquire would seem to suggest, and as many accounts of intellectual capital confirm, then how are they to be measured or assessed?

The moral elements among the qualities or skills in Table 1 take three distinct forms. Charles Darwin requires the demonstration of a technical skill, the ability to apply equity values.

Western Australia and UTS describe graduates who are sensitive to ethical, cultural and social issues. UniSA talks of graduates 'committed to ethical action and social responsibility'. The first two of these can be assessed in the same way as many other skills and qualities, although it is probably the case that in research degrees there is no direct assessment and no link between achievement of the graduate qualities and whether or not the student is awarded the degree.

The assessment of cognitive and decision making skills will provide only a partial assessment of commitment to ethical action. Many professional courses – medicine and nursing, for instance – have well developed procedures including observed clinical practice for the assessment of these aspects of students about whom they have to make a judgement before graduation or the granting of a license to practice. This is seldom the case in the research degree. UniSA goes some way in requiring that the candidate submit a final report along with the thesis, describing how the graduate qualities have been developed during the candidacy, but there is no provision for a response to the report, and it is stated quite explicitly that it is not examined, and not sent to the examiners of the thesis.

For the systematic evaluation of what are in fact the core values of professional behaviour to be done well it will need to 'include many different assessors, more than one assessment method and assessment in different settings' (Lynch, Surdyk and Eiser, 2004). This is unlikely in the current research degree context in most Australian and UK universities, although the opportunity for assessment may be there in those institutions where there is a close and extensive personal relationship between supervisor and student. Even then, however, there is a hesitancy on the part of many academic staff to assess the ethical elements of a student's work (Moon, 1999), apart from formal instances of plagiarism. This may in part be due to recognition that the evaluation cannot adequately be done in a quantitative way (Harris, 2004). It may also be due to a discomfort which arises from the probably mistaken view that such a judgement necessarily requires the assessor to give preference to his or her own set of values (Harris, in press). Extensive discussion regarding teaching practice in religious foundations has shown that this fear is misplaced (Delbecq, 2005).

Conclusion

The nature of the research degree is changing in many institutions with new or increased emphasis on coursework, and for some the introduction of qualities or generic skills which graduates are to acquire during the candidacy. One driver of these changes has been the growing recognition of the importance of intellectual capital for both individual enterprises and society more generally. As Kopatsy and others show, this intellectual capital has an important moral component, and some universities have recognised this in the qualities they seek to instil in the course of a PhD. Further discussions and individual and institutional commitment is needed for this new phase of research degree development. On the one hand there is a growing need and demand for new knowledge creation through research degrees, on the other hand there is growing evidence of the harm that knowledge and talent can cause when it is not accompanied by right morality.

Universities need to find a way of actively providing opportunities and requirements in the curriculum for the development and confirmation of right morality and ethical behaviour. Setting out the formal links between these changed views of the research degree and intellectual capital, with its links to both the

knowledge economy and moral intent, will we hope assist those who view these new requirements with hesitancy to understand them more clearly.

Acknowledgements

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Spirituality and Ethical Behaviour in the Workplace: Wishful Thinking or Authentic Reality

Peter McGhee
Patricia Grant

Abstract

The link between religion and work is not new. For centuries, people have strived to interpret their work through religious lenses. Recently, however, a significant paradigm shift has occurred. The current view is that spirituality, as opposed to religion, is a better construct for understanding the relationship between the individual and modern pluralistic workplaces. This current perspective, sourced in various socio-cultural factors, views spirituality as positively influencing numerous organisational outcomes. Also implicit within this discourse is the notion that allowing and encouraging spirituality in the workplace leads to improved ethical behaviour at a personal level and an enhanced ethical climate/culture at an organisational level. What is unclear, however, is how an individual's spirituality translates into ethical behaviour within an organisational context and the impact of this conversion. This paper develops a model explaining this process.

A review of the relevant literature recognised several characteristics that permeate discussions on spirituality. This paper's premise is that these characteristics inform an individual's choice of values – they form a type of regulative ideal. The model developed explains the link between these values and virtue and therefore ethical behaviour in the workplace. The values frameworks developed recently in the spirituality literature specify those things a spiritual person perceives as worth having, getting or doing. This paper contends that these values, particular to spiritual persons, contribute to the flourishing of individuals and therefore lead to the acquisition of virtue. Spiritual persons are likely to be ethical persons. Such individuals are likely to be of significant benefit to their organisations.

Keywords

Spirituality in the Workplace, Values/Virtues, Ethical Behaviour

Introduction

Since the beginning of the 20th century, there has been an increasing focus on the spirit, spirituality, and spiritual phenomenon in Western society. Lately, this focus has shifted to the modern workplace with numerous articles and books, both popular and academic, championing the role of spirituality in improving organisations, markets and economies, and subsequently all of society. Contained within this discourse is the notion that spiritual individuals are ethical in business, and consequently, are of significant benefit to an organisation.

Indeed, the research literature to date provides some evidence of this link. For example, spiritual individuals in the workplace are more likely to demonstrate enhanced teamwork (Mitroff & Denton, 1999; Neck & Milliman, 1994), greater kindness & fairness (Biberman & Whitty, 1997), increased awareness of other employees needs (Cash & Gray, 2000), increased honesty and trust within their organisations (Brown, 2003; Krishnakumar & Neck, 2002), higher incidences of organisational citizenship behaviour (Nur & Organ, 2006), and express more servant leader behaviour (Beazley & Gemmill, 2006). They are also prone to perceive the ethical nature of business issues more clearly (Giacalone & Jurkiewicz, 2003b) and are more sensitive to corporate social performance (Giacalone, Paul & Jurkiewicz, 2005). What is unclear, however, in the workplace spirituality literature is why and how an individual's spirituality influences their ethical performance within an organisational context. Building on previous work carried out by Cavanagh & Bandsuch (2002), this paper develops a model using Aristotelian virtue ethics to address this lacuna.

What is Spirituality?

While a distinguishing feature of modern society is the extraordinary popularity of spirituality, what is also apparent are the widespread and radical differences that exist over the use of the term, possible meanings and significance. Unfortunately, spirituality is a notion that resists exact characterisation.

Spirituality is clearly a broader construct than religion. Spirituality allows the individual to have a sense of the sacred without the institutional practices and limitations that are associated with traditional religion (Zinnbauer, Pargament, & Scott, 1999). However, you cannot isolate spirituality from religion. Most, if not all, religious individuals are spiritual. Beliefs and experiences that are part of traditional religiousness (e.g. prayer, going to church etc) are also spiritual if they are part of an individual's search for the sacred (Hill et al., 2000). At the same time, many spiritual individuals are unknowingly part of a non-traditional religion while others, who hold no affiliation to any organised group, practice a kind of private religion. Why is this? At an ontological level, religion and spirituality are characterised by similar components. If spirituality is not dependent on formalised religion, it is most certainly interdependent with it.

The obvious difficulty in defining spirituality lies in its multitude of meanings. In fact, Neal (2000) argues, we enhance this existing complexity the more we objectify and categorise spirituality. According to Carrette & King (2005), most authors go to extraordinary levels to define the term and yet struggle to come up with a definitive meaning. Writers commonly resort to employing a general meaning, "which enables them to corner a fanciful market space drifting on the vague etymologies of the word" (p.31). Speck (2005) concurs in noting that the various extant definitions of spirituality do not reflect a consensus of thought while Hicks (2003) warns against making broad sweeping claims about spirituality without "undertaking more work at least to address the philosophical and theological difficulties of the term and its definitional components" (p. 56). How do we overcome the problems inherent in defining spirituality broadly enough to incorporate theistic, non-theistic, and humanistic systems? Moreover, how do we convince others that spirituality is not only phenomenologically valid but also relevant to the living of our everyday lives?

Carrette & King (2005) argue that spirituality has become the 'brand label' for the search for meaning, values, transcendence, hope and connectedness in modern societies. The notion operates by "compartmentalising questions of human values into an identifiable market space". They ask, "How then do we begin to find our way out of this maze?" (p.32). The answer to this question, as proposed by the authors of this paper, is to offer a universal and useful definition of spirituality consisting of four behavioural characteristics that evidence a specific mindset.

The behavioural characteristics of spiritual individuals include:

1. Seeking to transcend their ego (i.e. their own self-interests)

2. Awareness and acceptance of their interconnectedness with others, creation and their Ultimate Concern

3. Understanding the higher significance of their actions while seeking to integrate their lives holistically

4. Believing in something beyond the material universe which ultimately gives value to all else

A brief description of each of these follows. According to Ashforth & Pratt (2003), themes of self–transcendence figure prominently in most definitions of spirituality. What is self-transcendence? It is something that calls us beyond the "self" (i.e. the ego) to concern for, and relationships with, others and with the ultimate "other". Torrance (1994) interprets it as "the individual in continuous interaction with a larger reality in which he or she transcends their personal existence" (p.82). Such persons transcend their egoistic self not by floating off to some mystical union or separate realm of existence but by coming to terms with its enlarging and transformative potentiality. Emmons

(1999) echoes this in noting that such a rising may not be limited to rising above our natural world to relate to a divine being but could also include achieving a heightened state of consciousness (Mayer, 2000), having peak experiences (Maslow, 1970) or entering a state of 'flow' (Csikszentmihalyi, 1990).

Spiritual persons seek to live an authentic life sourced in meaningful relationships. The process of self-transcendence, of affirming the spirit and transcending the ego, results in a growing awareness and acceptance of interconnectedness. This also is a general theme in the writing on spirituality (Kale, 2004; Sass, 2000). Spiritual individuals who recognise and imbue the truth of interconnectedness demonstrate the following qualities. First, they connect to the self. Spirituality is an interior journey to find the true self with which the conceited, arrogant, intellectualising, rationalising ego is so easily confused (Weil, 2002). Second, they connect to others. They no longer see themselves as an isolated "atomistic ego-subject" (Yu, 1987, p.143). For such individuals, spirituality is a state of being, a process towards wholeness that reflects being-in-the-world (Lapierre, 1994) and understands authentic being-in-communion with others and the Ultimate Other (Buber, 1970).

The importance of a sense of purpose is also apparent in the spirituality literature (Elkins, Hedstrom, Hughes, Leaf, & Saunders, 1988; Emmons, 2000; Wink & Dillion, 2002) Spirituality represents a higher level of understanding that enables the contextualisation of lower levels. It provides answers to the question "why?" and confers individual lives with a sense of integrated wholeness (Mitroff & Denton, 1999) The process of "meaning-making" helps us understand how spiritual individuals revise or reappraise an event or series of events in a manner that gives a higher level of meaning, that is, a spiritual meaning (Baumeister & Vohs, 2005).

Finally, spirituality is the personal expression of an 'Ultimate Concern'. According to Tillich (1952), ultimate concerns are those 'God values' in our lives which have centring power; they are the things with which we are ultimately concerned. Elkins et al. (1988) survey of diverse historical literatures on spirituality supports Tillich's view. They noted that a spiritual person has an experience-based belief in a transcendent dimension to life. The actual content of this belief may vary from a traditional theistic view of a personal God (e.g. Christianity), a non-theistic view of that infinite potential (e.g. Buddhism), or a humanistic view of the transcendent as being simply a natural extension of the conscious self into the area of the unconscious or Greater Self. Whatever the content or models used to describe the transcendent, the spiritual person believes in something beyond the material universe (Mitroff & Denton, 1999). Furthermore, he or she believes that contact with this unseen dimension is beneficial (Dierendonck & Mohan, 2006; Emmons, Cheung, & Tehrani, 1998; WHOQOL SRPB Group, 2006).

Spirituality is the actualisation of an inherently human capacity. Spirituality is about "becoming a person in the fullest sense" (Macquarrie, 1972, p. 40) as one authentically quests for their ultimate value. Consequently, in principle at least, spirituality may be equally available to every human being seeking to live an authentically human life. There is also ample evidence to suggest that spirituality is a real thing. While an individual's spirituality is undoubtedly a personal experience, it is a subjective encounter with a spiritual reality. To remove that reality is to eliminate its contribution to the content of the individual's experience. The ramifications of this are significant.

If a putative object of experience contributes nothing to the content of experience, the putative experience is not a genuine experience at all, but only an illusion of one. Thus, by methodo-

logically absenting the object of experience…[we] end up losing altogether the very category of experience (Archer, Collier, & Porpora, 2004, p. 14).

A critical realist ontology allows for the existence of a spiritual reality. A critical realist insists that the human mind apprehends reality and attempts to express and accommodate that reality as best it can with the tools at its disposal. Wright (1992) offers a good account of this general position:

[Critical realism] is a way of describing the process of 'knowing' that acknowledges the reality of the thing known, as something other than the knower (hence 'realism'), while also fully acknowledging that the only access we have to this reality lies along the spiralling path of appropriate dialogue or conversation between the knower and the thing known (hence 'critical'). This path leads to critical reflection on the products of our enquiry into 'reality' so that our assertions about 'reality' acknowledge their own provisionality. Knowledge, in other words, although in principle concerning realities independent of the knower, is never itself independent of the knower (p. 35).

This ontology relates to the fundamental distinction between the 'intransitive' and 'transitive' dimensions of knowledge identified by Bhaskar (2008[1975]). The transitive dimension is essentially our perception of reality, whereas the intransitive dimension is the actual underlying structure of reality. Admittedly, applying this notion to the social world is more complex. This world is, after all, socially constructed and contains knowledge itself and cannot therefore be said to exist independent of that knowledge. While it is reasonable to state that the natural world is naturally produced but socially defined or understood, the objects of social science have to be socially defined and socially produced. This, however, does not nullify their reality (Danermark, Ekstrom, Jakobsen, & Karlsson, 1997). For example, when researchers change their minds about a concept like spirituality it is unlikely to produce any significant change in the phenomena of spirituality. As Sayer (2000) notes, "for the most part [under a critical realist methodology], social scientists are cast in the modest role of construing rather than 'constructing' the social world" (p. 11).

Critical realists' stratify reality. They argue for the arrangement of reality into levels and for research to go beyond surface phenomena and identify the causal mechanisms, processes and structures that account for the patterns observed (Denzin & Lincoln, 2005). Specifically, Bhaskar (2008[1975]) differentiates between the real, the actual and the empirical level. The real is whatever exists, be it physical or social, regardless of whether we experience it or have an understanding of its nature. This is the realm of objects, their structures and their causal powers. These objects can be physical (e.g. minerals or water) or social (e.g. spirituality or a political ideology). Bhaskar refers to these as mechanisms. The actual refers to the outcomes of activating the causal powers of real objects. These are states of affairs or events. They can also be mechanisms. Spiritual persons act spiritually, that is, they act selflessly, they build authentic relationships with others, and they live meaningfully while striving to actualise their ultimate concern. Finally, the empirical level is the domain of experience as it pertains to contingent knowledge of the real or the actual. This level pertains to a spiritual person's experience of their own spirituality: how they understand it and live it out. Knowledge at this level is observable and therefore measurable. Again, experiences may also be real and actual as they act as mechanisms and events for new experiences. Bhaskar makes it clear that not all actualities may be experienced; it is not necessary for us to observe something for it to be real. Similarly, mechanisms are often unobservable but are nonetheless

also real. Ultimately, Bhaskar resists any suggestion that reality is contingent upon observation alone. As part of this resistance, Bhaskar opposes any attempt to collapse his three domains into one. Such an action would fail to recognise the ontological depth of reality and lead to a superficial understanding of society and the world.

How do these levels relate to one another? First, ontological presupposition implies that one level could not exist without the other. Second, vertical explanation means that mechanisms operating at one level explain those operating at another (McGrath, 2002). This idea has significant implications for spirituality. As Pratschke (2003) explains,

each account of a generative mechanism contains 'gaps' or 'black boxes' which may subsequently be explained by positing the existing of additional mechanisms at a 'deeper' or a more fundamental level (p.16).

In other words, higher-level structures, mechanisms and phenomena such as human behaviours and interactions are emergent from, but not reducible to lower-level ones. Although these lower-level mechanisms are often unobservable, we postulate their existence by investigating their observable effects. Fleetwood (2005), in his discussion of multiple modes of reality, puts this idea succinctly in stating that

An entity is said to be real if it has casual efficiency; has an effect on behaviour; makes a difference. Confusion often stems from (mis)treating real entities synonymously with material entities; and/or from (mis)treating non-material entities synonymously with non-real entities. God may or may not be real, but the idea of God is as real as Mount Everest, because the idea of God makes a difference to people's actions (p. 199).

Spirituality, like other phenomenon, stratifies into different levels (or modes) of reality. Ultimately, spirituality exists as a reality independent of the knower, a mechanism. A critical realist would argue that such a reality is partially elucidated using philosophical and theological inquiry. We may not know this reality completely but we further postulate its existence by noting and articulating certain universal attitudes and effects. These are both 'real' and 'actual' – they are an underlying causal mechanism and they are an event or a state of affairs. Measurement of these is possible (See e.g. Delaney, 2005; Howden, 1992; Seidlitz et al., 2002). Finally, spirituality exists as a reality for each individual or group that experience and live it on a daily basis. They encounter the underlying 'real' mechanism(s) of spirituality and the actuality of those mechanisms as they exercise causal power in their lives via material effects. As at other levels of spirituality, these effects are open to exploration.

Spiritual people experience the object of spirituality via their desire to overcome the egotistical self, to develop authentic relationships with others, with creation and with their ultimate concern, and as they strive to find meaning and purpose in their life. The following definition of spirituality adapted from Schneiders (1989) conveys this idea:

[Spiritual individuals] consciously strive to integrate their lives in terms not of isolation and self-absorption but of self-transcendence toward the ultimate value they perceive (p. 684).

This definition avoids classifying the phenomenon in terms of a singular dimension such as 'a belief in God' while at the same time avoiding categorizations with numerous facets (often reducible into each other). It allows for a multitude of spiritualities, each determined by the lived experience and the particular ultimate concern that is being pursued by the individual via his or her life project. It involves intrinsically some relatively coherent and articulate understanding of a human being's interdependency with creation and supports the notion of the self-

transcendence and inner development as an essential part of a spiritual life.

Since the spiritual quest is directed towards the ultimate concern in one's life, spirituality seems to have a direct reference to morality (Downey, 1997), and it is generally accepted in the literature that an appropriate spirituality, that is, one defined by the characteristics discussed above, results in and is demonstrated by virtuous behaviours, and a good life. How does this occur?

Spirituality as a Regulative Ideal

This paper proposes that a person's spirituality, characterised by the degree they imbue and live out self-transcendence, interconnectedness, a sense of purpose, and a belief in an Ultimate Concern, constitutes a regulative ideal (from now on: RI). Oakley & Cocking (2001) define the RI as an

Internalised normative disposition to direct one's actions and alter one's motivation in certain ways. To say that a person has a RI is to say that they have internalised a certain conception of correctness or excellence in such a way that they are able to adjust their motivation and behaviour so that it conforms, or at least does not conflict, with that standard (p. 25).

For an individual who has internalised a certain conception of what it is to be spiritual, it means they can be guided by this conception in their practice, through regulating their motivations, perceptions and actions towards others so they are consistent with their notion of spirituality.

According to Oakley & Cocking (2001), RIs may be general in scope, or they may be specific to certain domains. A general RI produced from the four components listed earlier will govern the spiritual individual's life. However, specific regulative ideals may also guide the activities of a spiritual individual in particular areas. For example, part of being a good manager has one internalising what the appropriate ends of business are and then treating one's stakeholders in ways that are consistent with those ends. The higher-order and more general RI's, however, govern these particular regulative ideals. They function "so as to co-ordinate the interplay between the particular RIs which themselves govern the agent's motivation in relation to each of the plural values" (p.29).

Oakley & Cocking (2001) also note that since RIs operate as a background guide for our motivation, they direct us to act appropriately, even when we are unaware of them and do not deliberately aim at them. In other words, they can guide us in our actions without becoming one of our purposes in acting. While a RI can consist of certain codifiable principles, it can also consist of values and considerations that are not codifiable. This uncodifiabiliy, however, does not preclude those values or that ideal from playing a guiding role in our motivation and behaviour. Given the inherent ambiguity involved in defining and applying spirituality, this last point is pertinent.

What might a spiritual person's RI be like? Spirituality is about making sense of one's existence while recognising the interconnectedness of all living things. It involves standing outside ourselves and considering the meaning of our actions, the complexity of our motives and the impact we have on the world around us. Further, it involves seeking a sense of purpose or 'being' and becoming connected to something greater than just one's own ego – a connection that provides a sense of the sacred or the holy. Consequently, a spiritual person's RI will consist of values and principles that will reflect these deeply held understandings.

What happens when we contextualise this individual within the workplace? Such a person understands the need to bring the whole person to work. They want to integrate their lives and in doing so connect with themselves and with others in their workplace community (Dehler & Welsh, 1994). Spiritual individuals endeavour to "express inner life needs by seeking meaningful work" (Ashmos & Duchon, 2000, p. 136). They confer their work and the workplace with the quality of connection to something greater than the material world. Work becomes part of a bigger picture; it is a calling, a vocation and not merely a means to an end. As part of this process, spiritual persons subjugate their workplace ego to the transcendent (i.e. ultimate concern) whatever that may be. Such a practice allows workers to rise above their differences and naturally look to their organisation as a communal centre (Mirvis, 1997). Giacalone & Jurkiewicz (2003a) summarise these ideas in stating that a person with spirituality-oriented ideals "balances economic, quality of work life, and social responsibility concerns" (p.16).

What might be the core values or principles of a spiritual worker's general RI? The literature has not been reticent in this area (see Table 1). In recent years, a number of publications have discussed the role of spiritual values in the workplace. For example, Kriger & Hanson (1999) developed a set of universal values drawn from the world's major religions as the basis for creating healthy employees and organisations. They argued that their values were essential to enable both economic and spiritual ideals to thrive and grow in modern organizations. Fry's (2003) theory of spiritual leadership comprised a set values that are necessary to intrinsically motivate one's self and others so that that have a sense of spiritual survival through calling and membership of the organisation. Reave (2005), on the other hand, provided a useful table relating spiritual values and such variables as perceptions, motivation, satisfaction, retention, ethics and organisational citizenship behaviour. Jurkiewicz & Giacalone (2004) carried out a similar exercise in configuring workplace spirituality as a measureable aspect of an organisation's culture. Despite their focus, the values embodied in workplace spirituality are a reflection of the spiritual individuals who work in the organisation. Other authors cite slightly different lists but in general, similar values keep cropping up.

Why do these values occur consistently within the literature? Because they embody what is to be a spiritual human being in the workplace. They are the manifestation of the four components of spirituality in a person's lived experience. Some of these values may reflect all the elements of spirituality. For example, integrity is required to ensure a person is true to their RI and for others to be confident that such a person will act accordingly. Other values may be more specific to particular aspects of spirituality. For example, striving to overcome the egoistic self encourages the development of values such as benevolence, respect for others and altruism. Benevolence is a kindness and understanding towards others and an orientation to promote their happiness in a work context. Respect means treating fellow employees with esteem and value and showing consideration and concern for others. Altruism has the spiritual individual doing good for its own sake. They understand the impact, both on themselves

Table 1: A comparison of scholarly articles comparing similar values relating to spiritual individuals in the workplace

AUTHOR(S)	SPIRITUAL VALUES	COMMENT
Jackson , (1999, pp. 65-66) & Kriger & Hanson, (1999, p. 304)	Equality, Honesty, Compassion, Avoiding Harm, Respect, Peace, Justice, Forgiveness, Service, Duty Trustworthiness, Being a Good Citizen, Peace, Thankfulness	Spiritual values from world's main religions (Sikhism, Buddhism, Judaism, Christianity, Hinduism, Islam, Baha'ism, Confucianism & Jainism)
Synder & Lopez (2001)	Optimism, Hope, Humility, Compassion, Forgiveness, Gratitude, Love, Altruism, Empathy, Toughness, Meaningfulness	List of values linked to positive psychology and spirituality
Giacalone & Jurkiewicz, (2003a, p. 14)	Integrity, Humanism, Awareness, Meaningfulness, Responsibility, Love, Inner Peace, Truth, Humility, Sense of Community, Justice	Manifestations of spirituality in the form of spiritual attributes
Fry (2003, p. 695)	Forgiveness, Kindness, Integrity, Empathy, Honesty, Patience, Courage, Trust, Humility, Service to Others	Specifically tied to spiritual leadership; all subordinate under a single value altruistic love
Jurkiewicz & Giacalone, (2004, p. 131)	Benevolence, Generativity, Humanism, Integrity, Justice, Mutuality, Receptivity, Respect, Responsibility, Trust	Values framework for measuring workplace spirituality
Fry, (2005, p. 56)	Honesty, Forgiveness, Hope, Gratitude, Humility, Compassion, Integrity	A set of core values reflecting a state of ethical and spiritual well-being experienced by a spiritual employee
Marques (2005, p. 86)	Respect, Understanding, Openness, Honesty, Giving, Trust, Kindness, Peace & Harmony, Acceptance, Creativity, Appreciation, Helpfulness	Vital themes for a spiritual workplace from the literature and compared with the statements of six business executives.
Reave (2005, p. 658)	Meaningfulness, Integrity, Honesty, Humility, Respect, Fairness, Caring & Concern, Listening, Appreciating Others, Reflective Practice	Spiritual values and practices as related to leadership effectiveness Integrity viewed as the most crucial spiritual value for success

and on others, of acting from an unselfish bias.

Alternatively, interconnectedness to an 'other' and to one's 'Ultimate Other' might promote values such as trustworthiness and humility. Trustworthiness has the individual being depended on by others, while at the same time, depending on their "Ultimate Other" to guide and imbue their work. Humility, at one level, ensures the spiritual individual recognises their own inadequacies and acts without expecting the praise of others while rejoicing in the good or success of others. At another level, humility is about recognising the need for their "Ultimate Other" in all that they do. The search for greater meaning in one's work leads to values such as generativity, professionalism and industriousness, and good organisational citizenship behaviour. Generativity is about seeing the big picture and having a long-term focus, knowing that the work done today will be respectful of future generations. Work is a gift to others or the 'Other' and so it has to be of good quality. Being a good citizen implies caring about others and the environment. It carries ideas of the essential dignity and worth of all stakeholders.

Many other values are applicable here but such discussion is beyond the purview of this paper. What is clear is that a spiritual person imbues certain values. What is unclear, however, is how those values transition into ethical behaviours. After all, many people have the values listed above and do not demonstrate ethical behaviour in accordance with them. Further, many apparently "spiritual people" profess these values but they also fail to translate them into appropriate actions. How do these values become ethical outcomes within an organisational context?

How are Spiritual Individuals in the Workplace Virtuous and Consequently Ethical?

A variety of studies demonstrates a clear link between values and workplace behaviour. People bring to work their values that drive behaviour (Roe & Ester, 1999). These values are relatively stable over time and have an impact on attitudes and behaviour. Values affect one's perception of a situation, how one relates to others, and act as guides for choices and actions (Hitlin & Piliavin, 2004). As Spohn (1997) notes, these "resources for attentiveness may be derived from spirituality and from morality or ethics" (p.3).

The previous section has explored the RI of spiritual persons and how this acts as an overarching guide to what they value; specifically what such persons value in a work context. Spiritual persons have internalised a certain conception of authentic excellence. This means that they not only intellectually adhere to specific values but also are committed to carrying them out. This section will explain the link between this RI and ethical behaviour using Aristotle's notion of virtue.

Virtues are attitudes, dispositions or character traits that enable us to be and to act in ways that allow us to pursue our human potential for moral excellence. They permeate our state of being and dispose us to action. The possessor of virtue is a morally good person. Virtue enables us to have the appropriate emotions and inner states as well as moving us to act in a virtuous way. Virtues develop through learning and practice. The road to becoming virtuous requires a person to be consistently motivated by moral goods in their actions. After a time of repeating such actions, they acquire good habits.

Virtues we get by first exercising them. For the things we have to learn before we can do them, we learn by doing them e.g. men become builders by building and lyre-players by playing the lyre; so too we become just by doing just acts, brave by doing brave acts; by doing the acts that we do in our transactions with other men we become just or unjust and by doing the acts that we do in the presence of danger….we become brave or cowardly (Aris-

totle, Trans. 1941, NE Bk 2 chap 1; 1103a31 & 1103b15).

However, virtues are not just habits. They are habits in that once acquired they become characteristic of a person. For example, a person who has developed the virtue of honesty is an honest person because he or she tends to be honest in all circumstances. Every virtuous act is more than a habit, as it requires choice, understanding and knowledge. The virtuous agent has come to recognise the value of virtue and view it as the appropriate response in a given situation. As Keenan (1995) has noted "being virtuous is more than having a particular habit of acting... it means having a fundamental set of related virtues that enable a person to live and act morally well" (p. 714).

The link between value and virtue, and therefore spiritual and virtuous people, hinges upon the distinction between value and moral value. Values guide all human decisions but a virtuous act is a special kind of act guided by moral values (Mele, 2005). We define a value as that which is worth having, getting or doing. In this sense it is relational, that is, it is a value for some person (Bond, 2001). A moral value, on the other hand, when one lives according to it, contributes to the perfection or flourishing of the individual as a human being. They are those things worth possessing if you want to become more human (Guardini, 1999). In this way, moral values are objective. For example many people value success and fame but pursuit of these does not make one a better person in the Aristotelian sense. On the other hand striving to acquire courage, humility and honesty would truly enrich their humanity and consequently make them a more attractive person.

These objective moral values are known by the human reason. The inclinations of human nature, lead us to recognise what is good for the human being. Every person has the inclination to conserve his or her life, so life is a good. Similarly, we are inclined to know and to live in society so truth and peace must be good for the human being. Living according to these values means a person will respect themselves and others in whatever they do. They will be among other things honest, hard working, kind, responsible and a good listener. According to Argandona (2008), the moral virtues are responsible for developing a person's capacity for self-governance or self-control and so helping them to overcome self-interest in their decision-making.

If the person perseveres in acquiring such good habits in all of their decisions, they will become virtuous and accordingly will grow in the virtue of practical wisdom. Aristotle (Trans. 1941) wrote that the wise do not see things in the same way as those who look for personal advantage. The practically wise are those who understand what is truly worthwhile, truly important, and thereby truly advantageous in life: who know in short, that is worthwhile to be virtuous (NE Bk 6 chap 13; 1144b31). Such a person will grow in the ability to grasp what a particular value requires in a concrete situation.

Practical wisdom or phronesis is the reward for striving for virtue. It is the ability to know what is good to do here and now.

It is comparable to having a sixth sense. For example, what being honest actually requires in this situation or what justice requires of me in these circumstances. It enables a person to have a rational control of their feelings: to "have those feelings at the right times on the right grounds towards the right people for the right motive and in the right way" (Aristotle, Trans. 1941, NE Bk 2 chap 6; 1106b16). We can explain this philosophically by the close connection between the intellect and the will. The more virtuous a person is, the more morally upright they are. In other words, their will is directed towards moral good. There is certain strength in a will that enables it to choose the moral good with ease in situations that would severely test ordinary people. This rectitude of the will influences the clarity of the intellect, enabling it to perceive what virtue demands in a particular situation.

The core values of spirituality are moral values to the extent that they resemble the objective moral goods of human nature. The nature of a spiritual person's RI is the assurance of this. Spiritual persons are not driven by their ego in the workplace. They seek wholesome relationships with others and a greater meaning in what they do (Mitroff & Denton, 1999). Adherence to their RI leads them to be others-focussed which implies pursuing moral goods. The four formative components of the RI would hinder or discourage any value or habit that would smack of selfishness or egoism (i.e. vice).

Therefore, a spiritual person is likely to be virtuous and to demonstrate certain virtues. Up until now, it has been unclear why and how a spiritual person is necessarily ethical in the workplace. The theory that explains how this process might occur is Aristotelian virtue ethics. A virtuous person perceives that it is worthwhile to live according to moral values. A spiritual person's mindset is similar to that of a virtuous person. Their RI will take them to live according to moral values, which respect themselves and others; thereby entering the cycle of virtue acquisition and acquiring practical wisdom (see Figure 1).

The Benefits of Spiritual (and Virtuous) Workers

Spirituality acts as a regulative ideal. This 'ideal' generates an embedded network of specific moral values that represents an 'internalised disposition' to act and be motivated in particular ways which address an spiritual individual's conception of what makes for excellence, in terms of their roles and responsibilities. The regulative ideal will provide a standard that informs judgement and helps to govern moral choices made in the context of daily working practice. It will be a reference point that will help to regulate both motivation and conduct so that a spiritual individual tends to conform to their internalised conception of good or excellent spirituality. To put this differently, motivations, decisions and actions that harmonise with a person's regulative ideal are appropriate and practiced, while those that clash with it are rejected. Through repeated acts, these values

ACQUISITION OF VIRTUE CYCLE

LINK BETWEEN SPIRITUALITY & VALUES
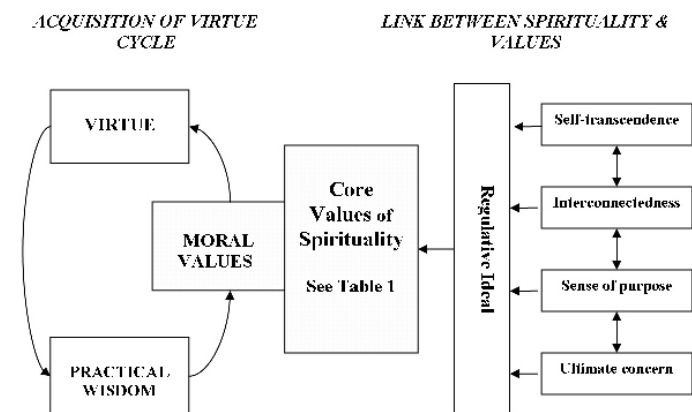
Link between Spirituality & Values: A spiritual person operates according to a regulative ideal that consists of certain values that essentially seek the good of others. This 'others focus' renders these values as moral values. Accordingly, they incorporate themselves into the acquisition of virtue cycle.

Acquisition of Virtue Cycle: One acquires virtue by consciously acting according to moral values. These are rooted in human nature, and by definition, place one in a respect-filled relationship with others. As one grows in virtue one becomes practically wise which enables them in turn to better grasp or perceive the moral value in every action.

Figure 1: How Spirituality Translates into Ethical Behaviour

become "inculcate[d] specific habits of the heart [i.e. virtues]" (Spohn, 1997, p. 3) which, in turn, contribute to the further development of one's spiritual character. This person, because they have developed certain virtues, will act ethically, that is, do the right thing at work and elsewhere.

What are the benefits of a spiritual employee/manager in the workplace? What might be the outcomes of having individuals whose internalised regulative ideal compels them to subjugate their own ego while promoting the interests of others? An ideal that, at the same time, causes them to search for the greater meaning in what they do even as they hold themselves accountable to a higher concern. Which organisation would not want employees/managers who understand that we are beings-in-communion? Moreover, because they authentically exist only in communion, we must enact unconditional respect and openness to others.

Authentically spiritual individuals exercise certain virtues. These virtues are the outward workings of an inward mindset –their internalised regulative ideal. One would think that such an individual would provide their work organisations with significant advantages as they exercise these virtues in their work context. While the following research does not explicitly connect to the exercise of spiritual virtues, it does not take much imagination to see the potential linkages. For instance, why do spiritual individuals have greater organisational commitment (Milliman, Czaplewski, & Ferguson, 2003), increased job motivation (Jurkiewicz & Giacalone, 2004), increased productivity (Duchon & Plowman, 2005), and greater job satisfaction (Nur & Organ, 2006)? Perhaps, at least partially, it is because they see work as a calling not just a job; and it is a job in which they want to do the best they can with humility while respecting others for example.

The spiritual individual's quest for a higher purpose, personal meaning and transcendent values in their workplace does not equate to an outward focus only; it also creates a desire to integrate the self. For such individuals, spirituality is also a state of being, a process towards wholeness. Being virtuous is about seeking a fulfilled life, not just for others, but also for oneself. This internal focus leads to a number of outcomes that also in-

directly benefit the organisation.

Spirituality endows individuals with a general regulative ideal that includes specific values and beliefs which give stability to them when all else is in flux (Emmons, 1999; Seidlitz et al., 2002). Spirituality is also efficacious. It empowers individuals to achieve authentic spirituality, realise their virtuous ends and cope with and solve problems faced in life (Pargament, 1997; Silberman, 2003). Finally, empirical evidence suggests that a spiritual life is likely to be characterised by positive satisfaction, a greater sense of fulfilment and a better quality of life (Dierendonck & Mohan, 2006; Mohan, 2001; WHOQOL SRPB Group, 2006). The overall result of each of these factors is a happier, healthier and more fulfilled employee.

Finally, because the virtues are predominately other-centred (Cavanagh & Bandsuch, 2002), spiritualities that focus on the self alone and its pursuit of personal balance and happiness (a kind of spiritual narcissism) are not authentic since they fail to develop the right kind of moral habits that truly enhance the benefits of spirituality in the workplace (Porth, Steingard, & McCall, 2003). Spiritual people are empowered (and empower others) to look beyond self-interest to make a difference in and a contribution to society as a whole. Virtue is also useful in recognising and minimising the potential problems of some inauthentic spiritualities (e.g. certain types of fundamentalism) since these are not directed at the good of others and do not resonate with an authentically spiritual regulative ideal.

Conclusion

Gull and Doh (2004) argue that spirituality can be the basis for ethical conduct in business. Where spirituality is absent, there is a lack of understanding that we are deeply connected.

Being in touch with spiritual principles and values helps to stimulate the moral imaginations of individuals and can provide depth of understanding of the many ethical problems that arise [in business] (p.134).

This paper has sought explain the link between individual spirituality and ethical behaviour in the workplace. The authors believe that Aristotelian virtue is the mediating factor between spirituality and moral conduct in business. They contend that spirituality forms an internalised general regulative ideal, based on four common aspects of spirituality: self-transcendence, interconnectedness, meaning and one's ultimate concern, that governs what individuals perceive and value and how they act. These moral values practiced over time become virtues. Spiritually virtuous individuals contribute significant benefits to organisations.

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Attitude and Divergence in Business Students: An Examination of Personality Differences in Business and Non-Business Students

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Abstract

Many studies have reported that economics and business students have been more apt to act in self-interested ways when compared to their counterparts in other academic fields. It is our contention that past studies have not shed light on the underlying psychological differences which might be leading to this difference in behavior. We put forth evidence that certain business majors are correlated with a marked increase in levels of narcissism and decreased levels of empathy, as measured by psychological personality tests.

Keywords

Business school students, business school pedagogy, empathy, ethics, narcissism, selfishness

Introduction

It has been well established that business students often cheat more and act in less cooperative ways than students from other academic fields (Frank, 2004; McCabe and Trevino, 1995; Khaneman et al., 1986). The complexities surrounding the causes of unethical behavior make it difficult to capture the full picture of what sorts of attitudes or personality characteristics will lead to dubious acts in the business world. However, we believe that at least part of this complexity resides in underlying personality dispositions that result from repeated exposure to the sort of pedagogy applied in business schools. We set out to test whether there are differences in personality dispositions between non-business students and business students.

In posing this question we decided to look at one business school, comparing students' personality profile measurements and undergraduate majors. Our goal was to determine if there is a correlation between being a business major and a student's relative level of narcissism and empathy. Moreover, if business students are indeed more selfish (i.e., more narcissistic and less empathetic compared to others) than non-business students, are there specific business majors that might exhibit this trait to a higher degree? Our sample of students shows that certain business school majors, particularly finance students, tend to be more narcissistic and less empathetic towards others. While we can not be certain, these findings lead us to conjecture that more mathematically rigorous and pecuniary majors like finance and economics tend to manifest personality traits that reflect their exposure to business school pedagogy.

Pedagogy and Business School

The link between education and social development was proposed by John Dewey (1916). In his essay "Education and Experience," Dewey (1938) explores the actual experience of education, analyzing how pedagogical conditioning can indelibly manifest itself throughout the life of an individual. Dewey states, "Perhaps the greatest of all pedagogical fallacies is the notion that a person learns only the particular thing he is studying at the time. Collateral learning in the way of formation of enduring attitudes is often much more important than the spelling lesson or the lesson in geography…and it is these attitudes that fundamentally count in the future."

Similarly, Durkheim (1925) posits that childhood and adolescent education is an important facet of moral development. Viewing morality as a cognitive and developmental process, he felt that an individual's ethical framework stemmed from learning how to construct moral judgments, as well as from environmental conditioning. Both Dewey and Durkheim suggest that at the core of education is a fundamental need to complement the analytical tools students learn with moral faculties that will assist them in negotiating future ethical dilemmas.

Pratt and McLaughlin (1989) offer empirical evidence that supports these prior assessments. They show that the development of subjective norms of college students is a reflection of the attitudes of their peers and their professors. Using Ajzen and Fishbein's (1980) Theory of Reasoned Behavior as a theoretical model, they demonstrate that students' ethical behavior is closely linked to their attitude development in the classroom. There is a separation by which "students' subjective norms (their perceived social pressures) are a function of the normative beliefs (expectations) of various others in the environment" (Pratt and McLaughlin, 1989: 72).

There is substantial literature that indicates undergraduate business students cheat more than other undergraduate majors. Baird (1980) reported that business students are more likely than education majors to cheat, and more likely to conceal instructors' mistakes. Brown (1995) shows that in a survey study of graduate business, education, and engineering students, business students were substan-

tially more inclined to participate in academic dishonesty. In another study, McCabe and Trevino (1995) looked at reported cheating at 31 of America's best undergraduate colleges and universities. Their sample consisted of 6,096 responses. Business students had a 50% higher rate of reported cheating than any other major.

Khaneman et al. (1986) showed that commerce students were more likely to offer less in an ultimatum bargaining experimental game. In ultimatum bargaining, an individual is asked to divide an amount of money between himself and another player. The other player has the option of accepting or rejecting the offer made by the decision player. Khaneman et al. compared commerce students to psychology students of the same year in school, finding that the business oriented students in general offered less to the opposing player.

Frank (2004) asked a similar question in regards to economics students. Frank posed the question of how non-economics students would compare to economics students in a prisoner's dilemma game. He reported that, under a variety of circumstances, economics students at Cornell University were more likely to defect. In fact, more than half of the economics majors who returned an exit survey said they would defect in the game even if they knew with certainty that their opponent was going to cooperate. What is more intriguing is that other majors had a strong and progressive tendency toward cooperation in the prisoner's dilemma the closer they were to their senior year. This pattern was clearly absent amongst economics majors.

Frank (2004) also used ethics surveys in two undergraduate economics courses that were taught in contrasting ways: one was taught in the standard fashion and the other was taught by an economist specializing in economic development in Maoist China, who stressed the less material objectives of economics. The ethics questions asked students how they would react to certain situations. Students were surveyed once in September at the beginning of the semester, and once at the end of the semester in December. Economics students in the mainstream traditional class were more likely to answer the questions with a cynical view in mind as compared to the class with less of a material focus.

A study by Sims (1993) demonstrates that many business professionals learn selfish behavior while in undergraduate or graduate business school. He shows that these behavioral attitudes follow them into the work world. Sims's work highlights the importance of attitude development in dealing with dishonest or selfish actions. Thus, attitudes that are cultivated and fostered in business school could form at least part of the basis of how corporate cultures evolve. Indeed, Hartikainen and Torstila (2004) show that younger finance professionals that are only up to two years out of business school have dramatically different ethical standards, compared to those who have been working for many years. The implication is that business school teaches one set ethical values and experience in the business world teaches another. These findings suggest that the business school experience may have a direct impact on the ethical behavior of professionals.

Ethics and Personality

As the research demonstrates, undergraduate business majors have been shown to cheat more and act in less ethical ways than other students. There is an important point that these studies only address mildly. How do these sorts of behaviors become engendered on a psychological level in business students? It is our contention that the business school pedagogy might at least

be one of the factors leading to less ethical behavior. However, in order for a curriculum to alter behavior in other facets of a student's behavioral spectrum, it must also change some underlying personality characteristics. In order to test whether business students have different personality characteristics from non-business students, we used a test for selfishness and a test for empathy as a proxy for a general change in deep rooted views of ethics.

The Selfism Test was designed by its developers, Phares and Erskine (1984), as an instrument to measure relative narcissism. As defined by the authors, this test measures "an orientation, belief, or set affecting how one construes a whole range of situations that deal with the satisfaction of needs. A person who scores high on the narcissism scale views a large number of situations in a selfish or egocentric fashion" (Phares and Erskine, 1984).

The other personality measure used in our survey focused on testing individuals for empathetic tendencies, or the ability to understand the needs of others and their community. Goldberg (1999) developed a series of questions to test for empathetic patterns of behavior in respondents. The study of the manner in which individuals attempt to understand and place themselves emotionally in the place of another is of great importance in contemplating how social groups and networks are motivated to carry out pro-social behavior.

Thoits (1989: 328) states that "empathetic role-taking emotions, or vicarious emotions, result from mentally placing oneself in another's position and feeling what the other might feel in that situation." Indeed, this sort of emotional capacity has been important to researchers looking at what motivates moral and pro-social actions, finding that higher levels of empathy tend to make individuals more likely to be morally outraged or to take action to prevent unjust acts (Davis, 1996; Smith-Lovin, 1995; Schieman and Van Gundy, 2000). A heightened sense of morality or an active vigilance in regards to justice are exactly the sorts of behavioral tendencies that lead to more ethical behavior.

Experimental Design

We contacted 1,189 students at a large research university and had 441 respondents, or a 37.9% response rate. A web-based survey was used to allow all non-demographic questions associated with the personality characteristics to be randomized (Umesh and Peterson, 1991). Similar to Kerkvliet (1994), who investigated academic dishonesty among economics students, our survey was completely anonymous. As mentioned, the personality profile portion of the survey had two specific focuses, including a selfism (narcissism) test and an empathy test. We consulted the pertinent psychology literature before we decided on two mainstream and widely accepted scales to test narcissism and empathetic tendencies. There were a total of sixteen questions in this section, eight for each test.

In order to elicit a positive survey return rate it was necessary to use a subset of each test, with eight narcissistic and eight empathetic questions. Each test used a seven point Likert scale, from one to seven, asking respondents to either strongly agree or strongly disagree. The following is a sample question:

Call it selfishness if you will, but in this world today, we all have to look out for ourselves first.

Strongly Agree					Strongly Disagree	
1	2	3	4	5	6	7

Students were not informed of the full intent of the project, but told that a study to improve business education was being

conducted. In nine classes, instructors agreed to offer a small amount of extra credit to students who completed the survey. In twelve other classes investigators were allowed to enter the class to ask students to voluntarily complete the survey.

Emperical Model

Dependent Variables

It was necessary to develop two dependent variables: one for narcissism and another for empathy. A cluster analysis was used to identify homogeneous groups of students. There is no prior demarcation; the preprogram algorithm uses the information available to find the most likely cluster size, though the procedure does require a specification on the number of clusters. Following the work of Bunn et al. (1992), Kerkvliet (1994), and Nowell and Laufer (1997), we desired binary dependent variables for methodological purposes. The cluster analysis allowed us to classify students into two groups based on their responses on our psychological tests. This procedure was conducted for both narcissism and empathy. Respondents were accordingly categorized as either narcissistic or non-narcissistic, and empathetic or non-empathetic. For example, 0 = non-narcissistic and 1 = narcissistic. See Table 1, Panel A, for descriptive statistics concerning the cluster analysis.

Independent Variables

Variables describing individual characteristics included gender, year in school, GPA, age, the number of math courses taken and whether the student received extra credit. GPA was an important variable to include. We hypothesized, as Bunn et al. (1992) found with cheating, that GPA would have a negative coefficient on the narcissism test; however, we had no hypothesis concerning this variable on the empathy test. Increasing age and year in school, we believed, would be correlated with higher levels of narcissism, but again we took no position on how these individual characteristics would affect empathy toward others.

Frank (2004) found a positive correlation between number of math classes completed and starting salaries of graduating Cornell University students. Math classes in this way act as a proxy for students attempting to earn more money when they leave. We believed that higher levels participation in math classes would have a positive coefficient in relation with narcissism and a negative effect with empathy.

Dummy variables were used for the individual undergraduate business majors, freshmen, and non-business seniors. Business students fell into one of four classifications: Accounting, Finance, Management and Marketing.[1] Because of the necessity to run multiple regressions at different stages of our investigation in order to compare separate segments of the sample, different sub-groups (including non-business seniors, freshman and marketing students), were used as a baseline at varying stages of the analysis.

Another important dummy variable used in our model was extra credit, where 0 = no extra credit and 1 = extra credit. We felt this was an important factor to control. It was possible that if we did not control for this variable, less narcissistic and more empathetic students would be over-weighted, as more selfish individuals would be less willing to take the survey unless there was some sort of incentive that served their self-interest.

Hypotheses

With both narcissism and empathy, we felt that two important dimensions of personality could be tested: one that should lead to more selfish behavior and another that is more group-orient-

ed. Using these two dimensions of personality as our dependent variables, we developed a series of hypotheses to test our beliefs about differences between business and non-business students, and among business students.

Based upon the nature of the personality traits being tested, our first hypotheses were the following:

Hypothesis 1-A:

A student's classification as a business student will predict higher rates of narcissism.

Hypothesis 1-B:

A student's classification as a business student will predict lower rates of empathy.

Our second set of hypotheses were based upon findings that a traditional economics curriculum was a significant predictor of the chances that a student would tend to act in a more cooperative manner (Frank, 2004). In almost all respects finance is an applied form of economic analysis. However, there is one difference. While both majors use the standard neo-classical model of self-interest as a primary assumption, finance has no social or community oriented application. At some point in the study of economics most students encounter debates about welfare functions, community planning and social economic intervention. However, there is no such debate in the study of financial analysis. Students are called upon to deal with only one question: how to maximize individual and firm profit? Therefore, if there is a similar conditioning effect from the study of finance, as has been suggested by Frank (2004) about economics students, there could be noticeable differences between students from finance and other business majors. Therefore, we formed the following two hypotheses:

Hypothesis 2-A:

Finance majors will have higher rates of narcissism than other less mathematically inclined business majors.

Hypothesis 2-B:

Finance majors will have lower rates of empathy than other less mathematically inclined business majors.

Finally, we wanted to test whether there was a difference between freshman business students and upper-class business students. We are looking for differences that might suggest that there could be a change over the term of a student's participation in a business program. Obviously, because this is not panel data any findings produced here should only be viewed as anecdotal. With this in mind, we conceived the following hypotheses:

Hypothesis 3-A:

Upper-class business majors will have higher rates of narcissism than freshman business students.

Hypothesis 3-B:

Upper-class business majors will have lower rates of empathy than freshman business students.

Estimation

Means and standard deviations of our control variables are included in the estimations reported in Table 1, Panel B. Out of 441 respondents, 435 empathy and 431 narcissistic observations were reported, respectively, for each of our dependent variables. The following two equations were used during analysis:

$$Narcissism_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \sum_{m \in M} \delta_m BusMajor_{mi}$$

$$Empathy_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \sum_{m \in M} \delta_m BusMajor_{mi},$$

where Narcissism and Empathy are the binary cluster variables and BusMajor is a dummy variable representing the four categories of business school study. Please see Table 1, Panel C, for a listing of the number of observations for each major area. The independent control variables are grade point average, number of math classes, age and extra credit. A PROBIT model was used to predict narcissism and empathy among our respondents.

Panel A. Cluster Analysis			
Narcissistic Clusters			
	Frequency	Percent	
Narcissism = 0	191	44.3	
Narcissism = 1	240	55.7	
Total	431	100	
Empathetic Clusters			
	Frequency	Percent	
Empathy = 0	160	36.8	
Empathy = 1	275	63.2	
Total	435	100	
Panel B. Control Variable Data			
	GPA	Math Courses	Age
Mean	3.301	3.788	21.565
Std. Dev.	0.493	3.278	2.359
Panel C. Observations			
Major	Students		
Finance	97		
Management	73		
Accounting	32		
Marketing	42		
Total Business	244		
Non-business	197		
Total	441		

Results & Discussion

Finance Majors are Different

We first tested whether there was a general difference in business versus non-business students across our entire sample as according to hypotheses 1A and 1B. The following two models of narcissism and empathy were used for this analysis:

(1) $$Narcissism_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \beta_5 BusMajor_i$$

(2) $$Empathy_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \beta_5 BusMajor_i,$$

where BusMajor$_i$ is a dummy variable denoting a student that is majoring in business. The results are present in Table 2, Panel A. Notice there are no statistically significant coefficients, indicating similar patterns of personality characteristics between both segments of the sample. Clearly, our initial hypotheses regarding potential differences between business students and non-business students were incorrect.

Next, we wanted to look at the total sample again, but this time we were interested in students in individual business majors that differed from our control group of non-business students. We estimated the following two regressions:

(3) $$Narcissism_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \sum_{m \in M} \delta_m BusMajor_{mi}$$

(4) $$Empathy_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \sum_{m \in M} \delta_m BusMajor_{mi},$$

where BusMajor$_i$ is a dummy variable for the identity of each business major (m$_1$ = Accounting, Finance, Management and Marketing). In this case, the rest of the population, including non-business majors and business freshmen, were the baseline comparison.

Finance majors were significantly more narcissistic and less empathetic than any other undergraduate business major. In both regressions, finance majors were significant at the p<.05 level. Notice in Table 2, Panel B, the strong positive coefficient concerning narcissism and the strong negative coefficient concerning empathy as compared to the other business majors. Also, remember this is as compared to the baseline non-business majors. As with prior studies of cheating, GPA was negatively correlated with the narcissism variable and significant at the p<.01 level. Our estimation in this case supports hypotheses 2A and 2B. Finance majors were different from their peers at a statistically significant level in the ways we would expect. They had higher levels of narcissism and lower levels of empathy.

Table 2. Binary Probit Regressions of Equations 1-4 (Full Sample)

					Independent Variables								
	Constant	GPA	Math Courses	Age	Extra Credit	Business Major	Finan	Mgnt	Acct	Market	Fresh	Obs.	log likelihood
Panel A. Equations 1 & 2													
Narcissism	1.600***	-0.32**	-0.015	-0.032	0.266	0.156						401	-275.4
	(1.95)	(2.41)	(0.74)	(1.14)	(1.03)	(1.18)							
Empathy	-0.063	0.059	0.010	0.018	-0.200	-0.090						405	-267.5
	(0.08)	(0.46)	(0.53)	(0.64)	(0.75)	(0.68)							
Panel B. Equations 3 & 4													
Narcissism	1.752**	-0.354*	-0.015	-0.033	0.244		0.336**	0.088	-0.185	-0.029		404	-277.6
	(2.11)	(2.64)	(0.74)	(1.15)	(0.93)		(2.07)	(0.48)	(0.71)	(0.13)			
Empathy	-0.297	0.126	0.010	0.020	-0.230		-0.296**	0.190	-0.258	0.241		408	-269.4
	(0.36)	(0.97)	(0.50)	(0.69)	(0.85)		(1.84)	(1.01)	(0.98)	(1.02)			
Panel C. Equations 5 & 6													
Narcissism	2.937*	-0.410*	-0.018	-0.071***	0.218						-0.591**	399	-274.7
	(2.71)	(3.00)	(0.91)	(1.85)	(0.84)						(2.45)		
Empathy	0.082	0.067	0.016	0.007	-0.194						0.014	403	-265.5
	(0.08)	(0.51)	(0.79)	(0.21)	(0.73)						(0.06)		

Notes: z-statistics appear in parentheses. Significance at the 1%, 5%, and 10% are shown by *, ** , and *** respectively.

Evidence of Conditioning?

The next stage in our analysis was to compare freshmen to the rest of the sample. It was important to look for trends that might inform us on whether students might self-select into majors that fit predisposed attitudes, or if there could be certain psychological biases that were the result of pedagogical conditioning. It should be emphasized that since this is not panel data any findings discussed here should only be viewed as anecdotal. Nonetheless, we were curious whether there was anecdotal evidence that would support the contention that the business environment might be affecting students' attitudes.

We analyzed the sample looking for differences between non-business freshmen and business freshmen, but found no statistical differences in either narcissism or empathy.[2] This supports an assumption that freshmen enter college carte blanche, or without significant selfish or empathic attitudes that are different relative to upper-classman. As there were no differences between non-business and business freshman, we therefore decided to treat freshmen as a homogenous group in order to compare them to upper-classmen. We used the following regression

equations to accomplish this:

$$(5) \qquad Narcissism_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \beta_5 Freshmen$$

$$(6) \qquad Empathy_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \beta_5 Freshmen,$$

where $Freshmen_i$ is a dummy variable identifying first year students.

We found that when compared to the rest of the sample, freshmen as a group are much less narcissistic. Notice the strong negative coefficient at the 1% significance level in regards to selfishness for freshmen in Table 2, Panel C. Predictably, age is an important variable in the narcissistic regression, significant at the $p<.05$ level. The negative correlation in this regression for age suggests that younger individuals are less likely to have selfish attitudes. GPA has a negative correlation at the $p<.01$ level, suggesting that GPA is an important factor in selfish attitudes even in first year students. The empathy factor is not statistically significant.

Comparison Without Freshmen

We now have anecdotal evidence corresponding to hypotheses 3A and 3B that between a student's freshman year and the completion of their undergraduate major classes, a change in attitude might be taking place, particularly for finance majors. We now needed to take freshmen out of the sample to view how significantly the business major dummy variables would perform compared to only non-business upperclassmen. Recall that in the first step of our analysis, we treated all freshmen and non-business seniors as the baseline for our regression. The possibility existed that when we compared individual business majors in our first step of analysis to the rest of the sample, freshmen were heavily weighting the baseline comparison.

Therefore, in order to get a true measure of any differences between non-business students and individual business majors we needed to take out the freshmen. We used the same regression equations as in our first test, except we eliminated freshmen from the sample:

$$(7) \qquad Narcissism_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \sum_{m \in M} \delta_m BusMajor_{mi}$$

$$(8) \qquad Empathy_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \sum_{m \in M} \delta_m BusMajor_{mi},$$

where $BusMajor_{mi}$ is a dummy variable for the identity of each business student's major (m = Finance, Management, Accounting, Marketing). Notice in Table 3, Panel A, there is only a marginal change from the regressions run on the entire sample in step one. Finance majors are still strongly narcissistic and weakly empathetic at a statistically significant level. Therefore, we can now say that as compared to other upper-class students in this sample, finance majors generally hold attitudes that are more selfish and less empathetic.

Table 3. Binary Probit Regressions of Equations 7-12 (Freshmen Excluded)

	Constant	GPA	Math Courses	Age	Extra Credit	Finan	Mgnt	Acct	Market
Panel A. (All Majors) Equations 7 & 8									
Narcissism	4.159*	-0.556*	-0.023	-0.096**	0.007	0.285***	0.058	-0.239	-0.240
	(3.57)	(3.33)	(1.03)	(2.46)	(0.02)	(1.65)	(0.29)	(0.85)	(0.98)
Empathy	-0.159	0.064	0.017	0.019	-0.167	-0.294***	0.128	-0.067	0.280
	(0.15)	(0.38)	(0.79)	(0.57)	(0.58)	(1.73)	(0.63)	(0.23)	(1.08)
Panel B. (Business Majors) Equations 9 & 10									
Narcissism	4.286**	-0.597*	-0.010	-0.097	-0.299	0.540**	0.312	0.004	
	(2.47)	(2.74)	(0.38)	(1.56)	(0.83)	(2.12)	(1.16)	(0.01)	
Empathy	-0.356	0.100	0.023	0.044	-0.377	-0.588**	-0.151	-0.366	
	(0.21)	(0.46)	(0.89)	(0.73)	(1.04)	(2.22)	(0.53)	(1.04)	

Independent Variables

Notes: z-statistics appear in parentheses. Significance at the 1%, 5%, and 10% are shown by *, **, and *** respectively.

Finance as Compared to Other Business Majors

The final step in our analysis was to compare the individual business majors to each other, using a business student only segment of our sample population, without freshman and non-business seniors. We used the following regression models:

$$(9) \quad Narcissism_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \beta_5 Fin_i + \beta_6 Mngt_i + \beta_7 Acct$$

$$(10) \quad Empathy_i = \beta_1 GPA_i + \beta_2 Math_i + \beta_3 Age_i + \beta_4 EC_i + \beta_5 Fin_i + \beta_6 Mngt_i + \beta_7 Acct,$$

where marketing students provided the baseline. Notice in Table 3, Panel B, that when compared to other business majors, finance students are still significantly more narcissistic and less empathetic, both at the p<.05 level. Even among their colleagues in the business areas, students studying finance seem to follow the same pattern of being more selfish and less empathetic.

Conclusion

We investigated whether or not there is a correlation between studying business and the manifestation of personality characteristics that could lead to unethical behavior. Substantial academic literature and research has documented that business students tend to cheat more and act in a more selfish manner than the general undergraduate population. We looked at two underlying personality characteristics that would likely lead to unethical behavior by comparing the respective rates of these variables between different undergraduate majors.

Our study has shown that there is no larger difference be-

tween business and non-business students. However, it does indicate that at least among business students, finance students in particular have a strong likelihood of possessing those qualities which may lead to unethical decision making. More research is necessary to test further the notion that business school pedagogy may be altering the personality characteristics of students. Panel data tracking students over their four years of study is the most important feature that a future study must employ to arrive at a better test of the effects of business pedagogy on students. While we can only conjecture about what may be causing differences in finance students, we can be sure that in our sample of students finance students manifested those personality traits which would lead them to make decisions that value individual self-interest over group-centered outcomes.

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[1] The reader might notice that our regressions have fewer observations than the total number taken. This result occurs if a respondent omitted an answer to the necessary questions needed to form the regression equation. The R2 is not reported. This study is not a test of a model of narcissism and empathy, but an attempt to identify differences in these dependent variables between sub-samples.

[2] Using a sub-sample of only freshmen, regressions of equations (1) and (2) yielded no significant coefficients on the dummy variables for business students.

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Appendix

Selfism Questions

1. Thinking of yourself first is no sin in this world today.
2. It is more important to live for yourself rather than for other people, parents, or for posterity.
3. I regard myself as someone who looks after his/her personal interests.
4. It's best to live for the present and not worry about tomorrow.
5. Getting ahead in life depends mainly on thinking of yourself first.
6. Call it selfishness if you will, but in this world today, we all have to look out for ourselves first.
7. In striving to reach one's true potential, it is sometimes necessary to worry less about other people.
8. Not enough people live for the present.

Empathy Questions

1. I make people feel welcome.
2. I anticipate the needs of others.
3. I love to help others.
4. I am concerned about others.
5. I have a good word for everyone.
6. I am sensitive to the feelings of others.
7. I make people feel comfortable.
8. I take time for others.

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Managers sans Owners and not Owners sans Managers

Michael Schwartz

Abstract

Drucker's search for an alternative to both capitalism and socialism was not undertaken in isolation from others also searching for such an alternative (Mosse, 1987). Regarding those others, the proponents of a totalitarian alternative admired the industrialist, Henry Ford. Their admiration was partially because of the belief that an entrepreneur such as Ford could innovate and prosper without management. Drucker, however, advocated the necessity of autonomous management in a society of organisations. What thus becomes essential to the organization for Drucker is management, even if for Drucker marketing is the essential function of the business. Furthermore, Drucker's advocacy for the necessity of autonomous management in a society of organizations explains his concerns regarding business ethics.

Keywords

Drucker, capitalism, Ford, Management, Marketing

Introduction

No less an authority than Theodore Levitt (1925-2006), who was both a professor of marketing at the Harvard Business School and the editor of the Harvard Business Review, claims that "Peter Drucker created and publicized the marketing concept" (Levitt, 1970, p. 9) on which all of contemporary marketing rests. Such a claim is of considerable interest given that Drucker is internationally recognised for his contribution to management, and not to marketing. Flaherty describes Drucker as being "most widely known as the father of modern management" (199, p. ix). Levitt is, however, correct in making such a claim.

After all, in 1954 in his first purely managerial book, The Practice of Management, Drucker was to insist that "there is only one valid definition of business purpose: to create a customer" (Drucker's italics, 1979, p. 52). And because the purpose of the business is to create a customer the business only has two "basic functions: marketing and innovation. They are the entrepreneurial functions" (Drucker, 1979, p. 53). Furthermore, Drucker argued, that as "it is the customer who determines what a business is" (1979, p. 52), it is "marketing (which) is the distinguishing, the unique function of the business" (Drucker, 1979, p. 53).

Such arguments make it obvious that what is integral to the theme of Drucker's The Practice of Management is marketing, despite Drucker's international recognition for his contribution to management. Drucker did claim that it was "The Practice of Management, which first established management as a discipline in 1954" (Drucker, 1994, footnote to p. 43). Whilst that is correct management was established by Drucker as a discipline with a distinct marketing orientation. Furthermore, as that orientation highlights customer sovereignty, it places the ultimate control of the business outside the business much in accordance with accepted economic theory.

Benton has argued that such an emphasis was important given that business sought a "symbolic congruity between the marketing concept and the doctrine of consumer sovereignty" (1987, p. 426) as it would justify "the absence of government regulation and control" (1987, p. 426). However, Benton claims that any such thinking was flawed as "the rub is, of course, that those same sophisticated marketing techniques can be used to manage demand as well as to seek out and satisfy existing demand" (1987, p. 426). Benton supports this by quoting Drucker in his book The Age of Discontinuity asserting that marketing "creates markets" (1971(a), p. 73). Thus for Benton "the marketing philosophy becomes revealed not as an end in itself, as is the case with consumer sovereignty" (1987, p. 428). However, in the preceding paragraph to that quote Drucker did write that "it is axiomatic that the customer is only interested in the satisfaction he seeks" (1971(a), p. 73) and that marketing "looks upon the entire business . . . from the point of view of the customer" (1971(a), p. 73). It is thus not apparent from Drucker that there is any lack of congruity between the marketing concept and consumer sovereignty.

However, what is of interest to any Drucker scholar is that whilst marketing was central to Drucker's 1954 book, it ceases to be a subject that Drucker contributes much additional knowledge to in his subsequent books and articles. That is not to say that marketing is not mentioned. It is. But while it is Drucker does not repeat the insight he revealed in stating that the purpose of a business is to create a customer which helped create the marketing concept. Flaherty writes that "in his treatment of the marketing concept, Drucker analysed … consumer sovereignty, consumer rationality, the utility function, the distinction between sales and marketing, the systems approach, and the demand factor" (Flaherty, 1999, p. 131). One cannot dispute any of that. But Drucker had made most of that contribution by the time his 1964 book, Managing for Results, appeared.

I am thus intrigued as to the paucity of Drucker's contribution to marketing after the 1960s. A reason for this might have been Drucker's explanation that, "despite the emphasis on marketing and the marketing approach, marketing is still rhetoric rather than reality in far too many businesses" (1985(b), p. 64). Given such a reality Drucker might have believed

that he would be far more effective in explaining management practices rather than exploring marketing. Nonetheless, one can speculate that there could have been other reasons. Furthermore, an understanding of those other reasons could provide us with insight into not merely why Drucker concentrated on management rather than marketing, but furthermore what that concentration reveals regarding his hostility to business ethics (Drucker, 1985(c)).

These other reasons might have been related to a conflict for Drucker between marketing and management. In such a conflict management would be seen as the preserve of professional managers, while marketing would be associated with those concerned with the entrepreneurial function as that was how Drucker initially described marketing. It is this conflict I wish to explore in this paper; and why even if Drucker only sub-consciously acknowledged such a conflict it would have retarded his interest in contributing to marketing. Such a conflict could also explain Drucker's disdain for business ethics which I have explored in earlier papers (Schwartz, 1998, 2002). The research in this paper is thus an extension of that earlier research (Schwartz, 1998, 2002); yet, while it does return again to Drucker's concerns at the outset of his career, and the situation at that time, it is interested in them from an entirely different perspective.

In this paper I am primarily concerned with how Drucker might have perceived the dichotomy between management and marketing; and why faced with such an apparent dichotomy between these two fields he chose to focus on making a contribution to management and not to marketing, despite his earlier major contribution to marketing. Furthermore, I argue that Drucker's preference for contributing to management rather than marketing, explains why he is critical of business ethics as an academic discipline.

Entrepreneurship

Undeniably, many credit entrepreneurship with creating employment opportunities and fostering productivity. Drucker, who in 1985 wrote Innovation and Entrepreneurship, sought to define its practice theoretically. Curiously, in doing so, Drucker places marketing at the very core of entrepreneurship. For Drucker merely starting a new business is not entrepreneurial, and neither does it represent entrepreneurship. But the situation is different if a particular business "created a new market and a new customer. This is entrepreneurship" (Drucker, 1985, p. 19). Such entrepreneurship, Drucker readily acknowledges, has social impacts. According to Drucker, "Marks & Spencer, the very large British retailer, has probably been more entepreneurial and innovative than any other company in western Europe these last fifty years, and may have had greater impact on the British economy and even on British society, than any other change agent in Britain, and arguably more than government or laws" (Drucker, 1985, p. 21). Here, ultimately, Marks & Spencer business was "not retailing. It was social revolution" (Drucker, 1985(b), p. 96) because Marks & Spencer actively sought through its business activities to change British society.

Such an admission is revealing. Drucker has since the appearance of his first book in 1939, The End of Economic Man: A Study of the New Totalitarianism, insisted that he is "'conservative' in a very old sense" (Drucker, 1995 p. 9). What essentially distinguishes such old conservatives from the neo-conservatives, is the commitment of the former to the existing community (Drucker, 1995). Entrepreneurship, as evidenced by Marks & Spencer, affects the existing community in ways that cannot be foreseen. Drucker could therefore have been cautioned by his understanding of the past to be wary of the possible impacts of entrepreneurs and entrepreneurship upon the existing community. Yet, that does not seem plausible. Drucker in all of his writings urges the necessity of constantly embracing change. Indeed Drucker, in his 1985 book, advances a theory of entrepreneurship which builds upon the efforts of past entrepreneurs to make the marginal central and identifies the "sources for innovative opportunity" (Drucker, 1985, p. 27). Such sources include "the unexpected, the incongruity, changes in perception, mood, and meaning, population changes, changes in industry structure or market structure, and new knowledge, both scientific and nonscientific" (Drucker, 1985, p. 32).

Regarding such possible changes in industry structure Drucker described how "the one fundamental socialist dogma without which belief in the order of Marxism is impossible, is that capitalism in its trend toward larger and larger producing units must by necessity develop a social structure in which all are equal as proletarians except a few expropriators" (Drucker, 1939, p. 24). However, Drucker argued that the reality was that "the larger the unit becomes, the larger is the number of intermediate privileged positions, the holders of which are not independent entrepreneurs but even less unequal members of the proletariat. … all have a vested interest in the maintenance of unequal society" (Drucker, 1939, p. 25). It is not insignificant that Drucker highlighted that these individuals are neither entrepreneurs nor proletariats. It is also not insignificant that Drucker in stating this is consciously, or unconsciously, echoing Max Weber (1864 – 1920) who over thirty years earlier "saw the increase in white-collar workers as falsifying Marx's contention that capitalist society would become polarised between the bourgeoisie and an ever larger and impoverished proletarian mass" (Bellamy, 1992, p. 191).

Indeed, given Drucker's reiteration of Weber's claim one might be forgiven for expecting Drucker to be partial to Weber. However, this does not seem to be so. Drucker writes that Weber's assertions as to the "Protestant Ethic" have "been largely discredited" (Drucker, 1994, p. 26). Also, that Weber was "quite oblivious to organization as a new phenomenon" (Drucker, 1994, p. 51). Rather, Weber saw "entrepreneurs" (Bellamy, 1992, p. 190) as part of the answer to the growing dangers of bureaucracy which might explain Drucker's antipathy to Weber. Drucker then, too had misgivings about the future. But beyond such misgivings he did not believe that the entrepreneur could offer society salvation. Many of his contemporaries in Europe though, during that period prior to the outbreak of hostilities in 1939, did look to the entrepreneur for salvation.

Drucker's 1939 book, The End of Economic Man: A Study of the New Totalitarianism, attempted to explain the appeal of fascism. According to Drucker much of this appeal was due to a growing disillusionment in Europe with both capitalism and socialism. Indubitably, Drucker portrayed the appeal of socialism as reliant upon the acceptance of capitalism. However, following Drucker, by the 1930's a general belief in capitalism was no longer possible. Conversely, given that, neither could that same society accept socialism. Drucker argued that the 1873 European stock market crashes "marked the end of the Liberal era, the end of the one hundred years in which laissez-faire was the dominant political creed. That century had begun in 1776 with the Wealth of Nations by Adam Smith" (Drucker, 1989, p. 5). And yet whilst 1873 might have marked the end of that era, fifty years later no viable alternatives to capitalism and socialism had emerged, although the widespread refutation throughout Europe of these two –isms explained the growing acceptance of totalitarianism.

Paradoxically, while European society might have rejected both capitalism and socialism, they accorded heroic status to entrepreneurs. The Canadian historian, Joan Campbell, recounts how between 1923 and 1939 "a German version of Henry Ford's autobiography, Mein Leben und Werk was republished over thirty times" (Campbell, 1989, p. 133). And that in Germany the only book which outsold Henry Ford's works during that period was Hitler's Mein Kampf where "many of Hitler's ideas were also a direct reflection of Ford's" (Pool, 1997, p. 72). Indeed Drucker in his 1939 book highlights the linkage between the rejection of capitalism and the acceptance of Ford. Drucker wrote that "to state exactly when the belief in capitalism was finally disproved is, of course, impossible. But it was reduced to absurdity on the day when Henry Ford showed the world that mass production is the cheapest and most efficient form of production" (Drucker, 1939, p. 39); and in doing so disproved the theory that "monopoly – provided the most profitable form of industrial production" (Drucker, 1971, p. 158).

Further to this, what Drucker saw as most significant about Ford with regard to the Europeans search for a totalitarian alternative was "that the essence of Nazism is the attempt to solve a universal problem of Western civilization – that of the industrial society" (Drucker, 1995, p. 23). For that very reason Nazi theorists believed that Ford represented not an appendage to capitalism, but a distinct alternative to capitalism. As early as 1924 Heinrich Himmler was describing Henry Ford to his Nazi colleagues in just those terms (Allan, 2006).

Drucker writes that "the starting point of Nazi political theory was the conviction that the modern industrial mass-production plant is the model for a totalitarian state" (Drucker, 1995, p. 103). And that "the social (Drucker's italics) meaning of the Nazi organizations is the attempt to integrate into an industrial society the individuals living in the industrial system" (Drucker, 1995, p. 102). Drucker readily acknowledges that it is pointless attempting to refute Nazi society by claiming that it is unfree, as it was never meant to be free. Given that limitation "the attack on Nazism has therefore to start with a refutation of the Nazi claim that theirs can be a functioning society" (Drucker, 1995, p. 103). And such an attack has simultaneously to take cognisance of "the collapse of the market as a society" (Drucker, 1995, p. 52). For the Nazis, the modern industrial plant was Henry Ford's River Rouge plant (Pool, 1997). Indeed, for these "National Socialists, Ford's River Rouge was not so much a business as a manifestation of supreme will and the harbinger of a new world" (Allen, 2006, p. 97), with Ford too once seeing his plant as such a "utopia" (Drucker, 1971, p. 169). Drucker could therefore argue that Nazism could not be a functioning society by asserting the very same regarding Ford's industrial plant. That he did in a 1947 article.

Ford and the Entrepreneurial Function

Introductory marketing texts often utilise the example of Henry Ford insisting that the customer could have the Model T in any colour as long as it was black in order to depict a production orientation (Zikmund and d'Amico, 2002). Drucker, however, always insisted that Henry Ford was a "most successful entrepreneur" (Drucker, 1986, p. 190) and as such primarily concerned with the entrepreneurial functions of innovation and marketing. Drucker notes that while "Ford contributed no important technological invention" (Drucker, 1970, p. 60) Ford's "contribution was an innovation: a technical solution to the economic problem of producing the largest number … at the lowest possible cost" (Drucker, 1970, p. 60). As such what was

critical to Ford's contribution was a marketing insight which was Ford's "idea of a cheap utility car for the masses" (Drucker, 1971, p. 158). Drucker thus writes that when Ford insisted that they could have any colour as long as it was black "few people realise what Ford meant: flexibility costs time and money, and the customer won't pay for it" (Drucker, 1993, p. 310). Drucker thus credits Ford with a marketing orientation.

Drucker in July, 1947 published an article in "Harper's Magazine" titled Henry Ford. That article was later reprinted in Drucker's collection of essays Men, Ideas & Politics. Elsewhere, Drucker has expanded upon Henry Ford's financial failures, writing that "he built a conglomerate, an unwieldy monster that was … horrendously unprofitable" (Drucker, 1993, p. 313). Other writers too, have expanded upon Ford's financial shortcomings (Halberstam, 1987). However, in his 1947 article, Drucker considered Ford not in financial terms but in political terms. If in those terms Henry Ford could be shown to have failed to create a functioning society, then as was claimed earlier, Drucker could in turn refute the Nazi claim that theirs could be a functioning society.

Drucker wrote in his 1947 article that whilst Henry Ford was "the symbol and embodiment of our new industrial mass-production civilization. … he also perfectly represented its political failure so far – its failure to build an industrial order, an industrial society" (Drucker, 1971, p. 156). More so, Drucker argues that Ford's success with mass-production, could not transcend his political failure, as "above all, Ford himself regarded his technical and economic achievements primarily as a means to a social end. He had a definite political and social philosophy" (Drucker, 1971, p. 158). Drucker acknowledges that Ford's political failure "does not alter the fact that his was the first, and so far the only, systematic attempt to solve the social and political problems of an industrial civilization" (Drucker, 1971, p. 159). Likewise, as Drucker writes in his 1942 book, The Future of Industrial Man: A Conservative Approach, "the essence of Nazism is the attempt to solve a universal problem of Western civilization – that of the industrial society" (Drucker, 1995, p. 23).

In his 1947 article Drucker highlights the fact that "mass production is not fundamentally a mechanical principle, but a principle of social organization (Drucker's italics). It does not co-ordinate machines or the flow of parts; it organizes men and their work" (Drucker, 1971, p. 162). Drucker argues that it is a principle of social organisation because it creates a society where individuals have to work jointly together with others to produce anything; and, where the unemployed cannot produce as they are excluded from "the productive organism" (Drucker, 1971, p. 163). Following Drucker, "in the society of the modern mass-production plant everyone derives his effectiveness from his position in an organized group effort" (Drucker, 1971, p. 163). There is thus the need for "a management responsible to no one special-interest group, to no one individual, but to the … strengthening of the whole" (Drucker, 1971, p. 163). Thus whilst, as in the case of Henry Ford, the entrepreneurial functions of marketing and innovation can significantly contribute to a society, an autonomous management is needed to execute those functions. Indeed management for Drucker is irreplaceable as no one else can discharge those functions.

For that very reason Drucker argued that modern industry was not reliant on entrepreneurs. He did not dispute that there was no place for them. Rather, he insists that there "are the truly important innovations. They are the innovations of a Henry Ford" (Drucker, 1985 (b), p. 790). But what remains essential, and not least of all to the attainment of the entrepreneurial function, was management. For Drucker, Ford's ultimate failure was because

he "wanted no managers" (Drucker, 1985(b), p. 388). Drucker argues that management, for "the owner-entrepreneur, is not its successor. It is, rather, its replacement" (Drucker, 1985(b), p. 387). Thus, that because for Drucker, "managerial work and entrepreneurial work were qualitatively different" (Flaherty, 1999, p. 161) one can understand that although in his 1954 book he identified the entrepreneurial functions of marketing and innovation as distinguishing management, he would not have enlarged upon the entrepreneurial function as this could be replaced by management.

Furthermore, in this society of the modern mass-production plant, Drucker asserts that because it needs management there is a "differentiation of functions" (Drucker, 1971, p. 163) which means that "there must be rank" (Drucker, 1971, p. 163). It was mentioned earlier in this paper that Drucker noted this in his 1939 book, claiming that it negated Marx's claim. And yet, that whilst that is so, simultaneously, "no one individual is less important or more important than another. For while no one individual is irreplaceable – only the organized relationship between individuals is irreplaceable and essential" (Drucker, 1971, p. 164). This was because without these ongoing relationships the plant cannot function. Thus whilst acknowledging the necessity for an inequality due to the existence of differing functions, Drucker argued that concurrently there was the need for "a basic equality, based on membership and citizenship" (Drucker, 1971, p. 164). All of that required the managerial skill "of organising and leading the human team" (Drucker, 1971, p. 165). And none of that existed in Henry Ford's plant where workers were "ruled through espionage and terror" (Drucker, 1985(b), p. 383) because Ford "wanted no managers" (Drucker, 1985(b), p. 388).

Such conditions Drucker wrote were the consequences of a belief that Ford would have shared with those seeking a totalitarian alternative. This is "the belief that managers and management are superfluous and that the "great man" can govern big and complex organizations and structures with his assistants and helpers – that is, his courtiers" (Drucker, 1985(b), p. 383). Indeed, Drucker described fascism in much the same terms. There "the abracadabra of fascism is the substitution of organization (Drucker's italics) for creed and order … (with) … the glorification of organization as an end in itself" (Drucker, 1939, p. 22). For Drucker Ford's political failure at solving the problems of industrial society parallel the fascist failure at solving those same problems. And both failed because they did not create societies offering membership and citizenship which would have required an autonomous management. Indeed, following Drucker, "management is a central function, not in business, but in our society, on the performance of which the very existence of the society depends" (Drucker, 1970, p. 94). Whereas whilst entrepreneurship is certainly necessary; "it is clearly a part of management and rests, indeed, on well-known and tested management principles" (Drucker, 1989, p. 227).

Drucker in his 1939 book passionately argued that Nazism and Communism were not competing ideologies but "similar ideologically and socially. That … Soviet Russia is as fascist a state as Germany" (Drucker, 1939, p. 229). And that any such "totalitarian social and political society must also have complete economic totalitarianism" (Drucker, 1939, p. 237). Such economic totalitarianism could not allow autonomous management. Years later in 1954 in his first book on management, he wrote of how the totalitarian leaders "were such fervent admirers of Ford" (Drucker, 1979, p. 143). Pool (1997) makes the same point in his book as does Allen (2006). The major reason for this admiration was that Fordism "seemed to make possible industrialization without management, in which the 'owner', rep-

resented by the political dictatorship, would control all business decisions while business itself would employ only technicians" (Drucker, 1979, p. 144). Drucker thus perceives management with its commitment to the whole as fostering community and thus facilitating industrial society. Alternatively, entrepreneurs such as Ford are destructive of both community and industrial society; as were those who looked to Ford for a political solution to modernity.

However, the innovations of an entrepreneur called Henry Ford gave us "a principle of social organization" (Drucker's italics, Drucker, 1971, p. 162). And if here "only the organized relationship between individuals is irreplaceable and essential" (Drucker, 1971, p. 164), then it was, paradoxically, the entrepreneur who created the need for a discipline called management. Drucker, of course, never explicitly acknowledges that. Although he did describe the basic business functions as marketing and innovation. These were functions which Henry Ford succeeded at. However these functions could not create that new society which Drucker pursued in his book The Future of Industrial Man as an alternative to both capitalism and socialism. Only management could facilitate that through a society of organisations. For such reasons it seems likely that Drucker curtailed his contribution to marketing and invested so much in the study of management. Equally so, this situation explains Ducker's (1985(b)) hostility to business ethics whilst simultaneously insisting upon the necessity of managers being individually morally responsible. Business ethics with its concern with the relevant stakeholders and the autonomy of corporate whistleblowers will, much like the situation in an economic totalitarianism, not allow autonomous management. An implication of both Drucker's contribution to, and ambitions for, management must thus be a resistance to the idea of business ethics.

Christine Fletcher writes that "Drucker's vision of the corporation as a hierarchy which values each member, whatever position within that hierarchy they occupy, is consonant with the teaching of Catholic Social Teaching that the person as the centre of social and economic life" (Fletcher, 2006, p. 6). This Fletcher argues "contrasts with the vision of the person as homo economicus of the empiricist social science which is the basis for the shareholder and the stakeholder models of the corporation" (2006, p. 1). Fletcher's arguments return us to Drucker's earlier assertions that in this society of the modern mass-production plant, because it needs management there is a "differentiation of functions" (Drucker, 1971, p. 163) which means that "there must be rank" (Drucker, 1971, p. 163). They also return us to his believe in the need for "a management responsible to no one special-interest group, to no one individual, but to the … strengthening of the whole" (Drucker, 1971, p. 163). And specifically because an autonomous management is needed to execute those functions Drucker must remain wary of business ethics. Furthermore Drucker set out in 1939 with his book The End of Economic Man: A Study of the New Totalitarianism in search of an alternative to "the vision of the person as homo economicus" (Fletcher, 2006, p. 1). As Fletcher (2006) argues economic man is the basis for both stakeholder theory and shareowner theory, whilst Drucker was in search of something else related to the integral value of the individual as, in Kantian terms, a value-giver.

It is easy to thus understand Drucker's concerns as to business ethics as for Drucker the centrality of the individual transcends the concerns of business ethicists with the stakeholders versus the shareholders. It is also easy to understand Drucker's concerns as to the necessity of management as without management the individual cannot contribute as an individual to the corporate

whole. It is not perhaps so easy, though, to understand the current significance of what concerned Drucker in 1939. Unless, of course, one contemplates the contemporary world with the growing economic power of states such as China, Russia and Iran and recognises that, as "Kagan argues, there is a solidarity of autocracies growing up, which is both ideological and practical" (Sheridan, 2008, p. 22). Sheridan is referring to Robert Kagan's 2008 book, The Return of History and the End of Dreams. If Kagan is correct Drucker's 1939 message is as relevant today as it was then. And if it is we will have to take most seriously Drucker's concerns as to business ethics and the need for autonomous management. Furthermore the current global financial crisis replicates the 1929 financial crisis which led to the destruction of the Weimar Republic, in which Drucker lived, and the rise of Nazism. For all of those reasons we would be foolish not to take Drucker's advice very seriously as to the necessity of management and not marketing, and the implications of the necessity of autonomous management for business ethics.

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Aetiology and Mutability of Commodification

Jeremy St John

Abstract

Concerns over the erosion of a comprehensive public conception of morality are longstanding in political philosophy, but while some contemporary political philosophers see the relevant cause as being an increase in the acceptance of ethical relativism, others see this trend as the result of an increased intrusion of a market-based ethos into various social spheres that have traditionally been the province of non-market values. Thus while both accounts agree on the normative claim that there are certain values appropriate to particular areas of our lives, and on the descriptive claim that these values seem to be under threat, each postulate a different aetiology for the perceived phenomenon. This paper tentatively accepts the two claims over which both accounts agree, and examines the question over which they do not; the issue of causation, as well as looking at the feasibility and desirability of reversing the perceived progression. Taking into account cross-cultural longitudinal empirical studies of attitudinal change towards various socio-cultural issues, this paper postulates in qualified accordance with the first proposed aetiology, suggesting ethical and cultural pluralism to be prior to market forces, while accepting the probability that each play a significant role, and looks at the likelihood and advisability of change.

Introduction

In an article entitled "On Morals and Markets" Barry Schwartz discusses the corrosive effect he considers the market to have upon social morality (Schwartz,1994.) This morality, which he describes as the 'moral sense', is a concept he adapts from James Wilson, expanded upon in his eponymous book which Schwartz reviews. In The Moral Sense, Wilson argues for the existence of a social morality, varying in expression across cultural contexts, but universally centering around four qualities; sympathy, fairness, self control and duty, sharing common origin in our 'natural sociability' (Wilson, 1993.) Profoundly influenced by gender and culture and strengthened by social practices, Wilson sees these virtues as nevertheless vulnerable to attack from the onslaught of Marxism, utilitarianism, analytic philosophy, psychoanalysis, and in particular (and as a consequence of the other four) ethical relativism. Schwartz broadly agrees with Wilson on the existence and nature of the moral sense, but considers that he has overlooked its chief adversary. Both Wilson and Schwartz consider morality to revolve around commitment; obligation and duty, and Wilson describes the nature of moral erosion as the replacement of the idea of commitment with that of choice.(1) Given its emphasis on choice, Schwartz considers the market to be the most likely mechanism of this change. Yet regardless of whether one shares Wilson's and Schwartz's belief regarding moral fundamentals, if one agrees firstly that these particular virtues are significantly constitutive of social morality, secondly that their role is a desirable one, and thirdly that they may well be threatened, then one may share these concerns. But should we accept the claim that the social role of sympathy, fairness, self control and duty are threatened by an expansion of market influenced ethics (or lack thereof)? What sort of a case does Schwartz make?

Morality and the Market

Schwartz suggests that the values and behaviour engendered by participation in the market directly undermine each of the social virtues both he and Wilson embrace. Sympathy, according to Schwartz, relies upon an 'other-regarding', altruistic perspective; the ability, as he puts it, to envision walking a mile in another's shoes. By emphasising the anonymity and fungibility of buyers and sellers and by increasingly operating over long distances, Schwartz considers the market to foster distant and impersonal social relations; the 'antithesis of what sympathy seems to require.' He suggests that self control finds scant reward in the market, with the pressure to quickly and maximally reward shareholder investment encouraging 'short-termism', and what Schwartz terms 'me-first management', constituting, in his view, 'pure greed', and cites Derek Bok's exploration of the matter in 'The cost of talent'(Bok, 1993.) Furthermore, Schwartz suggests that the market undermines self control in consumers as well. Noting Wilson's claim that addiction is the ultimate enemy of self control, Schwartz suggests that the rise and rise of consumerism, or 'thing addiction', represents the greatest increase in addiction in contemporary western society, and one that is actually endorsed by contemporary social values. Anti-consumerism, Schwartz claims, is perceived as down right unpatriotic, at least in the United States. With regard to fairness, Schwartz has a little more empirical muscle up his sleeve. Citing research by Kahneman, Knetch and Thaler into people's intuitive reactions to hypothetical transactions in "Fairness as a Constraint of Profit Seeking", and their findings that the 'overwhelming majority of people have a strong sense of what is fair', Schwartz notes further studies where the same hypothetical transactions were proposed to MBA students and to CEOs. Both studies found the target groups to have far more lenient approaches regarding the reasonable constraints posed by notions of fairness to profit maximisation. In addition, he cites studies of undergraduate student performance both in the Prisoner's Dilemma and the 'Ultimate Bargaining Game' which found considerable disparity between economics majors and other undergraduate students on apparent attitudes towards fairness. Finally, considering free riding to represent the

antithesis of duty, Schwartz observes that economics students interviewed in the same studies were far more approving of free riding, it being, as he is keen to point out, rational, self interested behaviour. Thus Schwartz considers that participation in and exposure to the market undermines each of the constituent virtues of the moral sense. Yet is this necessarily the case?

Even if we accept that economics students are prone to free riding and that MBA students and CEOs consider questions of fairness to be comparatively irrelevant, this does not demonstrate that the market made them so. Perhaps these individuals already exhibited these tendencies, and were attracted to a career in the market in order to most profitably exploit them. In contrast to Schwartz, one might note, Wilson considers the market to be a beneficial institution, encouraging pacification and social stability, and necessitating fiduciary relationships. Wilson embraces the position of the economist Albert Hirschman that 'the pursuit of one's interests, in markets, was an enormous improvement on the world of Hobbes, in which people pursued their passions, often on battlefields.' Yet while Schwartz concedes this point, he suggests that the same institution may perform different roles in different historical contexts (as indeed does Hirschman) and notes the view of another economist, Fred Hirsch, who stated some time ago that while the market depends upon a moral sense it simultaneously undermines it. Indeed, even Friedrich Hayek, in his swan song; The Fatal Conceit, declares the market to depend upon the limits offered by traditional morality for its own protection lest it undermine itself (Hayek, 1988.) Thus perhaps we may allow that Schwartz's views on the morally corrosive nature of the market carry some weight. And he is certainly not alone in his views.

Commodification and the Domino Effect

One of the more comprehensive treatments of this issue is offered by Margaret Jane Radin in Contested Commodities (Radin, 1996.) Radin considers that the market tends to erode other value systems as market-based evaluations or conceptions of things tend to replace alternative evaluations or conceptions, a process she describes as the 'domino effect.' As Radin sees it, all things which (properly) exist within the market domain have a value that is explicable wholly in term of dollars and cents. As such the value of any thing within this domain is completely commensurable with- and exchangeable with- any other. Furthermore, given this commensurability, all things with a comparable value may be considered entirely fungible. All things within the market domain thus become commodities; a price may be put on each. Yet some things, Radin holds, are not appropriately conceived of in this fashion. Their value is not wholly commensurable with the value of other things, but is instead both intrinsic and specific to their nature. These are the things one should not put a price on.

The problem, in Radin's view, is that we have something of an inevitable tendency to commodify. Should we begin to conceive of these things in market terms, these market- based conceptions and evaluations will replace their prior nonmarket alternatives, for the two cannot coexist. As she puts it; 'We can not know the price of something and know at the same time that it is priceless.' (Radin, 1986.) In this fashion, we lose the nonmarket sense of the value of things, and they slide into the market domain. Thus as soon as something begins to be 'partially commodified', that is, as soon as the first commodified understanding or evaluation of a given thing enters public discourse, then it begins its inevitable journey down the slippery slope of our conceptualisation towards complete commodification; being understood and

valued solely in market terms. Furthermore, commodification is taken to be contagious, not simply within the realm of one kind of object or relation (where any instances of commodification of that thing will lead to its complete commodification), but also between different objects and relations, leading, eventually, to a state of universal commodification. For example, certain instances of the commodification of sex will lead not only to the complete commodification of sex, but also to the complete commodification of related concepts and phenomena, such as romance, friendship, the body, reproduction and so on. When one domino falls in this fashion, it begins an inevitable cascade until all are down:

To summarize: The domino theory holds that there is a slippery slope leading from the toleration of any sales of something to an exclusive market regime for that thing; and there if a further slippery slope from a market regime for some things to a market regime encompassing everything people value. The domino theory implicitly makes two claims: first, as a background normative premise, that it is important for a nonmarket regime to exist; and second, as an empirical premise, that a nonmarket regime can not coexist with a market regimes. The market version drives out the nonmarket version, hence the market regime must be banned.

Of course Radin is not the first to discuss such things. The concept of the slippery slope towards complete commodification is one she takes from Lukacs, and the concept of a domino effect is one articulated, albeit in a different form, by Michael Walzer in Spheres of Justice (Walzer, 1983) where he discusses the propensity of the market sphere to invade the other spheres (public, personal and so on); a process he describes as 'market imperialism'. Walzer also discusses the necessity for 'blocked exchanges'; the prevention of the sale of a number of things which, in his view, should not be marketable, such as public office, friendship and 'desperate exchanges' (those exchanges so exploitative as to occur only because of the desperation of one party), in order to prevent it. However, Radin considers that theorists such as Walzer too narrowly conceive of the number of paths of market domination; complaining that 'the traditional view is wrong in granting too much ground to the market.' In specifying a limited number of exchanges that are to be prevented by market exclusion, Radin fears that Walzer, and those who follow his lead, abandon all else to inevitable commodification. She instead emphasises the necessity to be wary of the commodification of a much greater variety of things, and to salvage their nonmarket meanings, stating that 'the way to a less commodified society is to see and foster the nonmarket aspect of much of what we buy and sell, rather than to erect a wall to keep a certain few things completely off the market and abandon everything else to market rationality.' (Radin, 1996) But are her fears justified? Do market-based evaluations inevitably and completely replace alternative evaluations? And if this process is inevitable, then how are we to stand in its way?

If, for example, we accept Radin's claim that we cannot both know the price of something and know that it is priceless; if commodified conceptions drive out the noncommodified conceptions of 'much of what we buy and sell' (rendering their commodification complete) then how are to be expected to 'see and foster' their 'nonmarket aspects'? Conversely, if these aspects can be adequately appreciated; can be 'seen and fostered' despite the fact that these things are (at least to some degree) commodified -we are buying and selling them after all-, then does this undermine the domino theory; is it less of a threat than Radin makes out? And it would seem reasonably clear that we can see and foster the nonmarket aspects of much of those things threatened

by the tide of commodification; Radin's own work is testament to this. One of these claims must give to the other; either we can maintain both a commodified and non-commodified conception of that which we market, we can know that (at least some of) these things are both priceless and have a price, or we will be unable to see and foster the nonmarket aspects of that which we buy and sell. Indeed, practically speaking, we frequently conceive of things in two independent fashions. Wherever we consider something to have a use value as well as an exchange value, as is the case with a great many consumable items, we know the price of it (or can easily find out) at the same time as valuing it along entirely different lines. Indeed, it is the use value, in combination with various market forces, which sets the commercial value of a great number of commodities.

Radin's contention can be roughly separated into a conceptual claim and an empirical claim; the former holding that we are simply unable to conceive of something both in market and nonmarket terms, and the latter holding that the more we become acquainted with conceiving of something in market terms, the more unlikely it is that we will conceive of it in nonmarket terms, as the commodified conception becomes increasingly prevalent. Now while the conceptual claim seems unfeasible, can we give more credence to the empirical claim? There are certainly examples to be raised against it.

Perhaps the strongest example against the domino effect is that of sex. Sex has existed in commodified forms for thousands of years (often being colloquially referred to as the 'oldest profession'.) Were any but the weakest interpretation of the domino theory to hold true in this case, then all understandings of sex, and indeed of those things strongly associated with sex should be by now completely commodified, and it would be extremely unlikely that any noncommodified understandings of it should exist. This is patently not the case. Of course, this is not to deny that instances of commodified sex have not increased, even considerably, in our society at least. Yet given that commodified sex has existed for so long in a great variety of cultures, the recalcitrant existence of noncommodified conceptualisations of sex speak strongly against the theory. But can we extend this beyond the example of sex? One critic of Radin's, Eric Mack, believes that we can (Mack 1989.)

He raises two anecdotal examples of gift giving, one of a sweater to his wife, the other of a litre of blood donated on his sick friend's behalf (who has required a litre of blood) to the blood bank in lieu of a charge of $50. In the first case, he considers the fact that he would buy his wife a sweater rather than giving her the money to do so herself, or a certificate for that amount, despite the difficulty and probable inaccuracy of his choice, as testament to the persistence of the noncommodified aspects of gift giving. Similarly, in the latter case, he considers the fact that he would donate a litre of blood on his friend's behalf even though he probably not give him the $50 to compensate the blood bank, nor sell a litre of his blood for $50, demonstrates the complex social relations within which many acts of exchange occur that are not themselves commodified in nature. Hence according to Mack there are various social and sentimental values which, like use values, persist in spite of and remain independent of their commodified rivals.

In addition, one might note that many cases of commodification that draw the greatest degree of concern; commercial surrogacy, the sale of cell lines and organs and so on, are increases that have resulted as much from the progress in new technology (biotechnology in particular) as from permissive attitudes towards the market. Whether or not people would have objected to the purchase of organs fifty years ago, such purchase would have been pointless before transplant techniques had advanced sufficiently. Similarly, only since the study of cellular development and differentiation has come into its own have cell lines become exchange commodities, only since fertility enhancement procedures have become reliable have people's gametes, and wombs, gained a notable monetary value. As such it may not be clearly discernable as to whether there is a commodifying effect independent of the effect of technological advance in these kinds of situations.

Yet even if commodification does proceed into the realm of social relationships, Mack suggests that this may be cause for celebration rather than consternation; holding that '[o]ne great liberating feature of the market order is the way it challenges existing social patterns' and that '[a]nother liberating feature of the market is precisely its depersonalization and moneterization of otherwise oppressive and intrusive relations. One is freed from society as one big family'. He considers that 'the alternative to the society of contract is the society of status', and that '[w]hile the latter may provide its creatures with a sense of self and place, it is an assigned self and a confined place.' Mack sees the instrumental relationships of the market as the building blocks for social relations, and social relations that, being pursued by choice, are free from the tyranny of uniformity.

It is precisely these networks that make possible the great variety of chosen areas for self-fulfilment that characterizes pluralistic liberal societies. These impersonal ties, which sustain a pluralist pursuit of personhood and community because they do not require uniformity of belief in substantive values, are constituted by market relations that are motivated largely by anticipated monetary payoffs.

Mack argues that the erosion of and distraction from certain values by the market can be a good thing, for not all intrinsically valued things are lovely. If the market may be used to render certain pursuits (his example is sadism) costly, then so much the better. Indeed, this is much the same thinking as underpinned the championing of the market some two centuries ago as a mechanism to quell the dynastic feuds and ongoing wars that rendered economic relationships unprofitable. In a similar vein, another writer, David Smith, focuses on the market's beneficial capacity to neutralise noxious political and social discourse (Smith, 1994).

Sacralisation: Turning the Tide of Commodification

Describing above the potential for intrinsic goods to evolve from instrumental ones, Mack touches upon the possibility for the reversal of commodication. The halting of the market tide is one thing (through recalcitrant non-market evaluations), but the turning of it another. Again, there are strong counterexamples to Radinesque contentions.

Both marriage and rape were once the domain of property law, even half a century ago. A wife was quite literally her husband's chattel, and appropriation of her by another a crime against him rather than her. Furthermore, he was immune to prosecution should he have forced non-consensual intercourse with her himself (how can one appropriate that which one already owns?) This is no longer the case in either instance. Yet when it comes to chattels, there is probably no clearer example of wrongful commodification than that of slavery. For a person to be owned or traded offends the sensibilities of even the keenest advocate of market values. But again, this commodification has been (thankfully) reversed. Of course, slavery- or something very close to it- still exists in various forms, but it is at least bereft of the endorsement it otherwise once had in (nominally) demo-

cratic societies. In addition, as Viviana A. Zelizer discusses in Pricing the Priceless Child: The Changing Value of Children (Zelizer, 1985), two centuries ago children, particularly among the working class, were valued heavily for their potential for economic production. One hundred years ago processes of reform were initiated in various western countries to change both the nature of their occupation and the spirit of their value. Zelizer describes the process common to each of these examples where economic value is gradually reinvested with social, spiritual or sentimental meaning as sacralisation. Sacralisation occurs, as attested by these and many other examples, and, as Zelizer notes, while a great deal of attention has been paid towards commodification, comparatively little has been paid to its reverse.

However, little attention does not mean no attention at all. In 1900, as Zelizer notes, George Simmel, in The Philosophy of Money, traced the 'historical dissociation of money and values'. According to Zelizer, Simmel attributed this dissociation to a radical change in the value of the person and the value of money. While the latter, in Simmel's view, progressed from an often ritualistic, sacred role to a more mundane everyday one, the former progressed from a 'relativised concept of human life' which 'made its quantification legitimate' to one sacralised by Christianity which set 'life above any financial consideration.' While Simmel, prophecying the attitudes of many contemporary thinkers, considered there to be a 'radical contradiction and necessary tension between a monetary economy and personal values', he considered that this served to obstruct the expansion of the market. Yet his thought was not free of the anxiety of more recent theorists; considering that this means of protection was vulnerable, even precarious; holding that 'the more money dominates interests and sets people and things into motion, the more objects are produced for the sake of money and are valued in terms of money, the less can the value of distinction be valued in men and in objects' and that pricing would inevitably trivialise value. Thus in Simmel's work we find an exposition both on sacralisation and on commodification, more than one hundred years ago. Furthermore, if we take his lead, we will find the examples of sacralisation, and those of resistance to commodification less reassuring than we might. Thus Simmel's work raised two points of interest.

Firstly, while we may consider Margaret Jane Radin's explanation of the domino effect conceptually unfeasible, and her empirical concerns a touch paranoid, the refutations offered by those like Mack may be similarly limited. Mack may prefer to buy his wife a sweater than to give her the money, or a gift certificate, but gift certificates abound. Indeed, now even banks have started putting out gift cards that can be used in any store that uses bank cards. Thus the symbolic differentiation between the gift cards and simply gifts of cash has dwindled to the infinitesimal (particularly when the majority of transactions in most shops probably occur via one kind of bank card or another anyway.) The increase in biotechnological commercialisation discussed earlier; the sale in cell lines, organs, and in the use of one's womb may be novel phenomena which are in response (in some significant part) to increased technological capacity, but this does not explain away the expansion of commodification represented by the extension of biotechnological intellectual property rights to the discovery of new proteins, new gene sequences, and even new life forms, where once such rights could previously apply only to inventions, and never to life forms. Furthermore, the expansion of the role of the market in many contemporary western liberal societies to one that runs not only private companies but public infrastructure and even essential services (going well beyond the domain that Friedrich Hayek recommended) seems

unlikely not to influence a corresponding expansion in market ethos. Hence while we may not agree with the extent of Radin's concerns, we may accept a more attenuated form of the domino effect, and this, in turn, raises a pair of concerns.

On the one hand the market may well undermine the moral sense, as described by Schwartz and Wilson, and indeed various other social values that we may consider beneficial. To the extent that this may safely be taken to be a bad thing, then we ought to do something to prevent it. On the other hand the market, as Fred Hirsch pointed out more than twenty years ago, may undermine itself, if left unchecked. One need not be a one-eyed apologist for freemarket thinking to see that the market confers certain benefits. As Mack points out, it can liberate us from oppressive social relations, and distract us from or combat various undesirable phenomena and behaviours. As Smith notes, it can neutralise noxious political discourse. As Hirschman stresses, it can insulate us from Hobbes's state of nature. Indeed, even Barry Schwartz admits the market does do some good things (so long, one presumes, as it is kept in its place.) If we are to capitalise on these benefits, we may need to save the market from itself.

The second point of interest raised by Simmel is the role he attributes to Christianity in the process of sacralisation. While it may seem tautological to say that a religion will play a role in sacralisation, we should keep in mind that he and Zelizer do not intend the term to literally mean 'make sacred', but to reinvest value, and indeed to describe the fashion in which value may come to determine price (or, in the strongest cases, pricelessness). Recall Simmel's claim that the pre-Christian, relativistic ethical framework enabled the quantification of life, but the later sacristy afforded to life by Christianity raised it above any fiscal equivalent. Now describing the pre-Christian ethical climate as 'relativistic' may seem presumptuous, but there is undeniably a rejection of material and economic value central to Christianity. Indeed, Jonathan Sacks focuses on the otherworldly and nonmaterialist nature of Christianity in contradistinction to the emphases of its Jewish lineage in his article, "Markets and Morals" where he discusses the merits of Judaism as possessing both the economic and materialist rationality and the emphasis on moral meaning and spiritual ritual that may offer the kind of contemporary salvation which the market, according to Hayek, needs (Sacks, 2000.) Christianity has had an undeniable role (at least in the West) in forging a division between material success and moral achievement. The pre-Christian age may well have seen the two as more commensurable, even interdependent. Perhaps even Simmel's accusations of relativism may find support. However, while I will not here attempt an in-depth exploration of the validity of this final claim, we might note its resonance with Wilson's warnings regarding the contemporary attack on the moral sense: ethical relativism is once more in the sights. But is relativism, once merrily enabling the commodification of all things, shackled for an all-too-brief two thousand years by Christianity's suspicion of false idols, really resurging to tear down the moral dam that restrains the tide of market imperialism?

Pluralism, Liberalism, Communitarianism

One thing that has seen a considerable growth in recent decades is multiculturalism, particularly in western liberal democratic societies, and with multiculturalism comes value, or ethical, pluralism. Different cultures have, to a greater or lesser extent, different systems of value, and the way they evaluate a given thing may vary greatly. Ethical pluralism does not necessarily entail ethical relativism. Ethical relativism essentially holds

that the validity of any moral judgement is entirely relative to the speaker's subjective perspective; X is right or wrong if and only if X is right or wrong for me. It denies any objective claims about the rightness or wrongness of moral propositions, essentially denying that there are any objective standards by which their validity may be measured. As such there is no standard by which a given moral or ethical value judgement, doctrine or perspective may be demonstrated to be more or less valid than another. Ethical pluralism does not go this far. Pluralism allows that there may be a plurality of competing ethical value judgements, doctrines or perspectives, and we may have no objective standards by which to judge whether one is more or less valid than another, but ethical pluralism does not hold that any ethical doctrine, perspective or value judgement may be as valid as any other, as ethical relativism tends to. Furthermore, ethical pluralism may be taken in a descriptive, an epistemological or a normative sense. That is to say;

1) it may simply be describing the fact that a number of competing and contrasting ethical doctrines exist,

2) it may be suggesting that there is little way to reliably distinguish between the validity claims of the various doctrines in an unbiased fashion, or

3) it may be suggesting that, (given the first two), there are various behavioural demands that such pluralism entails (often regarding such things as mutual tolerance and respect, the division of political and social authority from moral belief, and so on.)

Now the first of these claims I will go so far as to take as self evident. If anyone living in a liberal democratic society does not accept that a plurality of ethical doctrines exist, then they must be keeping heavily to themselves. The second claim is largely a metaethical claim, and as such is both beyond the scope of this paper and beyond the pale so far as relevant considerations go regarding market boundaries. Suffice to say that if the most prominent and most cited liberal theorist- indeed political theorist- indeed philosopher- of the 20th century considered that we should accept the existence of reasonable pluralism as a fact, (Rawls, 1993) then I think that I might go so far as to accept as sufficient for my current purposes that there are some number of reasonable competing ethical doctrines that disagree over certain value claims. The third claim is one that is oft taken as politically correct law, and it is precisely this contemporary social quasi-legal standing that Wilson objects to, complaining against the idea that moral judgements 'must be relative to the culture's own conception of moral worth', that '[w]hen moral judgements are made, they must be made with due humility and uncertainty. And perhaps it is best if they are not made at all'(Schwartz, 1994.)

The recognition of reasonable pluralism, and the ethical requirements so entailed, may have been most comprehensively articulated by John Rawls- a name now so strongly synonymous with liberalism- but they were first explained by a demi-namesake of his, one of liberalism's founding fathers; John Locke. In Locke's 'Letter Concerning Toleration' (Locke, 1983), he sets forth the very principles of liberal toleration to which we adhere today (at least on our good days), and while the pluralism to which Locke responded may have been somewhat less multifarious than that with which we are today confronted, the principle remains largely the same. And though the liberal tradition has, throughout the years, become a many splintered thing, the necessity for the tolerance requisite such that each may pursue their own good in their own way remains central to each and every strand (and if it doesn't, it ought to.) Thus when Wilson gripes about the consequences of ethical relativism, he locks

horns with a long and proud tradition. But of course, that's not all there is to liberalism, or indeed to Locke.

Locke may have been one of the founding members of the political tradition most closely concerned with liberty, but he is also a founding member of the tradition most concerned with property. Having, in his Two Treatises of Government, justified the right to private property with various arguments, both by divine right and by his famous labour-desert principle (Locke, 1988), Locke began a pre-arranged marriage that wedded the liberal tradition with ideas of justified private property accumulation- indeed, according to some scholars, unlimited private property accumulation- from its very infancy, just as he had made the same conjugal arrangements with they dynasty of liberty. This was a move that not only drew opprobrium from his contemporaries- notably Rousseau- but continues to this day (in the case of Schwartz, explicitly in the name of Rousseau) (Schwartz, 1994). But the dynasty of property has borne stronger fruit than that of liberty (indeed, a century after Locke's writing, the industrial revolution was to offer it an unprecedented fertility boost.) Thus as the liberalism of Locke became reinvigorated by the'classical' liberalism of Adam Smith, it cemented itself in the minds of a certain tradition of later critics as the 'ideology of capitalism.' (The fact that the industrial revolution and hence the advent of capitalism proper proceeded the advent of liberalism by a century need not complicate such accusations, apparently.) And so when Schwartz complains of the attack of the market upon our social sensibilities, he locks horns with the same long and proud tradition that Wilson does (though perhaps with different horns.) In this respect liberalism, pluralism and capitalism have formed a rather heady triumvirate for some time, and with such interdependent and intertwined roots that at times this particular ménage au trios is difficult to pick apart. Hence when Friedrich Hayek claims that the only just method of distribution in a modern pluralist society is the market, for it alone is neutral between competing cultural and moral perspectives, we see the perfectly formed offspring of this three way encounter (though one wonders how this reconciles with his later moralistic call to arms.) No wonder the attacks come from different angles. And come they do.

Of course liberals have a name for those like Schwartz and Wilson; communitarians (despite their differences, the same name.) And the fact that they have the same name despite their differences is a consequence of the fact that communitarians are a far more multifarious camp even than liberals. As Steven Kautz puts it in Liberalism and Community:

Communitarians are above all "antiliberals" who seek to establish a politics of the common good and thereby tame the prevailing liberal politics of individual rights. Beyond that fundamental antiliberalism, the communitarian "movement" is marked by a remarkable diversity of views regarding the nature of community itself, from traditional conservative to classical republican to social democrat to radical postmodernist- among many other communitarian parties. (Kautz, 1995)

But communitarians the opponents of the market tend to be. Wilson and Schwartz both seem to have tarred themselves with the communitarian brush through their advocacy of the moral sense (and of course their opposition to various aspects of liberalism.) Walzer is one of the most prominent, though sometime ambiguous (2), communitarians of our time. But considering this ambiguity, perhaps it would be edifying to attempt a definition of communitarianism. Communitarianism is much as it sounds. The emphasis is on community rather than the individual, the focus is upon that which binds us, rather than that which separates. This goes by many names, and is divisible in

many ways, but may, I think, loosely be referred to as culture. In fact, perhaps one of the best explanations of the salient constitutive concerns of communitarian thinkers is offered by Radin as she describes what should be exempt from invasion by market ethos;

The kinds of goods that deviate most from laissez-faire are those related to human beings' homes, work, food, environment, education, communication, health, bodily integrity, sexuality, family life and political life. For these goods it is easiest to see that preservation and fostering of the nonmarket aspects of their provision and use is related to human flourishing and social justice- to personhood and community as reconceived to meet the critique of liberalism. (Radin, 1996.)

Of this list, only religion, or spirituality, seems notably absent from a comprehensive account of the constitution of culture. Yet for Radin, not only does this communal culture serve to indicate the acceptable limits of the market, but it is the values produced by and expressed within such a culture that are to provide the active opposition to market expansion, analogous to the role Simmel saw Christianity playing in the past.

If we assume that it is intuitively obvious or a matter of definition which kind of

liberty an asserted transaction belongs to, then we have solved the normative issue of the limits of the market. Otherwise, as I think is the case, the categories of personal liberty and market inalienability must be the conclusions of a moral argument rather than the basis of one. In my view, moral argument will turn on our substantive commitments to a theory of proper human flourishing within a properly constituted community. (Radin, 1996.)

But while this approach seems reasonable, common sense even, it has a major blindspot; that of multiculturalism and cultural pluralism. Personal liberty and market inalienability doubtless do depend on the conclusion of moral argument, and such argument will inevitably turn on our substantive commitments, but if different cultures have different substantive commitments, then it will make such argument difficult (if not impossible) and hence leave us without any clear conclusions regarding the desirable extent of personal liberty or of market inalienability. Is there hope that we, in contemporary western pluriethnic liberal societies, can form a sufficient communal culture to oppose unacceptable market expansion? There is some tentative support for such a hope.

Postmaterialism, Culture Shift, and the Search for Meaning

In his book Culture Shift in Advanced Industrial Society (Inglehart, 1990), Ronald Inglehart maps the changing attitudes towards various socioeconomic questions over a period of eighteen years in more than two dozen countries. The initial aim of Inglehart's project, begun in 1971, was to test his hypothesis that the unprecedented affluence experienced by advanced industrial societies in the latter half of the twentieth century would cause a popular transition from what he termed 'materialist' values to 'postmaterialist' values. The reason for and mechanism of such a value change is explained in his two fundamental hypotheses;

1. A scarcity hypothesis: An individual's priorities reflect the socioeconomic environment: One places the greatest subjective value on those things that are in relatively short supply, and

2. A socialization hypothesis: The relationship between socioeconomic environment and value priorities is not one of immediate adjustment: A substantial time lag is involved because, to a large extent, one's basic values reflect the conditions that

prevailed during one's pre-adult years.

Inglehart hypothesises that the impoverished conditions of the prewar years, and the constant physical threat of the wartime years, would tend to promote a popular emphasis upon what he terms 'materialist' values; revolving around economic and physical security. Conversely, as the postwar period progressed, as many nations experienced unprecedented levels of wealth (he cites the figures of four to five times previous levels of wealth in some countries, and as much as twenty times previous levels in some others), and as the welfare state became increasingly embodied in the institutions of advanced industrial societies, economic values would be deemphasised. Similarly, as war became less of a fore-grounded threat in these countries, physical security would cease to be as much of an imperative. (3) Instead, as financial and physical security became the norm, and as the population became more educated, an assortment of values to which Inglehart refers as 'postmaterialist'- a reasonable degree of autonomy in lifestyle choice, a sense of belonging, individual self expression and a greater emphasis upon the search for meaning- would come to be considered important. However, in accordance with the socialisation hypothesis, this change would not represent a prompt response to environmental changes, but would incorporate a generational delay. Those generations that grew up in conditions of material scarcity would tend to retain highly materialist values, despite experiencing significantly greater affluence in their adult life than they had during their formulative years. Only those growing up in conditions of plenty would tend to develop a more postmaterialist value system. Inglehart's body of research was drawn from countries in both eastern and western Europe, The United States, Canada, Australia, Argentina, Mexico, South Africa, Japan, and a small amount of research material from China and Hong Kong, and his hypotheses found heavy support within this sample.

In addition to documenting the transition from materialist to postmaterialist values, Inglehart discusses the findings of the World Values surveys measuring adherence to traditional Judeo Christian norms. These beliefs were arranged around three thematic clusters; belief in God and adherence to monotheism, the inviolability of the family unit (including attitudes towards abortion, divorce, extramarital affairs, adultery, prostitution and homosexuality), and the importance of civil order (regarding property, lying, and violence against others.) A highly consistent correlation was observable both within and between these belief sets, and between these belief sets and materialist values. Those showing postmaterialist worldviews, on the other hand, were less likely to adhere to Judeo-Christian norms. Inglehart notes the apparent paradox regarding the association between materialism and JudeoChristian beliefs, given that the latter tend to emphasise a reorientation away from materialist goals towards spiritual ones. However, he considers that the association is, nevertheless, quite intelligible if one sees them as an example of correlation rather than causation: Far reaching though it is, the rise of postmaterialism is only one aspect of a still broader process of cultural change that is reshaping the political outlook, religious orientations, gender roles, and sexual mores of advanced industrial society. These changes are related to a common concern: the need for a sense of security, which religion and absolute cultural norms have traditionally provided.

According to Inglehart, individuals under high stress have considerable psychological need for rigid, predictable rules. Under conditions of security, on the other hand, diversity finds greater tolerance. 'Taking one's world apart and putting it back together is psychologically stressful in any case. But people with relatively high levels of security, such as the Postmaterialists, can

more readily accept deviation from familiar patterns than can people who feel anxiety concerning their basic existential needs.' Postmaterialists, Inglehart found, are far more likely to demonstrate permissive attitudes towards abortion, homosexuality, extramarital affairs, single parenthood, adultery and prostitution; all phenomena traditionally encountering censorship from the more devout followers of Judeo-Christian value systems. Essentially, for Inglehart, the feature that defines their social attitudes most starkly against those of the materialists is their abandonment of the view of the family as the sacrosanct societal and economic unit. So what relevance do Inglehart's findings regarding culture shift have for the matter at hand?

On the one hand they seem to trace a de-emphasis on economical values while at the same time indicating a move towards a more morally neutral outlook (so far as the increase in permissive attitudes may be taken to indicate.) These findings sit more comfortably with Wilson's views than with Schwartz's. But what of Radin's hopes for turning the tide of commodification by fostering the nonmarket meanings of things? The documented emphasis on belonging and the search for meaning would seem to bode well, but the abandonment of traditional approaches to morality may concern various communitarians. And there are, as noted, a great variety of communitarian approaches. However, in Liberalism and Community, Steven Kautz offers a clarifying distinction between two broad and broadly oppositional camps of communitarians; those he refers to as republicans and democrats, which sheds some light on the current discussion.

Republicans and Democrats: Virtue and Equality

Roughly analogous to- but by no means limited to or defined by- the political parties of the same name, Kautz considers republicans to be characterized by their love of virtue, and democrats by their love of equality, and both opposed to liberals to the extent that liberals violate these objects of affection. And the strands of communitarian thinking described thus far seem to be analyzable in these terms. James Wilson's fear of moral degradation seem clearly republican, Radin's fears of market expansion clearly democratic. Of course, this is not to say that the division can not be crossed in certain ways. Barry Schwartz's emphasis upon traditional social morality seems republican, but his suspicion of the market democratic. The postmaterialist view Inglehart describes seems most amenable to a democratic view, though the emphases on autonomy of lifestyle and individual expression are distinctly liberal. The abandonment of traditional morality certainly sets this approach well away from the republican communitarian ideal. We might therefore describe their approach as liberal democratic, which pretty well accords with the political tradition with which these kinds of views would best accord.

Recall the two imperatives raised earlier; that of restraining the expanse of the market, and market based ideology, in order to protect alternative value systems (as Radin and Schwartz exhort), and that of holding the ethos of the market in check in order to prevent it from undermining itself, and maintaining the benefits that even critics of the market concur that it provides (as Hirsch recommends). While the trend towards postmaterialist values seems to offer some hope for the first imperative, it is perhaps unlikely to aid the second. Hayek was insistent upon the role of traditional morality in shoring up the market (in his later writing), and this suggestion has been taken up by others (recall Sacks's discussion of the propriety of the Jewish ethos for this purpose) and it is just these mores that the postmaterialists reject (as well as many liberal thinkers, and many democrats.)

Yet if Hayek is right in considering an adherence to traditional moral values to be necessary to control the excesses of the market, perhaps it is in the democrat's interests that such values are embraced, as an embrace of purely democratic communitarian values may be insufficient to counter market forces, yet those of the left are unlikely to be any more eager to embrace those of the traditional right than those who trade in the no man's land between. Similarly, it is the countering of certain aspects of traditional morality for which many liberal thinkers applaud the market; its liberation from oppressive social relations. If the only way to maintain the market in a sustainable and measured fashion is to utilise these moral traditions, the very benefits many see the market as offering may be undermined. We might note that one manifestation of a preference based approach to morality which raises Wilsons's ire, and which Schwartz attributes to the expansion of market ethos, is the idea of marriage and the family unit (as traditionally conceived) as but one among various relationship options, among trial, open and revocable marriages, childbirth out of wedlock and single parent families. How comfortable are those democrats who warn against market excesses with becoming bedfellows with those republicans who consider that our sexual and familial private lives should be the subject of the kind of moral prescription which these sentiments seem to recommend? Would they consider their opposition to some of the more rapacious consequences of liberalism worth this?

Conclusion: A Choice between Evils

While expansion of the market ethos feared by Schwartz and Radin may be less of a concern than either suggest (particularly Radin) the possibility that it nevertheless presents cause for considerable concern remains, and so long as we value that which it appears to threaten- whether we describe it in terms of a moral sense or alternative intrinsic evaluations of things and concepts- then we may be required to oppose this trend. Likewise, while I am unsure that social values face imminent engulfment by an onset of ethical relativism (as Wilson warns), the increase in ethical pluralism consequent upon the trend towards multicultural, pluriethnic social constitution in contemporary liberal societies does appear to have encouraged a rise in value neutrality. And if this value neutrality enables both an unstable overexpansion of the market (as Hayek feared) as well as chipping away at the more beneficial tenants of social morality that forge our communities, then it is not something to be ignored. Yet in opposing either the expansion of market ethos or value neutrality, we may find ourselves somewhat torn.

Should the various theories discussed in this paper carry weight, then both liberals and democratic communitarians may face a difficult choice. Liberals may have to ask themselves whether they are willing to sacrifice their commitment to ethical neutrality (at least in the public domain) in order to preserve the institution of the market (an institution justified in many liberal eyes by its neutrality between competing ethical doctrines.) Democrats may have to ask themselves whether they find the institution of a stable conservative market or an increasingly rapacious liberal market a more concerning prospect.

At the risk of trying the reader's patience, and further muddying the waters this paper has already polluted, I wish to end on another economic example. As documented by Joseph Henruch et al in "In Search of Homo Economicus: Behavioural Experiments in 15 Small-Scale Societies", a group of researchers posed one of the very same fairness tests discussed by Schwartz- the 'Ultimate Bargaining Game'- to inhabitants of a variety of small societies, with a variety of social structures, and with a great va-

riety of results (Henruch et al, 2001.) One interesting finding relevant to the issue at hand was the tendency of some heavily family-oriented societies to see very little obligation to share benefits outside the confines of the family unit (quite possibly on a comparable scale to the economics majors, MBA students and CEOs who drew Schwartz's opprobrium.) Considering the effect of these particular family values on attitudes towards fairness, one might question how desirable a heavy ethical focus on the community- or the sanctity of the family unit- may end up being for the preservation of the moral sense so dear to both Wilson and Schwartz, and whether it would be better to embrace the devil we know or to raise the devil we don't.

Notes

1. Of course, in defining morality in terms of obligation, Schwartz is choosing a heavily deontic approach to morality, and one inherently opposed to choice or preference based approaches to behaviour. Consequentialist approaches to ethics (utilitarianism being most prominent among their number) would not view choice or preference based models with this kind of suspicion, but it seems that Schwartz agrees with Wilson's about utilitarianism.

2. For instance, while Kautz lists him as a communitarian, Bellamy does so as a liberal.

3. This is not to say that physical security would cease to be any kind of priority at all. Aside from Korea, Vietnam and other 'hot' wars which would have influenced the value systems of many participants in Inglehart's research, the advents of peretroika and glastnost only very closely preceded the culmination of his research, and the cold war would without doubt have continued to influence the value systems of many, perhaps all, concerned. Nevertheless, the influence of the cold war would have surely been less than that of the first or second world wars

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