

# **Business Ethics: Restrictive or Empowering?**

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**BUSINESS ETHICS: RESTRICTIVE OR EMPOWERING?**

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## **Biographies:**

Björn Kjonstad is engaged in research into business and organisational ethics at the Manchester School of Management. He also explores and practice through preparations for Ordination into the Western Buddhist Order. 'Spiritual' aspects of organisations have also been explored through "Making Spirituality Work: transpersonal inquiry into practice at the Findhorn Community" - BSc. thesis at UMIST, 1992.

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## **Abstract:**

There is a tendency in the business ethics literature, to think of ethics in restrictive terms: what one should not do, and how to control this. Drawing on Lawrence Kohlberg's theory of moral development, we want to focus on, and draw attention to another aspect of ethics: that which can inspire and empower individuals, as well as groups. To understand and facilitate such empowerment, it is necessary to aim wider than Kohlberg's justice reasoning, to include issues of feeling and care. We also focus on Kohlberg's higher stages: 5, 6 and 7, to question the meaning of ethical 'reasoning'. With such deeper understanding of particular ethical codes or practices, it is thought that members of organisations may come closer to the *spirit*, as opposed to the letter of the ethics in the organisation. This intimacy with the spirit or intention behind ethical codes of conduct, may again facilitate leaner, post-bureaucratic ways of organise, and conduct business, beneficial to the people involved.

## Introduction

There is a growing understanding that corporate activity in general, and managerial work in particular, involves ethical issues and dilemmas (Donaldson, 1982; De George, 1986a). With this growing understanding of the ethical significance of corporate activity there has developed a 'business ethics' industry, an industry that is largely devoted to codifying what is 'ethical'<sup>1</sup>. Within this industry, considerable emphasis is currently being placed upon the adoption of ethical codes of conduct. Typically, the intent of such codes is to reassure existing or prospective suppliers, customers, employees and regulators that they are dealing with (the representation of) an 'ethical' company that can be 'trusted' (Waters & al. 1986, Robertson & Schlegelmilch 1993). Although these codes may raise awareness of the normative dimension and ethical significance of corporate activity, the fact that they are usually commended, installed and refined as an element of a broader strategy for differentiating companies from their competitors (eg. Barker 1993), and thereby achieving a competitive advantage, means that the development of moral awareness amongst employees (and others) is often a secondary consideration, and at best an auxiliary consequence, of such ethics initiatives.

A primary aim of the paper is to present and illustrate a conceptual framework that at once acknowledges the attention currently being given to ethical codes of conduct and, more importantly, moves beyond this focus to incorporate an

understanding of processes of moral learning and development. The paper is organised as follows. In the first section, we argue that it is not just the complexity or even the risk but, more fundamentally, the indeterminacy and unpredictability inherent in business (and other) activity that promotes attentiveness to the moral and ethical quality of corporate conduct and decision-making. We then elaborate the view that the provision of codes of conduct is an insufficient, and possibly a perverse, means of recognising the significance, and promoting the development, of ethical corporate behaviour. We concur with others who, in seeking to remedy this tendency, have contended that Kohlberg's (1971, 1973, 1981) work provides a valuable orientation to the field of business and managerial ethics (eg. Rowan, 1976; Lavoie and Culbert, 1978, Trevino 1992). For it provides an extensive framework for advancing the study of ethics beyond rule-following behaviour (Kohlberg's second, conventional level) to the exercise of moral judgement in the application of ethical principles (Kohlberg's third, postconventional level). Our interest is in the development of moral learning and judgement. But we are particularly interested in the significance of the **seventh stage** of moral development, as stage that is briefly sketched, but comparatively underdeveloped, in Kohlberg's work.

To illustrate and discuss the relevance of the different levels in Kohlberg's theory, we employ a case study that describes a manager and his wife struggling to decide whether to take a

promotion abroad that has major implications for family as well as career. As MacLagan (1992) has argued, the value of using case study material resides in its capacity to facilitate a depth exploration of 'typical issues/dilemmas faced by managers' (and others). However, whereas MacLagan and others (eg. Bird and Waters, 1987) have used cases of extreme moral dilemmas identified by managers, we believe that is equally legitimate, and perhaps more revealing, to consider mundane cases of decision-making that are not immediately associated with the structures and values of business and work (Weber, 1990, 1991). Otherwise, there is the danger of restricting the meaning and examination of ethics to those practices and instances where the moral issues are 'transparent' to managers rather than issues that are of greatest concern to other people with a stake in the ethics of corporate activity (eg. wives, children, the local community, as well as suppliers and customers). We draw upon our case study to illustrate the six/seven stages in Kohlberg's theory of moral development.

One reason for focusing upon the 'higher' stages of moral development is to place in perspective the virtues of Kohlberg's third, postconventional level of moral behaviour, which are increasingly attracting attention within the field of business ethics. A second, and more compelling reason for this focus is its relevance for addressing difficulties, identified by Kohlberg (1973; Kohlberg et al, 1990) in a revision of his work, that individuals encounter between their ability to **think**

about moral issues, the **development of commitment** to particular ethical principles, and their capacity to **translate these principles into practice**. In our view, it is at the 'higher' levels of moral development that these difficulties are most fully appreciated and directly addressed. However, Kohlberg's theory is not without its detractors who question inter alia its idealism and its relevance to contemporary business practice. It is to a consideration of these views that we turn in a discussion section, where we defend our suggestion that the recognition of a 'fourth' level of moral development could be helpful in furthering a processual approach to analysing and advancing the ethics of corporate behaviour.

#### **Responses to Normative Order: Restrictive and Empowering Ethics**

If human affairs were programmed or instinctual, ethical issues and moral dilemmas would not arise. As Bauman (1976 : 6) has observed,

'in human affairs a dangerous and portentous chasm tends to appear, unknown to non-human nature, between human conduct and nature's commandments. In the case of non-human phenomena, nature itself, without human intervention, takes care of the harmony between the necessary and the actual, the identify of the real and the good; in the human case, however, the gap between the two must be bridged artificially, and requires sustained and conscious effort'

Normative order, and with it the politico-ethical exercise of choice, arises in an effort to fill the vacuum created by the

lack of natural order. The difficulty, as Bauman (ibid : 17) subsequently observes, is that the process of becoming human - in the sense of making sustained and conscious efforts to construct and comply with a normative order - 'is not necessarily an inherent desire of men' (sic). It is something that requires effort, effort that is not invariably forthcoming. Moreover, because normative order is based upon historically and culturally contingent values, there is always the possibility of questioning and resisting prevailing forms of normative control. It may be partly for this reason that training courses in business ethics stress compliance with codes, as contrasted with more reflective forms of learning that invite questions about the legitimacy of established, conventional norms and values (see eg. Hoffman & Moore, 1990). Ethics that depend upon rules and regulations we label **restrictive** - a usage that is supported by one of the meanings of the Greek 'ethos': **custom**. The alternative meaning of ethics, which we label **empowering** - a usage that is supported by another meaning of ethos: sublime virtue, or **character**. Its concern is to facilitate a process of individual and collective moral development.

To signal the limitations of approaches that concentrate upon compliance with codes, we draw a distinction between 'restrictive ethics', which are concerned with formulating and operating codes of conduct, and 'empowering ethics' which are supportive of moral learning and development. Although we

commend what we term 'empowering ethics', it is worth stressing that we do not advocate its replacement of 'restrictive ethics'. Rather, we concur with Gilligan (1982) when she argues that an attentiveness to the rational virtues of fairness and justice can complement, and be integrated within, an attentiveness to the affective virtues of care and loving-kindness. Or, as Gilligan (ibid. p. 174) makes this point,

'the two disparate modes of experience are in the end connected...This dialogue between fairness and care not only provides a better understanding of relations between the sexes but also gives rise to a more comprehensive portrayal of adult work and family relationships'

Those who understand that normative order is a necessary condition of social existence are sometimes also inclined to believe that this condition invests in them an ethical right to require others to accept their particular moral standards. But, equally, because no natural law governs the adoption of a particular standard, there is always the possibility (and even likelihood) that others will advocate or invoke alternative standards. In which case, normative order must be established by pursuing **some variant or combination** of two possible lines of action. Either, normative order must be coercively imposed and/or hegemonically disseminated so that alternative possibilities are suppressed or marginalised. This is the likely effect, if not the conscious interest, of business ethics where the emphasis is upon codes of conduct. Alternatively, an ethos must be developed in which coercion and

hegemony are systematically exposed and eliminated through an empowering process of social and existential struggle<sup>2</sup>. Only by constructing a business ethics that acknowledges, but also extends beyond, the usefulness of codes of conduct, we argue, is it possible to complement the construction and appreciation of moral rules with the development of moral learning and the exercise of moral judgement.

An 'empowering ethics', we believe, is not just an appealing idea but has increasing practical relevance in 'postbureaucratic', networked organizations where there is less reliance upon externally imposed rules as greater emphasis is placed upon forms of self-discipline or 'responsible autonomy' (Freedman, 1977; Heydebrand, 1989). Relating the development of moral judgement to the development of new forms of organizations in which structures are more fluid, and a heavier reliance is placed upon postbureaucratic means of communication and control, Reed and Anthony (ibid : 609) have argued that

'The real need for a reformed management education rests on the requirement for managers to be helped to an awareness of their own significance and responsibility by encouraging in them a consciousness of the difficulties with which they are engaged. They must be encouraged to think about the unprogrammed complexities which face them without the distracting and specious existence of codes, competencies, catch phrases and mission statements'

In our view, the 'encouragement to think about unprogrammed complexities' is consistent with, and necessitates the development of, less routinised, dualistic forms of moral