

INTRODUCTION

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Perhaps the most powerful institution for the promotion of change in the world today is the corporation. The corporations of the world control vastly more money than all the governments together. Have the changes engendered by corporations until now been mostly beneficial for the majority of women and men, or mostly deleterious (nothing of course will ever be unadulteratedly positive or negative)? A relatively simple question, but one which would demand a very complicated, nuanced response-and one far beyond the focus of this small book.

Rather, this brief volume brings together in one place four quite extraordinary documents, all of which have appeared in the 90s-since the end of the Cold War-namely, four international codes of business ethics, each arrived at independently. There has also been a burgeoning of organizations devoted to various dimensions of ethics in business; information on the most prominent of them is likewise supplied herein. It is hoped that these documents, and the further information provided by contacting the various organizations listed here, will promote the project of making business world-wide increasingly more sensitive to all the needs of all people and the earth we inhabit-while producing a financial profit.

1. Business Ethics and Spirituality Movement

Recently a radically changing attitude toward ethics among business men and women has been growing, first in the West and now is beginning to spread throughout the world. In the past two decades there has developed what can be called a "Business Ethics and Spirituality Movement." Before then, and still in many places in the world, the reaction to the term "business ethics" would be to laugh and say that business and ethics are two contradictory terms.

There are of course vast numbers of businesses West and East where this is still true. However, those business men and women who think first, last and always of profit, and are willing to make the "end justify the means," however unethical, are like the dinosaurs of past ages: They are destructive now, but they are on the way to being extinct! Radical as it may sound, many observers are convinced that in the future the "capitalist robber baron" type will not be able to compete with ethically concerned and socially committed companies.

Corporate ethics in fact grow out of and depend upon the philosophy of the management team in charge. It is important to note at the same time, however, that the management philosophy and practice of the management team grow out of and depend on the system of personal values of those team members -and those personal values in turn are largely shaped by the prevailing values of the culture in which the corporation is located. However, it is also vital to be aware that there is a time lag between the

emergence of new personal values in a culture and the changes in management philosophy and corporate ethics needed to reflect those new personal values in a culture.

Hence, in order to see the present economic and corporation situation more clearly-including properly appreciating the four documents printed in this book-and catch a glimpse of what the immediate future holds in store, we need to glance backward. We need to review the values that have been dominant in Western civilization-which till now has been the major driving force in business management, though it is being increasingly joined by other cultural forces in wielding influence-especially as they were reflected in economic activity.

The values which have historically influenced business management in the West have been largely taken from the "Protestant Ethic." Its views about humanity were fundamentally pessimistic, coming as they did largely from Luther-Calvin, and far behind them, Augustine. (It is interesting that those Christian theologians who were more optimistic about human nature were excoriated as heretical: e.g., Pelagius by Augustine and Erasmus by Luther.) In that mode, the "father of scientific management," Frederick Taylor, taught that employees are inefficient, wasteful, lazy, economically self-interested, and peer competitive, and therefore needed tight controls and external motivation.

The general view of the world in the West in early modern times was, thanks largely to Sir Isaac Newton, one of order, structure, stability; humans simply needed to learn the specifics of the unchanging laws of nature so as to master them. The same was also thought to be true in the management of human life, including that of *homo economicus*.

The classic management theory then assumed the need to minimize employee resistance to work, to support the Protestant Ethic and to assert autocratic rule. Since cause and effect flows in one direction, hierarchial assumptions of organizational structure required causes to be toward the top of corporations and effects towards the bottom, that is, cause and effect had to operate from the top downward. The bureaucratic management system thus was centered on structure, hierarchy, authority of position and rules and laws.

2. *Teleocratic Management Philosophy*

As belief and value systems in a culture shift, the styles of leadership in that culture likewise inevitably shift. Hence, as beliefs in Western culture have been shifting from the static worldviews to dynamic ones:

- 1) Management philosophy has tended to shift away from statically structured bureaucratic systems and towards what Louis R. Mobley already in 1971¹ referred to as "teleocratic" systems, "goal-controlled," systems.
- 2) In philosophical circles in the early decades after World War II Existentialism and Zen Buddhism provided new insights. Their ever-present *now* became more significant and more important than the past and future.

- 3) Humanity's rewards or punishments shifted largely from beyond the grave to before death.
- 4) Humanity was increasingly seen as basically good, or could become so.
- 5) Humanity was viewed as in charge and as God's responsible agent was to act so as to bring about changes.
- 6) The Newtonian view was giving way to the idea that God who created the universe made women and men with free wills, and consequently they shared control with God.

Twentieth-century physical science has also been systematically destroying the old Newtonian mechanistic world view:

- 1) Einstein's relativity demonstrated that the observed and observer cannot be separated and still have meaning in the event.
- 2) Heisenberg's principle of indeterminacy pointed once again in the direction of the free will, which Luther had denied.
- 3) Quantum mechanics deals with mass and energy interchangeably, employing probabilistic mathematics whereby time, mass and space are united.
- 4) Even the laws of thermodynamics-which earlier had been thought to be determined toward the inevitable "wearing down," entropy, of the universe-now also had to include the realities of "life" which, tend to run in the opposite direction, that is, to expand, to complexify, to rise-not to sink into entropy.
- 5) This *ordering* principle seemed to be at work along with the dis-ordering principle, leading to chaos theory in the physical sciences, so that change, complexification, dynamism, and directionality-a *telos*-appear to be at the heart of the universe.

The dynamic view of reality was also reflected in the philosophical thought from the beginning of the twentieth century onward with the process thought of Alfred North Whitehead, Maurice Blondel and Henri Bergson, among others-of course the German Romantic philosophers Fichte, Schelling and Hegel were proto-types of the dynamic view of reality already a hundred years earlier.

The same dynamism was likewise true at the beginning of the twentieth century in Christian theology, with Whitehead once again leading the way whereby a world of stability created at the beginning of time gives way to process theology geared to a world of change, continually being created, and in which humanity is an active creator. Whitehead was paralleled by the Catholic so-called "Modernists," eventually preparing for the huge sea change of the Second Vatican Council (1962-65), which brought the Catholic Church as a whole to the forefront of the wave of dynamic change.

Perhaps the pinnacle of this dynamic view of humanity and the universe is reached in the thought of the French Jesuit paleontologist philosopher-theologian Pierre Teilhard de Chardin (d. 1955). As a paleontologist (literally "student of old beings"), Teilhard traced the long pattern of the evolution of the universe from the "big bang" fifteen billion years ago to the formation of the earth five billion years ago, to the emergence of life three hundred million years ago, to the rise of *homo sapiens* forty

thousand years ago, to the contemporary coming into existence of the “global mind” which he calls the *noosphere* (the Greek *nous*, “mind,” plus sphere). All this time change occurred through a process leading to the development of an ever greater complexity in the universe. Teilhard saw an inherent continuity and directionality aiming at consciousness and freedom in this process, beginning from the simplest form of matter, which had at its very core its “within” (*dedans*). In traditional philosophical language this “within” was called spirit, meaning that it did not occupy space; in modern physics it would be called energy-which was seen to be convertible with matter.

Coming closer to the fields of business/management, we see that in the behavioral sciences a similar dynamism appeared. The observations of humanity eventually led to the growth of “humanistic psychology” and to new assumptions about men and women’s *being* which lies behind their observed behavior.

During the first half of the twentieth century, American psychology was dominated by two schools of thought: behaviorism and psychoanalysis. Neither fully acknowledged the possibility of studying values, intentions and meaning as elements in conscious existence. The “First Force” grew out of Ivan Pavlov’s work with the conditioned reflex (induced under rigid laboratory controls, empirically observable and quantifiable) which gave birth to an academic psychology in the United States led by John Watson, eventually called “the science of behavior,” or behaviorism. The “Second Force” emerged out of Freudian psychoanalysis and the depth psychologies of Alfred Adler, Erik Erikson, Erich Fromm, Karen Horney, Carl Jung, Melanie Klein, Otto Rank, Harry Stack Sullivan and others. These theorists focused on the dynamic unconscious-the depths of the human psyche whose contents, they asserted, must be integrated with those of the conscious mind in order to produce a healthy human personality. The founders of the depth psychologies believed (with several variations) that human behavior is principally determined by what occurs in the unconscious mind.

So, where the behaviorists ignored consciousness because they felt that its essential privacy and subjectivity rendered it inaccessible to scientific study, the depth psychologists tended to regard it as the relatively superficial expression of unconscious drives.

By the late 1950's a “Third Force” began to form. In 1957 and 1958, at the invitation of Abraham Maslow and Clark Moustakas, two meetings were held among psychologists who were interested in founding a professional association dedicated to a more humanistic vision. They discussed several themes-such as self, self-actualization, health, creativity, intrinsic nature, being, becoming, individuality, and meaning-which they believed likely to become central concerns of such an approach to psychology. In 1961, with the sponsorship of Brandeis University, this movement was formally launched as the “American Association for Humanistic Psychology” and the first issue of the *Journal of Humanistic Psychology* appeared that spring.

By this time the term “human psychology” was in general use. It reflected many of the values expressed by the Hebrews, the Greeks, the Renaissance Europeans, and

others who have attempted to study those qualities unique to human life and which make possible such essentially human phenomena as love, self-consciousness, self-determination, personal freedom, greed, lust for power, cruelty, morality, art, philosophy, religion, literature, and science.

Abraham Maslow, Carl Rogers and Rollo May, who had participated in the original conferences, remained the movement's most respected intellectual leaders for the decades that followed. Maslow developed a hierarchical theory of human motivation which asserted that when certain basic needs are provided for, higher motives toward self-actualization can emerge. Rogers introduced person-centered therapy, which promoted the intrinsic human tendency toward self-actualization. Thus Maslow and Rogers embraced self-actualization both as an empirical principle and an ethical idea. Rollo May represented the European currents of existentialism and phenomenology and emphasized the inherently tragic aspects of the human condition. His books provided a philosophical perspective and insight into questions involving the enduring presence of evil and suffering in the world, as well as the nature of creativity, art and mythology, and the value of the humanities as psychological resources.

While Christian theology was moving towards the Catholic "both-and" view of reality and away from Protestant "either-or" assumptions, science was discovering the important principle of *feedback*-that is, the idea that each of the variables in a system can interact with each of the other variables, and further, that such a continually interacting system is an accurate description of reality. This idea has given rise to the whole new approach to problem analysis and solution called *Systems Theory*. Maslow's "psychology of becoming" applies *Systems Theory* to the psychological health of a human being as well as to the process of interpersonal relations. In fact, feedback concepts between persons are now accepted as essential in interpersonal relations and group dynamics. This is the concept of *synergy*.

In sum, as noted: as belief systems in a culture shift, the styles of leadership in that culture must inevitably shift. Thus, as beliefs in Western culture have been shifting from static Newtonian world views to dynamic Whiteheadian views, management philosophy has tended to shift away from bureaucratic systems and towards *teleocratic* systems. Today *change* is a more accurate description of the management world than stability. The social implications of this is that human purposes must continually be determined and changed, and consequently, social order must be conceived in terms of *process* rather than structure. The individual may expect many careers in a lifetime rather than one. S/he must possess problem-solving and decision-making skills- including the ability to set goals for him/herself and others as purpose continually shifts. Leadership, thus, is increasingly described as the ability to state a goal and reach it. To do so in an organizational setting, however, requires that goals not only be set, but also communicated to the members of the organization whose help is needed to reach the goal. In brief, feedback, dialogue, are vital to contemporary management.

Implications not only for management but also for business ethics of the more dynamic view of the world generally and humans specifically should be immediately

apparent: E.g., profits, like basic needs, are necessary human goals, but not the only ones. All the stakeholders of a business-workers, management, etc.-need to work not only for profit, but toward self-actualization as well. Hence, a more democratic, dialogue-directed atmosphere in the workplace is ethically warranted. If dynamism and change are at the heart of reality, then continued dialogue with all the stakeholders-customers, suppliers, stockholders, community-is ethically required, and the management style must change accordingly.

3. Ethics in Business

An increasing number of recent studies shows clearly that people do in fact act unselfishly.² One Canadian researcher put it this way: “Most businesses (especially large multinational businesses) and the people who work within them prefer to behave ethically.”³ Two Austrian scholars, after thorough field research, concluded that “only a minority of business professionals really think that ethics and economic success are contradictory concepts.... The popular assumption of business theory...that only egoism guarantees economic success, turns out to be a mere academic, theoretical theory. In practice managers want to combine ethics and success and they see possibilities to do so.”⁴

Going hand in hand with this fact is another fact, namely, that “a number of studies suggest that people, especially those operating in international settings, want more ethics training.”⁵ Reflecting this desire, the Social Sciences and Humanities Research Council of Canada “identified the area of ethics as one of its ‘strategic’ areas requiring research.” Further, U.S. universities must now include business ethics in their business schools’ curriculum if they are to maintain their accreditation. A 1992 survey of academics concerning the social issues in management identified as the three top areas for research: business ethics, international social issues, and corporate social responsibility.⁶ The ultimate commitment to the fostering of business ethics came from John Shar, former chair of the Securities and Exchange Commission, who made a \$23 million donation to the Harvard Business School to create a curriculum and teaching materials which incorporated business ethics issues.

A move on the part of corporations themselves in this area of business ethics was the development of individual corporate codes of business ethics, which are self-regulatory devices providing behavioral guidance to employees and policy commitments to stakeholders. Although J.C. Penny, as one of the first to publish such a code, issued theirs in 1913, it was not until the early 1970s that the adoption of corporate codes of ethics became widespread. By now about 80% of Canadian firms and 97% (!) of U.S. firms have corporate codes of ethics. Their implementation, however, remains a key concern.

A model example of such a corporate code of ethics, and its implementation, is that of Levi Strauss, the largest apparel maker in the world. According to an August 1, 1994 *Business Week* cover story, its CEO stated that “the corporation should be an ethical creature-an organism capable of both reaping profits and making the world a better place

to live.” The Levi Strauss corporate credo spells out the details of its ethical commitments, which are indeed sufficiently far-reaching to make *Business Week*’s devoting a cover story to it understandable, especially given the importance of the company:

New Behaviors

Management must exemplify directness, openness to influence, commitment to the success of others, and willingness to acknowledge our own contributions to problems.

Diversity

Levi Strauss values a diverse work force (age, sex, ethnic group, etc.) at all levels of the organization.... Differing points of view will be sought; diversity will be valued and honestly rewarded.

Recognition

Levi Strauss will provide greater recognition-both financial and psychic-for individuals and teams that contribute to our success... those who create and innovate and those who continually support day-to-day business requirements.

Ethical Management Practices

Management should epitomize the stated standards of ethical behavior. We must provide clarity about our expectations and must enforce these standards throughout the corporation.

Communications

Management must be clear about company, unit, and individual goals and performance. People must know what is expected of them and receive timely, honest feedback...

Empowerment

Management must increase the authority and responsibility of those closest to our products and customers. By actively pushing the responsibility, trust, and recognition into the organization, we can harness and release the capabilities of all our people.

Far from being just words, these ethical commitments are reflected in the following actions:

1. The Board of Levi Strauss voted unanimously to pull out of China \$40 million of business in protest to human rights violations.
2. The company asked some 6,000 employees, including its diversity council, which represented minority interests, for input when it remade its product development and distribution systems.
3. More than half of the company’s managers are women and the number of minority managers has been significantly increased.

4. All employees are evaluated not only by superiors but also by peers and subordinates.
5. The company does not employ children under fourteen in its overseas operations.
6. The company plants are rated among the safest in the industry.⁷

Nevertheless, it is very difficult for an individual corporation or manager to “go it alone,” so that it is seen as extremely important that external organizations help to provide the guidance and moral leadership needed. As one researcher focusing especially on international business put it: “A business cannot accomplish the task of creating a more ethical international business climate alone. It needs the help and support of such transnational organizations as the OECD or Transparency International.” She went on to argue that, “it is through cooperation among these various institutions that the development of international standards can be developed. It is only in this way that there will be the creation of an international business climate that makes unethical behavior unacceptable.”⁸

That, of course, is precisely what the several documents in this volume and the organizations behind them are designed to do. Moreover, there are further organizations, such as also listed in this book, e.g., World Business Academy, Business for Social Responsibility, Social Venture Network, Ethics Officer Association, which aim at fulfilling the same purpose. Moreover, this proliferation of business ethics organizations is not limited to the Western world. For example, the first international Congress of the International Society for Business and Economics Ethics was held in July, 1996, in Tokyo, and in November, 1997, the Institute for Understanding Islam (IKIM) in Kuala Lumpur, Malaysia held a conference on “Values Based Management as the Model for the Corporation of the 21st Century.”

Beyond that, the “most challenging of all is the need to identify a common set of rules and values upon which codes can be based.”⁹ In fact, there is a strong movement to develop a *Universal Declaration of a Global Ethic*.¹⁰ Clearly business ethics needs to be a critical part of such a Declaration. It is to be hoped that the business men and women who find the documents in this volume inspiring will also turn their energies to contributing to the development of a Global Ethic.